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Strategies for Entry of French Enterprises into the Polish Market

Abstract

The main objective of the study is to discuss issues related to the internationalization of French companies on foreign markets with particular emphasis on the Polish market. The paper discusses the forms and the scope of expansion of French enterprises into the Polish market on the basis of available statistic data and scientific literature sources. A quantitative survey was carried out, based on a questionnaire, among the target group of women and men aged 20-30 in order to learn their opinion as potential consumers about products of French origin. The results of own research and a secondary analysis of the available data allowed drawing the adequate conclusions regarding the functioning of French enterprises on the Polish market.

Keywords: internationalization; strategies; enterprise; markets; strategic management.

Strategie wejścia francuskich przedsiębiorstw na rynek polski

Abstrakt

Zasadniczym celem opracowania jest omówienie zagadnień związanych z internacjonalizacją francuskich firm na rynkach zagranicznych ze szczególnym uwypukleniem rynku polskiego. W artykule omówiono formy i zakres ekspansji francuskich przedsiębiorstw na polski rynek na podstawie dostępnych danych statystycznych i źródeł literatury naukowej. Przeprowadzono badanie ilościowe na podstawie kwestionariusza ankiety pośród grupy docelowej kobiet i mężczyzn w wieku 20-30 lat w celu uzyskania ich opinii jako potencjalnych konsumentów odnośnie produktów pochodzenia francuskiego. Wyniki badań własnych i wtórna analiza dostępnych danych pozwoliła wyciągnąć właściwe wnioski odnośnie funkcjonowania francuskich przedsiębiorstw na rynku polskim.

Słowa kluczowe: internacjonalizacja; strategie; przedsiębiorstwo; rynki; zarządzanie strategiczne.

JEL:

Introduction

In modern times, globalization processes are naturally present in enterprises' activities regardless of their size. The prevailing global trends somewhat force enterprises to operate internationally. Businesses that are active and developing in terms of consumer expectations are fully aware that the modern consumer "thinks globally" and expects access to products from around the world. Therefore, the enterprise should naturally expand its activity in a way to meet the diverse and complex needs of consumers. Activity on foreign markets thus becomes a natural way to strengthen the market position of the company and its value (Chrzan & Kowalski, 2009, p. 49), and for many business entities it will also be an opportunity to broaden its offer of goods or services, gain new sales markets, new sort of clients and establish advantageous business ties. The company that establishes relations with entities outside its own country expands production, sales and additional activities, including research and development work on foreign markets, becomes a subject to internationalization processes (Hollensen, 2011, p. 7; Knight, 2000, pp. 12-32; Pierścioneck, 2003, p. 454). The simplest and original form of internationalization of enterprises is export and import, and the most advanced step is a thorough transfer of production abroad (Brilman, 2002, p. 30; Pietrasieński, 2005, p. 15; Rymarczyk, 1996, p. 11). The phenomenon of internationalization is quite often identified with processes, global trends and a whole range of challenges resulting from the essence of globalization. This is partly due to changes in relations between states and economies that are becoming more open to trade and the flow of goods, services and people. This is favored by the development of computer technology and access, thanks to the Internet, to knowledge about foreign markets (Mesjasz-Lech, 2009, p. 121; Ślusarczyk & Szajt, 2013, p. 105).

This article discusses the scope and forms of expansion of French entities on the Polish market. Data in figures were obtained from available statistical sources and a quantitative survey conducted among a group of Polish consumers.

French strategies for entering the Polish market

France is the fourth investor in the world after the USA, Great Britain and Germany. It especially invests in the European Union. France's share in exports to the EU market in 2012 amounted to 9.2% and ranked third after Germany (22.1%) and the Netherlands (13.7%) ahead of countries such as Belgium, Italy, the United Kingdom and Spain (Komor, 2014, p. 13; Sieminska, 2005, pp. 65-68). According to the data published in 2018 by the Treasury Directorate General in France (TG Trésor)¹, in the case of Poland, France is its fifth largest

¹ DG Trésor is a directorate of the Ministry of Economy and Finance.

trading partner. In 2017, its export to Poland increased by 12.5% to EUR 9.09 billion (+ EUR 890 million). The presence of France is noted in almost 1300 companies, both large ones and from the SME sector. It should be mentioned that, in particular, these are the telecommunications, energy, distribution and banking sectors. The report published by KPMG² and The French-Polish Chamber of Commerce (CCIFP)³ indicates nearly 200,000 workers in these sectors, which makes France the third foreign employer on the Polish market and at the same time the fourth largest foreign investor in Poland (KPMG & CCIFP, 2019). In 2016, France's investments on the Polish market amounted to nearly EUR 18 billion, and nearly EUR 7 billion were assets controlled by French entities. French-Polish trade is accounted for 4.7% of the volume of Polish foreign trade, and from the French point of view, it establishes 1.9% of the French foreign trade, making Poland the tenth partner (KPMG, 2019, p. 12; TG Trésor, 2018). The presence of French companies in Poland is visible in many industries. The share of these companies by industries was presented in Figure 1.

