Retail and wholesale buying behaviour for two different food products in six Eastern European countries

Working paper no 66

December 1999

Retail and wholesale buying behaviour for two different food products in six Eastern European countries

Lars Esbjerg
Hans Skytte
The Aarhus School of Business

Executive summary

1. The structure of retailing and wholesaling in Eastern Europe has been significantly altered by privatisation and liberalisation in the transition from central planning to market economy. Furthermore, many western retailers faced with saturated domestic markets have expanded into Eastern Europe in an attempt to take advantage of the opportunities created by the liberalisation.

2. The aim of this study is to increase our knowledge of retail and wholesale buying behaviour in Eastern Europe by examining the buying behaviour for fish and cheese products in the Czech Republic, Hungary, Poland, Estonia, Latvia and Lithuania. 95 semi-structured interviews were conducted with industry experts, retail buyers and wholesale buyers of fish and cheese.

3. To structure the discussion of buying behaviour for fish and cheese in Eastern Europe, a simple model of buying behaviour is constructed by combining elements from Dawson, Shaw and Blair (1992), Hansen and Skytte (1998) and Sheth (1981).

4. With regards to retail buying behaviour, results show that buying functions are organised differently. Retailers in Estonia, Latvia and Lithuania are smaller than their counterparts in the Czech Republic, Hungary and Poland and hence do not have the resources necessary to employ people whose sole task it is to buy fish or cheese. Buying therefore often becomes a management responsibility. Furthermore, whereas buying committees are in widespread use in Central Europe, none of the Baltic retailers had such committees.

5. The most important criteria used by retail buyers in Eastern Europe to evaluate products and suppliers of fish and cheese are price and financial conditions, the suppliers' range of products, the way the supplier does business as well as quality.

6. The differences in the organisation of buying functions found between retailers were also found for wholesalers. The most important evaluative criteria used by wholesale buyers are price and financial requirements, quality, reliability of suppliers and marketing support offered.

7. The paper concludes with a discussion of managerial and theoretical implications and areas for future research. We propose that in the long term, the best strategy for Danish food exporters is to approach a number of key retailers and establish close relationships with these retailers in order to fulfil their specific requirements. Theoretically, we conclude that retail and wholesale buying behaviour in Eastern Europe can be analysed using concepts developed for studying retail buying behaviour in Western Europe. Finally, we believe that further research is needed regarding the importance of individual criteria, the relationship between economic development and the buying behaviour of retailers and wholesalers, and the decision-making processes of retail and wholesale buyers in Eastern Europe.

INTRODUCTION

Over the last decade the political and economic landscape of Eastern Europe[1] has changed fundamentally following the sudden collapse of communism and the abolition of central planning. These changes have sparked considerable interest from both academia and business, interested in the previously untapped markets with more than 300 million consumers that have now opened up. Retailing is one of the industries that has attracted most attention from western companies, both through direct investments in retailing and as a potential customer. A considerable number of articles concerning the structure of distribution systems in Eastern Europe in general and retailing in particular have been published (see eg Dahab, Gentry & Sohi 1996; Fulop 1991; Henry & Voltaire 1995; James 1992; Lehota 1993; McGoldrick & Holden 1993; Mueller & Broderick 1995; Mueller, Wenthe & Baron 1993; Seitz 1992). However, to our knowledge nobody has investigated the buying behaviour of retailers and wholesalers in Eastern Europe.

This paper reports the results of an investigation of the buying behaviour for two different food products of retailers and wholesalers in Eastern Europe. Although this study focuses on the buying of fish and cheese, the overall aim is to increase our knowledge of retail and wholesale food-buying behaviour in Eastern Europe in general. This is interesting from both a practical and a theoretical point of view. On the one hand, greater knowledge of the buying behaviour of retailers and wholesalers in Eastern Europe will make tailoring of market offerings to local demands easier for food producers. From a theoretical standpoint, Eastern Europe poses a unique research opportunity to investigate how distribution system structures and retail buying behaviour evolve as economies are transformed from central planning to being market-based.

This study investigates the buying behaviour of retailers and wholesalers in six Eastern European countries: the Czech Republic, Hungary, Poland, Estonia, Latvia and Lithuania. The Czech Republic, Hungary and Poland are the economically most advanced countries of Eastern Europe (Lascu, et al. 1996) and are considered the most attractive markets (Nowak 1996). Estonia, Latvia and Lithuania are poorer than the three Central European countries (see Table 1), yet they are considered almost as attractive because of their political, economic and social stability, economic performance and investment climate (Nowak 1996).

1 Considerable confusion reigns regarding the 'Eastern Europe' construct (Mueller & Mueller, 1996). Here the term Eastern Europe is used as a generic term encompassing all "European" countries of the former Soviet bloc. Throughout the remainder of this paper, the term Eastern Europe will take on a narrower meaning, referring only to the six countries covered by this study. The Czech Republic, Hungary and Poland are collectively referred to as Central Europe while Estonia, Latvia and Lithuania are termed the Baltic republics.

Table 1. General economic indicators (1997)

	Czech Republic	Hungary	Poland	Estonia	Latvia	Lithuania
Area (sq. km)	78,703	93,030	312,683	45,226	64,100	65,200
Population ('000)	10,298	10,232	38,615	1,437	2,421	3,617
Population density (inhabitants per sq. km)	131	110	117	32	38	55
GDP (USD million)	52,035	45,725	135,659	4,682	5,527	9,585
GDP per capita (USD)	5,053	4,468	3,513	3,259	2,283	2,650

Sources: Central Intelligence Agency (1997), World Bank (1999).

Background and distribution system structure

Understanding and explaining retail and wholesale buying behaviour in Eastern Europe requires knowledge of the context of such behaviour. Therefore, this section will briefly outline the antecedents of today's retail and wholesale environment and describe the current structure of distribution systems. However, first the role of retailing and wholesaling in modern market economies will be considered briefly.

The role of retailing and wholesaling in market economies

The distributive trades are of central importance in modern market economies, in which the processes of production and consumption have been separated (Bucklin 1972). In bridging the gap between production and consumption, retailing and wholesaling improve the efficiency of the exchange process, adjust the discrepancy of assortment, provide the routinisation of transactions and facilitate the search process (Alderson 1954). According to the theory of distribution channel structure developed by Bucklin (1966; 1972), the structure of retailing and wholesaling in market economies depends on consumer demand for service outputs. Bucklin specifies four generic service outputs from distribution channels: (1) market decentralisation, (2) lot size, (3) delivery time and (4) product variety. Bucklin (1966) argues that under conditions of competition and low entry barriers, in the long run a channel structure comprising a set of institutions so well adjusted to its task of supplying service outputs and to its environment will evolve that no other set of institutions could create greater profits or more consumer satisfaction per dollar of product cost.

Retailing and wholesaling under communism

The process of adjustment of distribution channel structure to consumer demand for service outputs described by Bucklin (1966; 1972) was not allowed to function in the centrally planned economies of Eastern Europe, in which the distributive trades were neglected (Bauer & Carman 1996; Seitz 1992). Retailing and wholesaling were considered necessary evils, in an otherwise production-oriented plan (Bauer & Carman 1996; Kozminski 1992) and were organised along roughly similar lines throughout the Comecon [Council for Mutual Economic Assistance] countries (Seitz 1992). Retail and wholesale institutions were mainly state-owned or co-operative companies. With the exceptions of Hungary and Poland, privately owned companies played only a minor role (Henry & Voltaire 1995; Lehota 1993; Seitz 1992). Both retailers and wholesalers were organised as geographic monopolies, with little or no competition among institutions (Nowak 1991; Seitz 1992).

In 1989 the Berlin Wall suddenly fell and a torrent of political change swept across Eastern Europe, bringing down the previous communist dictatorships in favour of pluralistic democracies. Realising the inadequacies of central planning, all countries initiated economic reforms in order to transform their economies from centrally-planned to market economies.

Two waves of transformation have since altered the structure of retailing and wholesaling in Eastern Europe beyond recognition. Firstly, and most dramatically, retail and wholesale companies were privatised. Second, liberalisation has forced these newly privatised companies to survive on market terms and enabled new retailers and wholesalers to be established. This sparked an evolutionary process of adaptation and competition accelerated by the entry of foreign retailers.