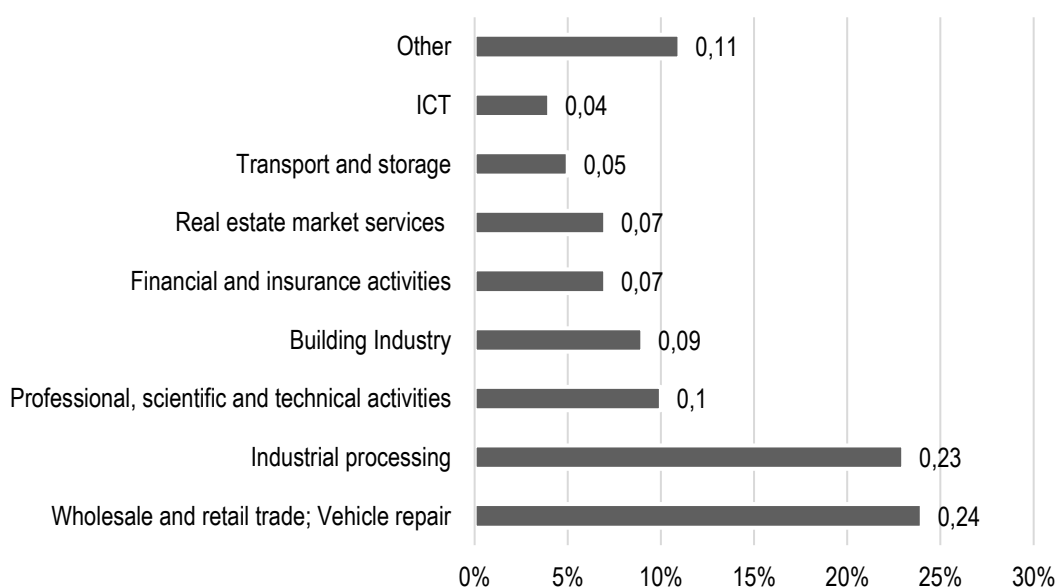


Figure 1. Structure of French companies in Poland by industries

Source: own elaboration based on The report of KPMG 2019, https://ccifp.pl/wp-content/uploads/2019/06/Raport-KPMG-i-CCIFP_25-lat-polsko-francuskiego-partnerstwa_PL.pdf (09.06.2019)

The vast majority of French companies in Poland operate in the industry of wholesale and retail trade, as well as in industrial processing, and according to KPMG, the market belongs to commercial networks like Auchan, Carrefour, Intermarché, Sephora or Leroy Merlin, and PSA

² KPMG is an acronym of created from the first letters of the names of the representatives of the main founding companies forming an auditing and advisory international enterprise based in Poland.

³ CCIFP is an abbreviation for *La Chambre de Commerce et d'Industrie France Pologne*.

(Opel), Michelin or Valeo. French companies, first of all, export their products and services to Poland and sell through their commercial networks or retail chains. For example, the revenues of Danone in Warsaw in 2017 amounted to PLN 1258 million, Nutricia Polska's (Danone's subsidiary) – PLN 866 million and Żywiec-Zdrój – PLN 703 million. L'Oréal earned in 2016 PLN 1159 million, whereas the revenue of Decathlon in the same year was PLN 1372 million. As mentioned earlier, France is a great investor in Poland, and its FDI includes such Polish brands as Wyborowa, Sobieski, Turek or Orbis. French telecommunication company Orange, automotive Renault and PSA Group (Peugeot, Citroen, Opel, etc.) or French banks (Crédit Agricole, BNP Paribas) influence the Polish economy for years. Direct investments of French companies have become the main strategy of entering the Polish market. It is estimated that every fourth French company has invested in Poland at least 1 million dollars. In 2016, the sector of telecoms represented around 45% of the assets of the French subsidiaries in Poland. France and Poland have a really strong trade relationship because the investments have grown up. In 2017, the amount of trade exchange was around 19.15 billion euros. Poland attracts French companies by the local size of the market and the growth perspective of the market, however, a high level of bureaucracy, an unstable and poorly transparent tax and legal system, as well as still underdeveloped infrastructure require a number of improvements, so that the Polish market can still enjoy the presence of the French companies (KPMG, 2019). The interest in French products in Poland, in general, if it is not growing, it has remained stable for over a decade, which is underlined by statistical data. According to KPMG, there are approximately 1100 French companies on the Polish market and 75% of consumer highly appraises their investment attractiveness. The authors of this paper conducted their study to find out for what reasons French products are bought by residents of Poland.