The structure of food retailing in Eastern Europe[2]

The distributive trades were among the first sectors to be privatised and liberalised (Kozminski 1992), and today almost all retailers and wholesalers in Eastern Europe are privately owned. Liberalisation of retailing and wholesaling has led to a dramatic increase in the numbers of both retailers and wholesalers, as new businesses have been established, either by local entrepreneurs or by foreign companies moving to take advantage of the business opportunities created by liberalisation (Kozminski 1992; McGoldrick & Holden 1993). The number of food retail outlets in the six Eastern European countries has almost doubled since the transformation process began (see Table 2).

Table 2. Changes in the number of food retail outlets

	1990	1991	1992	1993	1994	1995	1996
Czech Republic	.	70,900	108,300	118,000	124,400	113,800	.
Hungary	27,225	33,687	43,342	49,999	54,901	58,590	59,743
Poland	.	114,239	127,543	159,240	169,231	.	.
Estonia	.	.	.	1,843	2,018	2,421	2,180
Latvia	2,009	.	.	2,580	2,210	4,420	4,236
Lithuania	.	.	.	3,446	5,334	6,648	6,516

Sources: Corporate Intelligence on Retailing (1995), Euromonitor (1996), Eurostat (1997), Statistical Department of Lithuania (1997), Statistical Office of Estonia (1997).

2 This section focuses on food retailing because there is only limited information available about food wholesaling.

Although retailing in Eastern Europe was organised along almost similar lines in under communism and has been transformed by the same forces of change in all countries under study, there are considerable differences between the current food retail structures of the six countries: differences that are explained by two circumstances. First, the countries are at various stages of economic development (Table 1). For instance, the GDP per capita of the Czech Republic is more than twice as large as the Latvian GDP per capita. Secondly, experiences under communism were dissimilar. During the communist era, retailing in Central Europe, particularly Hungary and Poland, was more advanced than in the Soviet Union. To overcome the shortcomings of central planning, Hungary and Poland experimented with decentralised versions of communism, where individual retail institutions were given a degree of autonomy unknown in more "conservative" countries like Czechoslovakia and the Soviet Union (Fulop 1991; Kozminski 1992). Although the effects of these experiments were minor (Kozminski 1992; Nowak 1991), they nevertheless exposed Hungarian and Polish managers to western influences (Kozminski 1992), thus preparing the ground for the transformation that followed the events of 1989.

These differences in economic development and communist-era experience manifest themselves in the food retail structures of the individual countries. Both in absolute and relative numbers, there is an abundance of food retail outlets in the Central European countries compared to Estonia, Latvia and Lithuania (see Table 3). With 11.1 food retail outlets per 1,000 inhabitants, the Czech Republic has the highest number of food retail outlets relative to its population. This is more than five times the number in the poorest country, Latvia, were there are only 1.8 food retail outlets for every 1,000 inhabitants.

Table 3. Number of food retail outlets

	Czech Republic (1995)	Hungary (1996)	Poland (1994)	Estonia (1996)	Latvia (1996)	Lithuania (1996)
Number of retail outlets ('000)	209,300	181,500	415,449	4,386	9,545	19,421
Number of food retail outlets ('000)	113,800	59,743	169,231	2,180	4,236	6,516
Number of food outlets per 1,000 inhabitants	11.1	5.8	4.4	1.5	1.8	1.8
Number of food outlets per 10 sq. km	14.5	6.4	5.4	0.5	0.7	1.0

Sources: Central Statistical Bureau of Latvia (1997), Corporate Intelligence on Retailing (1995), DTI (1998), Euromonitor (1996), Statistical Department of Lithuania (1997), Statistical Office of Estonia and own calculations

Measured in terms of turnover, sales area and the number of employees, the majority of retail outlets in Eastern Europe are very small. In Poland, for instance, 90% of food stores have a sales area of less than 100 sq m (Corporate Intelligence on Retailing 1995). Because most food retail outlets are so small, they only need a small customer base to survive, something which helps explain their number.

These small, traditional food outlets are competing on two fronts. On the one hand, non-store retailing and in particular market places continue to play an important, though diminishing, role in Eastern Europe. Food products are bought on market places because of lower prices, fresher merchandise and tradition. The exact volume of market place turnover is difficult to estimate, as sales often remain unreported. Market places are most important in the Baltic region because consumers are poorer and therefore more price-sensitive than consumers in Central Europe. Also, retailing in general is less developed in the three Baltic republics. On the other hand, recent years have seen the introduction of modern retail formats like discounters, supermarkets and hypermarkets. As discounters, supermarkets and hypermarkets become more prevalent, small food retail outlets and market places will come under pressure and many will fold. Indeed, this process has already begun, as the number of food retail outlets has started to decline in several of the countries under study (Table 2).

In all six countries there are large differences in retail developments between urban and rural areas. So far, retail development has mainly been concentrated in urban, densely settled areas. Retail development in rural areas, on the other hand, has been slow.

Because the Central European countries are larger and more affluent markets, the Czech Republic, Hungary and Poland have attracted more attention from foreign retailers than Estonia, Latvia and Lithuania (McGoldrick & Holden 1993). This has accelerated retail development because western retailers are able to transfer the retailing techniques they have developed and used in the West (Schur & Fischer 1996).

Compared to Western Europe, retailing and wholesaling in Eastern Europe is very fragmented. The majority of retailers are independent and there are only few large chains (DTI 1998). However, there is a tendency towards increasing concentration and larger chains. Retail development in Western Europe, Japan and the United States has many common features (Kaynak 1987; Mueller & Broderick 1995). Given recent developments in retailing in Western Europe, it therefore seems reasonable to expect that a few chains will dominate food retailing in Eastern Europe in the long run, as is the case in the West (cf. Eurostat 1998). As consumers become more affluent and sophisticated, their demand for service outputs will change, forcing the structure of retailing and wholesaling to adjust. As retailer concentration in Eastern Europe increases, retailers become gatekeepers to consumers. A thorough understanding of the buying behaviour of retailers becomes a necessity for suppliers wanting to make their products available to consumers.

Methodology

In order to examine retailers' and wholesalers' buying behaviour for fish and cheese products in the Czech Republic, Hungary, Poland, Estonia Latvia and Lithuania, 95 semi-structured interviews were conducted with retail and wholesale food buyers as well as industry experts during the summer of 1997 (see Table 4). Because retailing and wholesaling are developing so swiftly in Eastern Europe, rendering directories and other listings of companies indicative at best, attempting to select a representative sample would have been futile. Rather, we strove to reflect the diversity of Eastern European retail and wholesale institutions in our sample. The sample thus includes both local and foreign retailers: co-operative, centrally owned and franchise-based retailers; different formats like supermarkets, discounters, hypermarkets and department stores. Likewise, our wholesale sample included both domestic and foreign owned wholesalers, general and specialist wholesalers etc.

Table 4. Distribution of interviews

	Czech Republic	Hungary	Poland	Estonia	Latvia	Lithuania	**Total**
Experts	3	0	1	2	2	2	**10**
Retailers	9	12	12	5	4	6	**48**
Wholesalers	5	8	8	5	6	5	**37**
Total	**17**	**20**	**21**	**12**	**12**	**13**	**95**

Respondents were questioned about a variety of issues related to the buying of fish and cheese products (see Figure 1). In connection with the generation of questions, a general value chain perspective was applied and experience from similar qualitative studies used.

*Figure 1. Topics for interviews with retail buyers**

1. General information about the chain
2. The decision-making process of the chain in connection with buying fish and cheese
3. The demands and wishes of the chain concerning raw materials
4. The demands and wishes of the chain concerning the degree of processing
5. The division of labour between the supplier and the chain when it comes to processing
6. The demands and wishes concerning the product
7. Should products from a foreign supplier be own labels, brands or no name products
8. What product assortment does the chain want the producer to supply
9. The placing of orders with suppliers
10. Factors concerning the physical delivery of fish and cheese
11. Factors concerning co-operation between the chain and the producer
12. Factors concerning communication to the consumer
13. The importance of personal relations in connection with the choice of supplier and products
14. Factors concerning prices, mark-ups and bonus agreements and the relationship between price and quality
15. Factors concerning the present suppliers of fish and cheese
16. Physical representation in the country
17. An assessment of Denmark as country of origin
18. An evaluation of the sales potential of fish and cheese to the consumer in the future compared with today

Note: * Wholesale buyers were asked similar questions. Industry experts were questioned about the overall retail and wholesale situation.

The choice of fish and cheese

We decided to specifically investigate the buying behaviour for fish and cheese, and the choice of fish and cheese suppliers, as these are products, for which there already is a substantial or growing demand in the six countries under study. Also, the choice of fish and cheese allows comparison of our findings with the findings of Skytte and Blunch (1998), who conducted a study of the criteria used in product and vendor selection decisions in connection with retail buying of fish and cheese in seventeen Western European countries. Finally, this study will help us decide, whether we can use the same attributes as Skytte and Blunch (1998) in subsequent quantitative studies of retail buying behaviour in Eastern Europe.

Methodological problems with market research in Eastern Europe

It has been noted that performing market research in Eastern Europe can be problematic (Broberg 1994; Lascu, Manrai & Manrai 1996; Mueller & Mueller 1996). Among the problems typically encountered are insufficient secondary statistical information; local researchers without market research experience or skills (Broberg 1994); cultural bias, as many western researchers have conducted their research from a western point of view (Mueller & Mueller 1996); and a misguided belief that Eastern Europe is a homogeneous market, when in reality there are substantial differences across countries (Lascu, et al. 1996).

Despite our efforts to the contrary, we also experienced a number of problems in connection with conducting our study. Interviewing was subcontracted to market researchers with in-depth knowledge of the respective markets. However, subcontracting data collection had a number of negative consequences. First of all, we did not have complete control over the interview process. This has resulted in slight differences between the methods used in data collection between the Baltic countries and the three Central European countries. However, given the exploratory nature of this study, this was not a major problem. Second, in Latvia and Lithuania we had to accept using companies that had only little knowledge of retailing and food distribution, although this does not appear to have had detrimental consequences for the quality of data. With regard to the quality of interviews, it has to be stressed that all interview transcripts were read upon receipt and possible ambiguities were discussed with the respective subcontractors in order to minimise possible detrimental consequences of language barriers. Another problem was that retailers in Eastern European are currently being swamped with requests for interviews. This problem was especially pertinent for Poland, where it was difficult to arrange interviews.

When interpreting our findings, it is important to keep these methodological limitations of the study in mind. Also, readers should keep in mind the swift pace of development in Eastern Europe. The buying behaviour of retailers and wholesalers is likely to have evolved during the time that has passed since our interviews were conducted, and generalisations should be made with caution. Nevertheless, we feel that our study represents a first step towards understanding retail and wholesale buying behaviour in Eastern Europe.

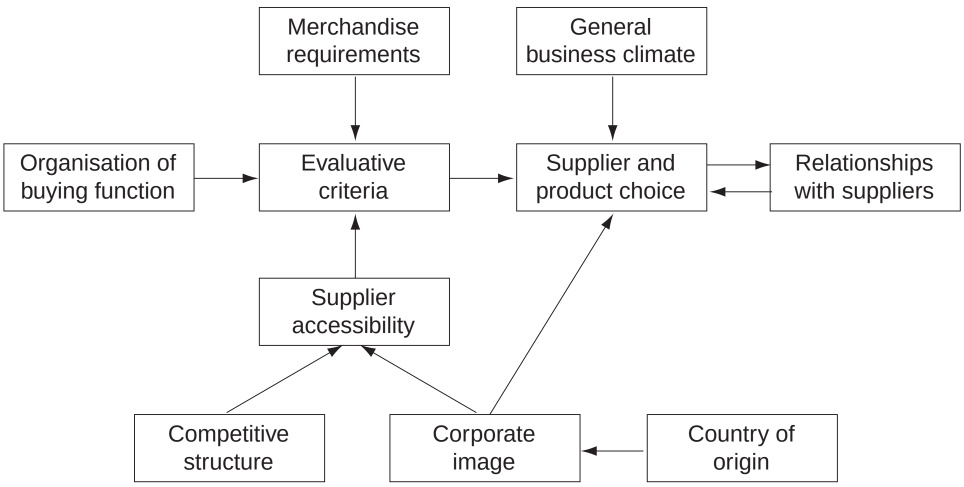
Retail buying behaviour for two food products

This section will present our findings concerning the buying behaviour of retailers in Eastern Europe. Initially, a simple model of retail buying behaviour will be introduced. The framework provided by this model will then be used to structure the discussion of Eastern European retail buying behaviour for fish and cheese. First, the organisation of the buying function of Eastern European retailers will be considered. Second, we will consider the requirements that retailers have for fish and cheese products and for potential and actual suppliers. Third, the evaluative criteria decisive for retailers' choice between competitive offers and suppliers will be discussed. Finally, the outcomes of the buying decision will be considered.

A model of retail buying behaviour

Combining elements from Shaw, Dawson and Blair's (1992) simplified model of the retail buying process and Sheth's (1981) model of retail buying behaviour, as modified by Hansen and Skytte (1998), we propose that the buying behaviour of Eastern European retailers can be described and analysed using the model depicted in Figure 2. The constructs of this model, and the relations between them, will be explained in this section in order to ensure understanding of the subsequent discussion of retail buying behaviour in Eastern Europe.

Figure 2. A simple model of retail buying behaviour



Sources: Adapted from Hansen and Skytte (1998), Shaw, Dawson and Blair (1992) and Sheth (1981).

Merchandise requirements are defined as the product and supplier attributes used by the retailer to evaluate different offerings. These attributes are evaluated against the retailers' motives, which are affected by the retailers' assessment of the consumers' needs and wants (Hansen & Skytte, 1998; Sheth, 1981). Supplier accessibility is the evoked set of product/supplier options available to the retailer to satisfy his merchandise requirements (Sheth 1981). In our conceptualisation, two factors influence supplier accessibility: the competitive structure of the supplier industry and the corporate image of the supplier firm. One aspect of corporate image is the suppliers' country of origin.

Based on his merchandise requirements and the product/supplier accessibility, the retailer evaluates competing offers. "Most retail buyers are buying many products and operating in a pressured work environment with little time available to evaluate, in a formal way, detailed and subtle criteria" (Shaw, Dawson & Blair 1992, p. 129). Consequently, Shaw, et al. (1992) argued that retail buyers use only a subset of merchandise requirements, termed 'evaluative criteria', to decide between different products and suppliers when making the actual buying decision[3].

Retailers organise their buying functions differently (Hansen & Skytte 1998), and the organisation of the buying function can influence the decision making process of the retailer (Shaw, et al. 1992). Using the evaluative criteria that he finds relevant, the retailer makes a product and supplier choice, a choice that can be influenced by the general business climate[4]. Following the product/ supplier choice, a relationship may be initiated (or maintained) with the supplier. Dahab, et al. (1996) have argued that (personal) relations are of particular importance in Eastern Europe, where channels may be controlled by networks of people with mutual interests. A phenomenon they termed 'interest domination' and defined as "the control of distribution channels in a specific industry or geographic area, or both, by an isolated group of economic actors" (Dahab et al. 1996, p. 9). In Eastern Europe, existing relations with suppliers may therefore influence the product/supplier choice.

Using the framework presented in this section, we will now turn to presenting our findings regarding the retail buying behaviour for food and cheese products in Eastern Europe. Not all constructs presented above will be discussed in equal depth. Instead we will focus on those issues which we consider most important for the understanding of Eastern European retail buying behaviour.

Organisation of the buying function

Retail institutions in Eastern Europe are young, newly established or privatised organisations that operate in an environment which has changed fundamentally over the last decade. This section will discuss how retailers in Eastern Europe have organised their buying functions in order to adapt to the new realities facing them. Four aspects of the organisation of buying functions by Eastern European retailers relevant to retail buying behaviour will be considered: (1) participants in the decision making process, (2) centralisation, (3) sources of information and (4) use of trial consignments and/or listing.