French products from the consumer's point of view

A quantitative survey was carried out in 2019 in April in the city of Częstochowa (Silesian Voivodeship, Poland) and was based on a questionnaire. The target group included women and men aged 20-30 of various nationalities (Figure 2) who live permanently or temporarily in Poland and have access and opportunity to buy different products in Polish shops.

The study aimed to find out whether these people as consumers buy products of French origin, what kind of products they are and for what reason they choose products of French companies instead of other origins. The authors of the study assumed that the Polish market is a rich offer of products of various origins, where the high presence of Polish and German

producers can have a significant impact on consumer purchasing decisions on French brands. Especially if one undertakes that people from abroad may want to use a temporary presence in Poland as an option to buy preferably Polish products not offered in their countries. The results of the study made it possible to put forward several thought-provoking conclusions.

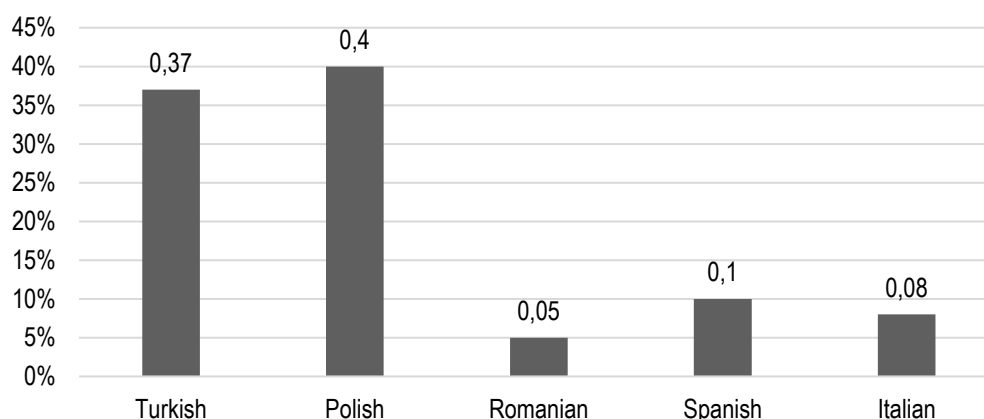


Figure 2. The nationalities of the study group N=40

Source: own elaboration based on the study results.

70% of respondents (28 people out of 40) admitted to buying French products available on the Polish market. The respondents indicated they buy mainly cosmetics (almost 68%), food products (64%), clothing (nearly 43%), footwear (14%). Other, not specified, products were indicated by 7% of respondents. The results are shown in Figure 3.

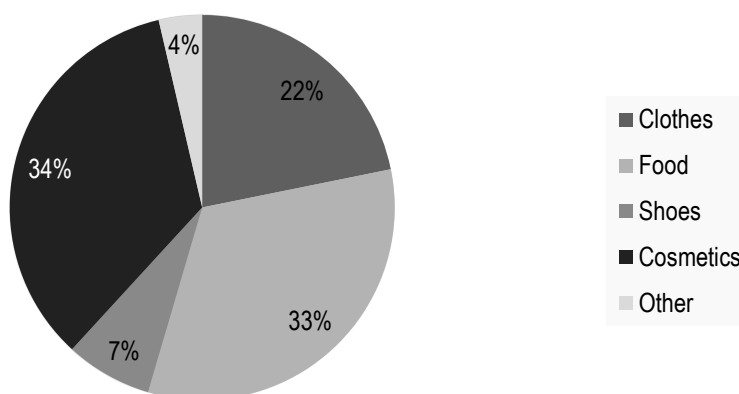


Figure 3. Categories of French products mostly purchased

Source: own elaboration based on the study results.

According to data, the reason why consumers purchase French products is primarily their quality (64%), taste (43%) and nice product appearance (46%), and to a much lesser extent their price (nearly 4%). The results are shown in Figure 4. Conversely, among people who in the study stated that they do not buy French products were people (33%) who do not have access to these products (they did not explained why), 25% admitted they did not prefer products of French origin, and another 25% claimed they regard products of French origin as expensive.

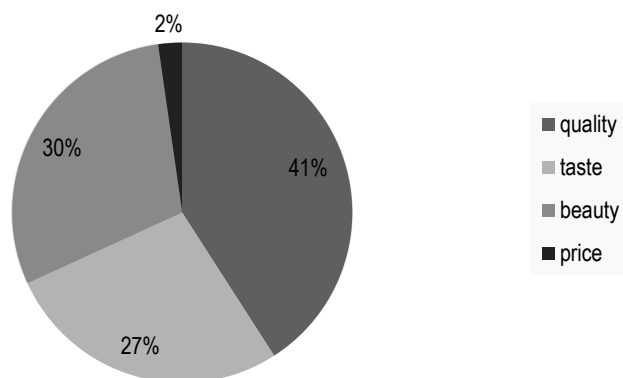


Figure 4. The reasons for purchasing French products

Source: own elaboration based on the study results.

Taking into account the fact that the study included young people ($\text{age} \leq 25$), it can be assumed that price might be the main obstacle in choosing the French products for shopping purposes. For foreigners, the prices in Polish zlotys converted into their currencies could also seem too high. Further study results slightly prove it. Over half of all respondents (29 people from the group of 40 people) admitted that they considered products of French origin as expensive. 11 people, do not see the price as an obstacle in acquiring French goods. The results correspond with the frequency of purchase of French products by the respondents (Figure 5). The majority (43%) of consumers buy such products not often than once a month. 25% do so once a week and 14% more than once a week. 18% of asked consumers acquire French products occasionally, less than once a month.

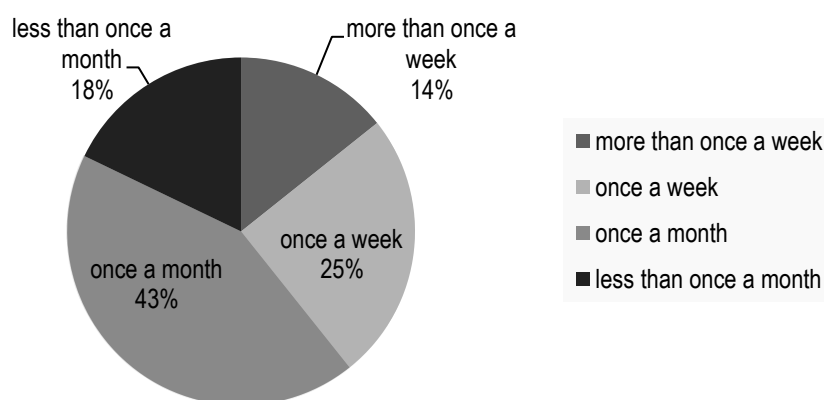


Figure 5. The frequency of purchase of French products

Source: own elaboration based on the study results.

It is worth mentioning that among this group there are supporters of buying products of non-French origin. 27% of respondents admitted that they purchase China products, 23% buy Italian, and 14% choose German goods. There are also individuals who buy products from India (8%), Spain (9%), Switzerland (4%) or even the USA (15%). The diversity of shopping preferences

roots in the respondents' habit of checking the products' manufacturing place. Slightly more than half of the respondents in the study who draw attention to the origin of goods are women (57%). Men, in this case, 43%, do not pay attention to the place where the products they buy were manufactured or what their producer's country is.

Conclusion

Bearing in mind the statistical data and several studies on commercial relations between France and Poland, it can be assumed that the Polish market is an interesting place for the development of French companies. On the one hand, France can be seen as a strategic partner in business, and on the other as an extremely important and needed support for the Polish economy. It should be emphasized that cooperation between countries has a two-sided face. France is primarily a strong investor on the Polish market, but also a key recipient of Polish products, and trade between the economies the year and the year is progressing and expanding its scope.

Regarding the strategies of entering the Polish market by the French entities, export and FDI dominate. France has established its position through the numerous commercial networks – branches of its retail chains and by investing with own capital in Polish companies. The representative research carried out for this article shows that French products enjoy recognition among consumers, which is also confirmed by KPMG research on a larger group. It proves that the presence of French products on the Polish market is not accidental but results from positive trade results and confirms the fact that France is a strong market competitor for local producers and those from other countries.

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