---

3 In connection with their study of the sourcing of retailer brand food products by a UK retailer, Shaw, et al. (1992) found that the different evaluative criteria used by retail buyers to assess which products best met their requirements could be grouped under four broad headings: (1) Product factors, or the mix and level of various attributes that the product should possess. (2) Product range issues, which cover two aspects, i.e. how well the product fits with the retailer's range of products and the overall image of the company, as well as the supplier's product range. (3) Price factors. (4) Supply factors, designed to minimise the retailer's costs associated with the procurement and merchandising of the product.

4 In his theory of merchandise buying behaviour, Sheth (1981) included three additional factors that influence product and supplier choice: business negotiations, the retail company's financial position and market disturbance.

Participants in the decision making process

The use of buying committees in connection with decision making has been the focus of considerable interest from retail scholars. According to previous research, buying committees appear to be particularly prevalent in grocery retailing, although do not appear to influence buying decisions significantly, as the committee usually adheres to the buyer's recommendations (Hansen & Skytte 1998). However, research of industrial buying behaviour has shown that company and buying function size influences whether buying decisions are made by individuals or groups and the quality of the decisions made (Patton, Puto & King 1986; Patton 1997).

Using the number of outlets in a chain as an indicator of size, retailers in Estonia, Latvia and Lithuania covered by this study are, in general, smaller than their counterparts in the Czech Republic, Hungary and Poland: a fact, which appears to be responsible for a number of differences in how retailers organise their buying function. Because Baltic retailers are small, operating an average of 6.7 stores per chain as opposed to the 28.6 stores of an average Central European retailer[5], they might not have the resources to operate a central buying department and to employ personnel whose sole task is to buy fish and cheese. Consequently, buying very often becomes a management responsibility. Indeed, general managers or even company presidents participate in the retail buying decision making of some of the retailers covered by this study. Management also participates in the decision making in Central European retailers, although to a lesser extent. When managers are involved this is frequently as part of a buying committee where managers evaluate the recommendations of individual buyers. Interestingly, whereas buying committees often make the final decision on purchases in Central Europe and particularly in Hungary, none of the Baltic retailers studied had such committees. A possible explanation for the greater prevalence of buying committees in Central Europe might be that these countries are more developed economically, something which is reflected in the larger average size of retail chains, facilitating the creation of separate buying functions. Furthermore, because the countries of Central Europe are considered more attractive markets, foreign retailers are more active in these countries and might have transferred the techniques used in the West (cf. Schur & Fischer 1996). In the Czech Republic and Hungary, buying committees are used more frequently by foreign owned rather than domestically owned retail chains. However, the opposite appears to be the case in Poland.

Centralisation of the buying function

From research it appears that centralisation of buying functions influences the buying behaviour of retailers (Feige & Tomczak 1995; Hansen & Skytte 1998). The significance of central buying functions lies in the attainment of cost efficiencies and greater buying power (Dawson & Shaw 1989). Most retail chains in Eastern Europe, to a greater or lesser extent, have a central buying function. Almost two thirds of Central European chains solely buy fish and cheese centrally; whereas two fifths of Baltic retail chains do so. Interestingly, the three foreign-owned Baltic retail chains covered by this study all solely buy fish and cheese centrally.

5 A number which excludes the 1,210 stores operated by a single Hungarian co-operative retail chain.

In Hungary and the Czech Republic all chains have a central buying function, although some combine this with local buying. Again size appears to be important, as chains in these countries are the largest, averaging 30.7 and 45.7 stores per chain, respectively. A quarter of Eastern European retail chains uses a combination of local and central buying. This may take the form of either a certain, centrally determined fixed, core assortment of fish and cheese and an additional assortment selected by individual outlets or to have central listing of suppliers, with local outlets choosing from the list of approved suppliers according to local needs. A small minority of predominantly Baltic chains only buy fish and cheese products at the outlet level.

Sources of information

In a rare study of retail buyers' use of information sources, Mazursky and Hirschman (1987) found that retail buyers use external non-personal sources more frequently than external personal sources for product and supplier selection. In Eastern Europe, suppliers themselves are the most often cited source of information on new food products and new suppliers for Eastern European retail buyers. Buyers get information from suppliers through both letters and mailings, possibly including samples, and the active sales work of visiting suppliers. Although the evidence is not clear, it appears that external non-personal sources are more important than external personal sources for retail buyers. This is consistent with the findings of Mazursky and Hirschman (1987).

Use of trial consignments and listing

With the notable exception of Hungarian retailers, most retailers in Eastern Europe expect trial consignments for evaluating the prospects of a new food product or supplier. A minority of retailers are satisfied with samples. The practise of 'listing' suppliers is very widespread in Hungary. Here eleven out of twelve retailers participating in this study used listing. In the Baltic countries and Poland only a few retailers use listing, although a number of retailers plan to introduce this practice[6]. Only a minority of retailers in Eastern Europe that use listing charge a fee to list suppliers.

Merchandise requirements

As mentioned, merchandise requirements are the buying motives and criteria used by retail buyers to evaluate different offerings (Hansen & Skytte 1998). These requirements can be either product related or supplier related.

Product-related merchandise requirements for fish and cheese products

Typically, retailers did not have any specific requirements concerning neither the raw materials used nor their origin. Only a small minority of retailers

6 No information available concerning use of the listing practice in the Czech Republic.

perceived the quality of a product to depend on the origin of raw materials. One retailer avoids fish caught along the south-east coast of the Baltic Sea. Another stated that the supply of fish was limited, and that he therefore could not make any demands concerning their origin. The low importance attributed to the traceability of fish and cheese products contrasts with the findings of Skytte and Blunch (1998). In a study of retail buying behaviour in 17 Western European countries, they found that traceability was among the most important attributes for the buying of fish and cheese.

Frozen and tinned fish are most popular with retailers in Eastern Europe, while the demand for fresh or smoked fish is limited. Even in the Baltic countries, which have a large local fish industry, only a few retailers demand fresh fish. In Hungary and the Czech Republic, in particular, the limited demand for fresh fish is related to the lack of a fish eating tradition. Also, many retailers do not have the refrigeration equipment necessary to handle and store fresh fish. There are some indications that this is changing, however. Some newly established, green-field retailers have large fish departments and other retailers indicated that they were considering acquiring the necessary equipment.

Most retailers demand both pre-packed slices and blocks of cheese. Typically, retailers in Central Europe sell a wide variety of cheeses[7]. However, the bulk of cheese sales is typically made up of hard cheeses, which account for between 40-60% of cheese sales. Measured by turnover, processed cheese is the second most important type (15-35%), while soft cheeses rank third (around 12%). Blue cheese, goat's milk cheese and other types of cheese together only account for a modest share of total cheese sales (10-15%).

Retailers prefer products with long shelf lives. This appears to be a general requirement, and is valid for both fish and cheese products. On the other hand, a number of retailers want products to contain only a minimal amount of additives and preservatives, the use of which has to comply with the local legislation.

With regard to packaging, it must be appealing and colourful. Some retailers prefer to buy fish and cheese in small packages, thus making such products affordable to their customers.

Assortment considerations

Most retailers prefer suppliers to offer a wide range of fish and/or cheese products from which they can choose. This was thought to enable the retailer to buy from fewer sources and thus achieve cost savings. Among the motivations given for wanting a wide range of products to choose from suppliers were that consumers were easily bored and that retailers wanted novelty products. Only a minority of retailers did not require suppliers to be able to supply a wide range of fish and/or cheese products.

Retailers in Eastern Europe are divided with regard to whether suppliers should be able to supply other products besides fish or cheese. Most retailers

7 Unfortunately, the discussion concerning different cheese types only covers the three Central European countries, as no information was collected about the Baltic countries.

prefer suppliers to focus on one product category. However, a minority of retailers consider it ideal if a supplier is able to supply as many different products as possible. According to this minority, a supplier of frozen fish should be able to supply other frozen goods, while suppliers of cheese should be able to supply other dairy products.

The use of retailer private labels is still limited in Eastern Europe, although several retailers plan to introduce them at some point[8]. The majority of retailers sell only manufacturers' brands and no-name products, and thus do not have to take the relative positioning of own labels and producers' brands into account when making buying decisions (cf. Shaw, et al. 1992). Retail chains in Eastern Europe are generally still too small to warrant the investments needed in conjunction with the introduction of private labels, explaining the limited use of this practice.

Supplier marketing

Marketing is considered to be the supplier's responsibility, particularly in the Baltic countries, and help regarding marketing is almost always expected in some form or another. The most frequently mentioned form of desired supplier marketing support was in-store sampling and tasting of products, which was appreciated or expected by almost 90% of the retailers questioned. The second most frequently desired form of supplier marketing is promotions. Some retailers pointed out that it was difficult to promote new products without promotions.

Besides supplier marketing, retailers also do their own marketing. In Hungary and Poland, some retailers mentioned that they expect suppliers to contribute towards the cost of their circulars.

Supplier characteristics

Retail buyers in Western Europe have been found to prefer doing business with suppliers from their own country or with suppliers who at least have local sales offices (Skytte & Blunch 1998). Regarding the local representation of foreign suppliers, retail buyers in Eastern Europe are divided. A small majority of retailers consider it important for foreign suppliers to establish some form of local representation, while a minority to do not attach any importance to this. The preferred option is for foreign suppliers to establish local manufacturing. The reasons are that it is considered to provide a cost advantage. However, this finding might be somewhat distorted by the large number of Polish retailers who prefer local manufacturing. The establishment of a sales company is the second most popular form of representation, although only in Central Europe, as no Baltic retailers suggest that local presence should take the form of a sales company. The establishment of a warehouse is also popular, particularly in support of a sales company or an agent, who are the least favoured alternative, but not far behind the other alternatives. In connection with the debate about local representation of suppliers, it is worth noting that many retailers reported

8 One third of the retailers participating in our study said that they planned to introduce private labels, while an additional 10% already had private labels. However, this probably underestimates the eventual spread of private labels.

that they buy imported fish and cheese products through local wholesalers. These retailers are too small to efficiently deal directly with foreign producers of these products.

Retail buying decisions for fish and cheese

As mentioned earlier, Shaw, et al. (1992) found that retailers only use a subset of merchandise requirements to evaluate offers and suppliers because they buy many products and operate in a pressurized work environment. In this section we will present findings concerning what retailers in Eastern Europe like about their current suppliers of fish and cheese and what requirements they have for new suppliers. The criteria and factors mentioned in this connection provide an indication of what criteria are most important when evaluating products and suppliers.

What retailers like about their current suppliers of fish and cheese

In general, retailers seem to be reasonably satisfied with their current suppliers of fish and cheese. The factors mentioned most frequently by retailers asked to list what they specifically like about their current suppliers, are price and financial conditions. This is hardly surprising, keeping the state of the economies of Eastern Europe in mind. However, many other factors are also important. One group of factors describes the climate and atmosphere of relations between suppliers and how the supplier conducts business. Words like reliable, flexible, fair, calculable, ready to compromise, effective, honest and trust all describe qualities which retailers like in their suppliers. That these qualities are important to retailers, to some extent at least, is due to the fact that some retailers have been cheated by their suppliers in the past. Therefore it is important for retail buyers to deal with suppliers they can trust.

Another factor centres on the supply and delivery of products. Several retailers emphasise the importance of continuous supply, and accurate and on-time deliveries. The product range, quality and the service offered by suppliers are also important considerations.

On the other hand, a few retailers had experienced problems with their current suppliers. Among these problems were that they were unstable and unreliable, unable to supply the desired quantity and at the agreed time.

Requirements for new suppliers

Although retailers in general like their current suppliers, opportunities still exist for new suppliers. Again prices and financial conditions are important when evaluating potential suppliers. It is interesting to note, however, that there is only a small overlap between retailers who are happy with the prices and financial conditions of current suppliers and those who use these same criteria to evaluate potential suppliers. If retailers are happy with the prices and financial conditions of suppliers other issues become important. These other issues are the quality of products, the range of products offered by suppliers, the marketing support offered and the way the supplier does business which is important for building trust between retailer and supplier. Quality becomes an important consideration when evaluating potential suppliers in the sense that retailers want to get either the same quality at lower prices or higher quality at similar prices.

The emphasis on factors like price, financial conditions and quality contrasts with the findings of Skytte and Blunch (1998), who found these criteria to be of little importance to the buying of fish and cheese by Western European retailers. Thus there are significant differences between the criteria used by retail food buyers in Western and Eastern Europe, possibly indicating that economic development influences the evaluative criteria used by retail buyers. Of course, these speculations need to be substantiated using research methods capable of establishing the relative importance of product and supplier attributes, eg, by extending the conjoint study of Skytte and Blunch (1998).

Evaluative criteria of retailers in Eastern Europe

Based on the preceding discussion, it is possible to make some generalisations about what are the deciding criteria for evaluating fish and cheese products and suppliers in Eastern Europe. When combining the findings on the criteria used to evaluate current and potential suppliers, the most important criteria are price, financial conditions, the suppliers' range of products, the way the supplier does business, and quality.

Retailer-supplier relationships

It has been argued that close, personal relations are of particular importance when doing business in Eastern Europe (Dahab, et al. 1996). Relations between retailers and suppliers are therefore not only a consequence of doing business: the relation between buyer and seller may be an antecedent of actually doing business.

We found that the importance of personal relations with suppliers is evaluated differently by various retail buyers. Some do not consider personal relations to be important, stressing instead the 'business-like' nature of relations. As a Polish retail buyer pointed out, he would buy from a Neanderthal if he had a good product. Others attribute at least some importance to personal relations. These retailers recognise the value of personal relations in the creation of trust or in helping the business side of relations. A few stress that, although personal relations are unimportant during the initial selection of suppliers, they become very important once a company has been listed. Indeed, one retailer noted that suppliers without inter-personal skills would be eliminated sooner or later. One of the Lithuanian experts interviewed gave additional evidence concerning the importance of personal relations when he commented that retailer buyers give priority to suppliers and producers with which he or she has close personal relations.

One aspect of personal relations is whether retailers consistently work with the same sales person when ordering. Most retailers do in fact normally talk to the same sales person, and some bemoan frequent salesperson changes. Although generalisations are difficult to make from the available data, it appears that such personal relations are least important in Poland and most important in the Czech Republic and Hungary, with the Baltic countries somewhere in the middle. This is somewhat surprising, given Dahab, et al's. (1996) prediction that the Central European countries should be least susceptible to this.

The duration of relations between retailers and their suppliers of fish and cheese is to some extent influenced by history, as many retailers and suppliers are newly established or have only recently expanded into Eastern Europe. As can be seen from Table 5, the majority of retailers have dealt with their main suppliers for less than five years, although one has to bear the large number of "no responses" in mind.

Table 5. The duration of relationships with main suppliers

	Fish		Cheese	
	Number	Percentage	Number	Percentage
Less than two years	9	19	5	10
2-3 years	9	19	8	17
4-5 years	14	29	15	31
6-10 years	4	8	2	4
More than ten years	2	4	4	8
No response	10	21	14	29
Total	**48**	**100**	**48**	**100***

Source: Retail buyer interviews.

Note: * For cheese the total percentage does not add to 100 due to rounding.

Most retailers prefer long-term relations with their suppliers and only a couple of retailers choose supplier from one purchase to the next. In order to facilitate long-term relations the majority of retailers negotiate annual contracts with suppliers. Some even negotiate longer term contracts or contracts without a fixed expiration date.

WHOLESALE BUYING BEHAVIOUR FOR FOOD PRODUCTS

The discussion in this section will follow the same outline as the previous section on retail buying behaviour for fish and cheese products, ie the discussion will centre around the organisation of the buying function, wholesalers' merchandise requirements, the evaluative criteria used to choose between products and suppliers and, finally, the outcomes of decisions[9]. Many issues are identical for both retailers and wholesalers and they will therefore, to the extent that they have already been discussed, not be considered in depth here.

9 Because we have found considerable similarities between wholesale and retail buying behaviour we will not present a separate model of wholesale buying behaviour.

Organisation of the buying function

Many of the differences in the organisation of buying functions, which were found between retailers, can also be found for wholesalers.

Participants in the buying decision making process

Like retail buying, wholesale buying of fish and cheese in Estonia, Latvia and Lithuania is a management responsibility. Other than that, generalisations concerning the people involved in the buying decision-making process are difficult to make for the three Baltic countries, as respondents gave a variety of job titles for the people involved in decision making. Job titles ranged from customers over managers to accountants. In Central Europe, the picture is somewhat clearer. Here the head or manager of the buying department is the most frequent participant in decision making. Buying committees are used far more frequently than in the Baltic countries.

Centralisation of the buying function

The vast majority of wholesalers have a central buying function. This is hardly surprising, as most wholesalers operate only one or two outlets. Only a couple of Polish wholesalers perform buying at the individual outlet level.

Sources of information

Differences exist between Baltic and Central European wholesalers with regard to the use of information sources. In the Baltic countries a large number of different sources are mentioned, but none stand out. Among the sources utilised by Baltic wholesalers are acquaintances, suppliers, fairs and catalogues. In Central Europe, on the other hand, the picture is again much clearer. Here trade fairs and trade magazines are the most important sources of information, except in Poland where letters and mailings from suppliers are mentioned most frequently. Thus, while Baltic wholesalers mention external personal sources of information most frequently, Central European wholesalers mainly use non-personal external sources of information when making buying decisions.

Use of trial consignments and listing

Wholesalers in Eastern Europe are about evenly split between those who require trial consignments of fish and cheese and those who do not. However, in the Czech Republic all wholesalers expect trial consignments. In the other countries, a number of suppliers expect trial consignments when dealing with new suppliers or new, unknown products. Listing is not used by any of our wholesale respondents.

Merchandise requirements

As was the case for retail buyers, most wholesalers have no specific requirements concerning raw materials and their origin. Also wholesalers mainly purchase frozen and canned fish. Only in Poland and Hungary did a couple of wholesalers demand a limited amount of fresh fish. With regard to cheese, wholesalers prefer to buy blocks, although cheese in slices is only slightly less popular. Wholesalers prefer long shelf lives.

Most wholesalers prefer suppliers to offer a wide assortment of fish or cheese because of economies of scale in transport and because it enables wholesalers to deal with fewer suppliers.

Supplier marketing

Wholesalers do not expect suppliers to provide marketing support to the same extent as retailers do. In Hungary, only two out of eight wholesalers expected any marketing support. On the other hand, the majority of Estonian wholesalers sampled, expected some form of supplier marketing activity. In-store sampling is the form of marketing support expected by the largest number of wholesalers.

Supplier characteristics

Compared to retailers, wholesalers assign far less importance to local representation of suppliers. A finding that is not surprising, as this is a function the wholesaler will be able to perform. Indeed, a number of wholesalers express interest in representing foreign suppliers in their respective markets. Still, there are wholesalers who consider some form of local representation important. What form such local presence should take is not clear based on the available data, as respondents are spread equally over the different options. Yet what it all boils down to is that wholesalers in Eastern Europe generally do not consider local representation of suppliers important.

Wholesale buying decisions for fish and cheese

What wholesalers like about their current suppliers

Not surprisingly, prices and financial conditions are some of the factors that are most important to wholesale buyers when evaluating current suppliers of fish and cheese products. The quality of the products is also very important, as is the supplier's reliability. This factor is part of a larger group of factors which all describe qualities of the supplier and his approach to business. Other factors in this grouping are whether the supplier is correct, trustworthy, honest, stable, flexible, fair and conscientious. These factors are valid for Eastern Europe as a whole, as there are no apparent differences between countries or regions.

A few Lithuanian and Estonian wholesalers commented on the problems they have experienced with their current suppliers. In particular, they had had problems with the assortment of suppliers, deliveries and the availability of goods.

Requirements for new suppliers

Price is by far the most important factor when wholesalers consider new, potential suppliers of fish and cheese, while, interestingly, financial conditions are mentioned far less frequently than when evaluating current suppliers. Quality is an important aspect, as is the marketing support that potential suppliers have to offer, the assortment and products that potential suppliers have to offer. As opposed to the evaluation of current suppliers, wholesalers mention qualities of the supplier and his approach to business remarkably less frequently. Perhaps this is because these aspects only become important after a trading relationship has been initiated as they cannot be pre-evaluated.

Criteria for choosing a supplier

Wholesalers were also asked directly about the criteria they use for choosing suppliers of fish and cheese. When asked directly about the criteria used for choosing suppliers, the most important criteria were price, quality, assortment and financial terms. Also several desired qualities of suppliers were mentioned. Thus, a supplier should be reliable, dutiful, responsible, orderly, honest, flexible and have a good reputation.

Evaluative criteria of wholesalers in Eastern Europe

The evaluative criteria used by wholesalers resemble those used by retailers, ie the most important evaluative criteria were price, financial requirements, quality, reliability of suppliers and marketing support. There are some minor differences, though, as wholesalers of fish and cheese attach greater importance to price issues than retailers.

Wholesaler-supplier relationships

The importance of personal relations is evaluated even more favourably by wholesalers than by retailers. In the Czech Republic and Hungary almost all wholesalers attribute at least some importance to personal relations with suppliers, while in Poland half do. Among the positive consequences associated with close personal relations are the notions that suppliers then are easier to work with, more reliable and responsible. Personal relations are also considered to facilitate good commercial relations and increased trust. Almost all wholesalers deal with the same sales person.

Wholesalers, like retailers, generally prefer long-term relations with suppliers. Relations between wholesalers and their suppliers tend to be of a longer duration than relations between retailers and their suppliers, as can be seen by comparing Tables 5 and 6. One Hungarian wholesaler had even dealt with its main supplier for 100 years. Of course, most relations tend to be of a shorter duration due to the turmoil caused by the transformation process. On the other hand, several wholesalers determine suppliers from purchase to purchase. Most wholesalers prefer long-term or annual contracts, while those preferring to do business on a purchase-to-purchase basis negotiate contracts for each purchase.

Table 6 The duration of relationships with main suppliers

	Fish		Cheese	
	Number	Percentage	Number	Percentage
Less than two years	1	3	0	0
2-3 years	9	25	4	11
4-5 years	8	22	3	8
6-10 years	4	11	1	3
More than ten years	1	3	4	11
No response	6	17	13	36
Does not sell product*	7	19	11	31
Total	**36**	**100**	**36**	**100**

Source: Wholesale buyer interviews.

Note: * Many wholesalers specialise in either fish or cheese.

DENMARK AS COUNTRY OF ORIGIN

Ettenson (1993) studied country of origin effects in Russia, Hungary and Poland for colour televisions. He found that country of origin played a dominant role in the decision behaviour of Russian and Polish consumers. Televisions made in one of three Western countries (Japan, West Germany and the USA) were evaluated more favourably than televisions made in any of the three Eastern European countries. In contrast, Hungarian consumers were found to be more functional in their decision strategy overall. However, individual-subject analysis showed that country of origin had a significant effect on the decision making of over one-third of Hungarian consumers. Although for an entirely different product category than fish or cheese, Ettenson (1993) nevertheless provided some tentative evidence concerning the importance of country of origin to consumers in Eastern Europe.

As part of our study we asked respondents to evaluate Denmark as a country of origin compared to other foreign suppliers and to mention the associations they had in connection with Denmark. Respondents were also asked to consider whether these associations could be used in communications towards consumers and if so, how.

Perception of Denmark as country of origin

Denmark is perceived positively by both retailers and wholesalers in Eastern Europe. Danish fish and cheese products are associated with high quality and high prices. Among the positive associations buyers had when thinking of Denmark was a clean environment, Danish Butter Cookies and a good soccer team. Danish food producers were perceived to be reliable and solid business partners by companies that had had experience dealing with Danish business partners. Only a few buyers had no or neutral associations with Denmark.

Use of Danish origin in communication towards consumers

As regards to the importance consumers place on country of origin, there was some disagreement. Some respondents said that a product's country of origin did not matter to consumers, while other respondents held that consumers did notice the country of origin of products. An interesting observation is that the Latvian wholesalers who had a neutral attitude towards Denmark were also the only wholesalers to claim that country of origin was unimportant to consumers.

Although consumers in general are supposed to have a positive attitude towards products from Northern and Western Europe, a number of retailers and wholesalers felt that consumers did not have a distinct perception of Denmark. These respondents argued either that this was because consumers did not know Denmark or because consumers had no clear perception of Denmark as a country of origin of fish and cheese products.

Consequently, there was also some disagreement as to whether the Danish origin of products could be used in communication with consumers. When asked as to what form Danish origin in marketing could take, only few suggestions were offered. Among these were to educate consumers about Denmark and to have a "week of Danish products". Others felt that marketing should promote the Scandinavian style of living, have girls in folk dresses do product sampling or stress hygiene in food production.

Discussion and implications

In this section, we will discuss the practical and theoretical implications of our findings. The discussion of the practical implications of the study will consider a number of factors influencing the future development of the different Eastern European markets and the prospects of exporters of fish and cheese. Furthermore an overall evaluation of the opportunities open to producers and suggestions for possible entry strategies will be given. Finally, possible areas for future research will be discussed based on the theoretical contribution and implications of this study.

Practical implications

Factors influencing the prospects of fish and cheese exporters

An exhaustive list of factors that could potentially influence the prospects of exports of fish and cheese to the countries of Eastern Europe would be endless. In this section we will therefore concentrate on a small number of factors which we consider to be of particular importance to the prospects of exporters.

First of all, the economies of Eastern Europe are generally expected to exhibit strong growth in the future. This growth will bring greater consumer welfare, thus increasing the buying power of consumers and the possibilities for buying products other than the bare necessities. Both cheese and fish products are among the product categories that retailers expect to benefit from increased consumer welfare.

Although today, local production of fish and cheese is protected by tariffs and other trade barriers in most of the Eastern European countries, future membership of the EU will bring down these barriers and make it easier for companies to enter the market.

Consumption of fish is currently low in the Czech Republic and Hungary, where there is no tradition of eating fresh fish, except carp for Christmas. However, throughout Eastern Europe retailers and wholesalers alike expect a boost in fish consumption fuelled by a growing consumer concern about health issues. Several retailers and wholesalers also reported difficulties in securing sufficient supplies of fish. A number of retailers and wholesalers have experienced problems with some of their former or current suppliers, leaving them dissatisfied and probably open to new offers. Some of these problems were related to the supply and delivery of products. There are still supply problems for both fish and cheese. Due to the major agricultural crisis at the beginning of the decade, livestock numbers in the Baltic region declined dramatically leading to a sharp fall in milk production and consequently also the production of cheese. In the Baltic countries cheese production is therefore only about half of 1990 levels. Although livestock numbers are slowly being rebuilt, it will take years to reach previous output levels. Although to a lesser extent, similar problems have also been encountered in the three Central European countries. Despite some continuing problems with cheese supplies in Hungary, problems in Central Europe were generally of a more temporary nature and production has reached earlier levels. This points to an unsatisfied demand.

Overall market evaluation

Although there are definite growth prospects for the markets for fish and cheese in general and opportunities for increasing exports of fish and cheese to the Czech Republic, Hungary, Poland, Estonia, Latvia and Lithuania in particular, potential exporters should realise that exporting to Eastern Europe will not be easy. They will face many competitors, who like themselves want to tap into these markets. But they will also have many potential customers, as retail chains are still small and numerous. Overall, our evaluation of the countries of Eastern Europe as potential export markets for producers of fish and cheese is therefore cautiously optimistic.

Suggestions for exporters

In the short and medium term selling through wholesalers might be a viable option, as many retailers buy imported fish and cheese through wholesalers and several wholesalers indicated an interest in selling the products of foreign food producers in their respective markets. However, exporters also have to keep the problems associated with this option in mind. By selling through wholesalers, producers rely on their partners to provide them with market information and risk loosing touch with the requirements of retailers and consumers. Also, as retailing in Eastern Europe almost inevitably will become more concentrated, retailers will want to deal directly with suppliers and eliminate wholesalers from the supply chain.

A better long-term strategy is therefore to approach a number of key retailers with good growth prospects and to establish close relationships with these retailers in order to fulfil their specific requirements (cf. Skytte & Blunch 1998). Such co-operative relationships with retailers could, for example, centre on the supply of fish and cheese products with the retailer's own label. Although retailer own labels are not in widespread use in Eastern Europe today, many retailers plan to introduce them in the near future. Furthermore, currently Eastern European retailers are so small that small producers will be able to supply the whole chain, something Skytte and Blunch (1998) found to be of considerable importance to western retailers and which in the future could become so for retailers in Eastern Europe as well.

Theoretical implications and areas for future research

From a theoretical point of view, this study represents a first step towards understanding retail and wholesale buying behaviour in the transforming economies of Eastern Europe. However, much research still needs to be conducted to fully understand the buying behaviour of retailers and wholesalers in Eastern Europe.

This study implies that retail and wholesale buying behaviour in Eastern Europe can be analysed using concepts and models developed for studying retail buying behaviour in the West. Thus we found that many of the constructs used by Skytte and Blunch (1998) to analyse retail buying behaviour in Western Europe could be used to study retail and wholesale buyers in Eastern Europe. However, the results also indicate that the weighting of individual constructs and concepts differs between Eastern and Western Europe. Furthermore, the present study supports the results of Mazursky and Hirschman (1987) concerning retail buyers' utilisation of various information sources for product and supplier selection.

Finally, our results provide only limited support for the importance of interest domination for retail and wholesale buying behaviour. Dahab et al. (1996) suggested that channels of distribution in Eastern Europe may be controlled by groups of people with mutual interests. However, while many respondents indicated that personal relationship between buyer and seller were important, this was mainly because personal relationships facilitated the creation of trust between retailer/wholesaler and supplier and consequently helped the business side of relations.

Areas for future research

While this study has indicated that price and financial terms are the single most important criteria for retail and wholesale buyers in product and supplier selection, the evaluative criteria used by retailers in Eastern Europe need to be explored in more depth, particularly with regards to the relative importance of different criteria. Extending the work of Skytte and Blunch (1998) is particularly promising because this will allow comparisons of the buying behaviour of retailers in Eastern and Western Europe.

This study has indicated that the economic development and distribution structure of countries in Eastern Europe influence the organisation of buying functions, particularly in retail institutions. The relationship between economic development, the structure of the distributive trades and the buying behaviour of retailers and wholesalers needs to be explored further. The work of Olsen and Granzin (1987; 1990; 1994), who have shown that economic development influences the structure of marketing channels, could serve as a point of departure for such research.

In a similar vein, the decision-making processes of retail and wholesale buyers in Eastern Europe should also be investigated in greater detail. For example, the use of buying committees seems to be more widespread in Central Europe than in the Baltic republics. It was a speculation in this paper that this was due to Western European retailers having been more active in Central Europe. This proposition needs to be examined further, possibly using the 'marketing as technology transfer' paradigm proposed by Schur and Fischer (1996).

SUMMARY AND CONCLUSIONS

In this paper, the first results of a study of retail and wholesale buying behaviour for fish and cheese products in six Eastern European countries have been reported. The findings showed a number of similarities and differences among the six countries under study as well as among retailers and wholesalers.

Most retailers and wholesalers in Eastern Europe have centralised buying functions. However, centralised buying is more widespread in Central Europe than in the Baltic region. Furthermore, buying is typically a management responsibility in the Baltic countries, while the use of buying committees is more prevalent in Central Europe.

Retailers in Eastern Europe generally have no specific requirements concerning the traceability of fish and cheese products. This contrasts with the findings of Skytte and Blunch (1998) that found traceability to be very important to retailers in Western Europe. The majority of both retailers and wholesalers prefer suppliers to offer a wide range of products, because this makes it possible to limit the number of suppliers. Only a few retailers in Eastern Europe have own labels, although a considerable number plans to introduce own labels.

While retailers generally prefer foreign suppliers to establish some form of local representation, wholesalers consider this to be of far less importance. Retailers generally expect greater marketing support from suppliers than do wholesalers. The most often required support in connection with fish and cheese is in-store sampling of products.

Eastern European retailers and wholesalers use similar criteria to evaluate products and suppliers. Retailers evaluate suppliers based on price, financial conditions, the range of products of suppliers, the way the supplier does business and quality. Wholesalers, on the other hand, use price, financial requirements, quality and supplier reliability to evaluate suppliers. Both retailers and wholesalers prefer long-term relationships with suppliers.

Overall, the possibilities for export of fish and cheese to Eastern Europe were seen as good, as the economies will grow in the years to come, thus increasing consumer welfare. Also there are currently problems with the supply of both fish and cheese. The possibilities for exports will change in the future as the structure of distribution systems and the buying behaviour of retailers and suppliers evolve. In the long run, the best entry strategy is deemed to be to enter into close, long-term relationships with retailers.

References

Alderson, W. (1954). Factors governing the development of marketing channels. In: R. M. Clewett (Ed.), *Marketing channels for manufactured products*, pp. 5-34. Homewood, IL: Richard D. Irwin.

Bauer, A. & Carman, J. M. (1996). *Toward explaining differences in the transition of distribution sectors of Central European economies: A work in progress*. 25th EMAC Conference, Budapest, Budapest University of Economic Studies. 14-17 May.

Broberg, M. (1994). Market research in Poland. *Journal of Euromarketing 4* (1), 63-81.

Bucklin, L. P. (1966). *A theory of distribution channel structure*. Berkeley, CA: University of California.

Bucklin, L. P. (1972). *Competition and evolution in the distributive trades*. Englewood Cliffs, NJ: Prentice Hall.

Central Intelligence Agency (1997). *World Factbook 1997-98*. Washington, DC: Central Intelligence Agency, Directorate of Intelligence.

Central Statistical Bureau of Latvia (1997). *Retail trade, public catering and market services in Latvia 1997*. Riga: Central Statistical Bureau of Latvia.

Corporate Intelligence on Retailing (1995). *Retailing in Europe – Eastern Europe*. London: Corporate Intelligence on Retailing.

Dahab, D. J., Gentry, J. W. & Sohi, R. S. (1996). Interest domination as a framework for exploring channel changes in transforming economies. *Journal of Macromarketing* (Fall), 8-23.

Dawson, J. A. & Shaw, S. A. (1989). The move to administered vertical marketing systems by British retailers. *European Journal of Marketing 23*(7), 42-52.

DTI (1998). *Retailing in Central Europe*. London: Department of Trade and Industry.

Ettenson, R. (1993). Brand name and country of origin effects in the emerging market economies of Russia, Poland and Hungary. *International Marketing Review 10*(5), 14-36.

Euromonitor (1996). Czech Republic food retailing. *Retail Monitor International* (November), 63-115.

Eurostat (1997). *Retailing in the Central European countries 1996*. Luxembourg: Office for Official Publications of the European Communities.

Eurostat (1998). *Retailing in the European Economic Area 1997*. Luxembourg: Office for Official Publications of the European Communities.

Feige, S. & Tomczak, T. (1995). *Einkaufsentscheidungen des Handels - Kritischer Faktor für erfolgreiche Markenführung: Eine empirische Studie zum Entscheidungsverhalten des Lebensmittelseinzelhandels und Hinweise zur handelsorientierten Markenführung*. St. Gallen: Forschungsinstitut für Absatz und Handel.

Fulop, C. (1991). The changing structure of Hungarian retailing: Prospects for foreign retailers. *Journal of Marketing Management 7*, 383-396.

Hansen, T. H. & Skytte, H. (1998). Retailer buying behaviour: A review. *International Review of Retail, Distribution and Consumer Research 8*(3), 277-301.

Henry, R. & Voltaire, K. (1995). Industry note: Food marketing in transition in Eastern and Central Europe. *Agribusiness 11*(3), 273-280.

James, P. (1992). Retailing in Hungary – Centrum Department Stores. *International Journal of Retail & Distribution Management 20*(6), 24-29.

Kaynak, E. (1987). Global retailing: Integrative statement. In: E. Kaynak (Ed.), *Transnational retailing*, pp. 3-19. Berlin: Walter de Gruyter.

Kozminski, A. K. (1992). Consumers in transition from the centrally planned economy to the market economy. *Journal of Consumer Policy 14*, 351-369.

Lascu, D.-N., Manrai, L. A. & Manrai, A. K. (1996). Environmental dimensions of emerging markets: Introducing a region-relevant market analysis matrix. *Marketing in Central and Eastern Europe 3*(1), 27-41.

Lehota, J. (1993). Characteristics of agricultural marketing in Hungary during the formation of market economy. *Food and Agribusiness Marketing in Europe*, 179-195.

Mazursky, D. & Hirschman, E. (1987). A cross-organisational comparison of retail buyers information source utilisation. *International Journal of Retailing 2*(1), 44-61.

McGoldrick, P. J. & Holden, N. J. (1993). Developments of western retailers in Eastern European markets. *Journal of Marketing Channels 2*(3), 61-83.

Mueller, R. D. & Broderick, A. J. (1995). East European retailing: A consumer perspective. *International Journal of Retail & Distribution Management 23*(1), 32-40.

Mueller, R. D., Wenthe, J. & Baron, P. (1993). Case note: The evolution of distribution systems - A framework for analysing market changes in Eastern Europe: The case of Hungary. *International Marketing Review 10*(4), 36-52.

Mueller, R. D. & Mueller, J. D. (1996). Increasing the validity of post command economy research and application. *Marketing in Central and Eastern Europe 3*(1), 7-26.

Nowak, J. (1991). Marketing of crop products in Poland. *Journal of International Food & Agribusiness Marketing 3*(2), 69-84.

Nowak, J. (1996). Marketing strategies for Central and Eastern Europe. *Journal of Euromarketing 5*(2), 101-125.

Olsen, J. E. & Granzin, K. L. (1987). A conceptualization of the relationship between economic development and the structure of marketing channels. In: R. W. Belk et al. (Eds.), *Proceedings of AMA Winter Educators' Conference*, pp. 307-311. American Marketing Association.

Olsen, J. E. & Granzin, K. L. (1990). Economic development and channel structure: A multinational study. *Journal of Macromarketing 10*(Fall), 61-77.

Olsen, J. E. & Granzin, K. L. (1994). Vertical integration and economic development: An empirical investigation of channel integration. *Journal of Global Marketing 7*(3), 7-39.

Patton, W. E. (1997). Individual and joint decision-making in industrial vendor selection. *Journal of Business Research 38*, 115-122.

Patton, W. E., Puto, C. P. & King, R. H. (1986). Which buying decisions are made by individuals and not by groups? *Industrial Marketing Management 15*, 129-138.

Schur, P. H. & Fischer, H. R. (1996). Marketing as technology transfer in developing European markets. *Journal of Euromarketing 5*(1), 83-98.

Seitz, H. (1992). Retailing in Eastern Europe: An overview. *International Journal of Retail & Distribution Management 20*(6), 4-10.

Shaw, S. A., Dawson, J. A. & Blair, L. M. A. (1992). The sourcing of retailer brand food products of a UK retailer. *Journal of Marketing Management 8*, 127-146.

Sheth, J. N. (1981). A theory of merchandise buying behavior. In: R. W. Stampfl & E. C. Hirschman (Eds.), *Theory in retailing: Traditional and nontraditional sources*, pp. 180-189. Chicago: American Marketing Association.

Skytte, H. & Blunch, N. (1998). *An analysis of retail buying behaviour in various European countries*. Third international conference on chain management in agribusiness and the food industry, Ede, The Netherlands. May 25-29.

Statistical Department of Lithuania (1997). *Retail trade 1996*. Vilnius: Statistical Department of Lithuania.

Statistical Office of Estonia (1998). *Statistical Yearbook of Estonia 1998*. Tallinn: Statistical Office of Estonia.

World Bank (1999). *World Development Indicators 1999*. Washington, DC: The World Bank.