

# Voyage of discovery

In my usual careless way I have mislaid somewhere a dinky little red suede bag containing a small grey piece of concrete.

The concrete is from the demolished Berlin Wall, and these little bags were given to every member of the Ogilvy & Mather Worldwide Board when I was one of that august body.

At that meeting, our urbane head of Europe, Hans Lange, gave a fascinating talk, of which I probably kept a copy – which you will not be surprised to know I've also mislaid.

He predicted how fast the various countries in the old Eastern Bloc would progress towards a market economy, and my recollection is that he got it pretty much right.

He thought what was then East Germany, plus Hungary, Czechoslovakia and Yugoslavia looked good prospects, with Poland not far behind, while Russia itself looked like being much slower.

Since that time, Russia, Czechoslovakia and Yugoslavia have disintegrated and Germany is now one, but I have been in many of these countries recently and formed my own views.

## A good judge

However, I am just an interested visitor and teacher. A better judge is someone who has lived through the changes: Ales Lisac, a Slovenian – and as good a direct marketing entrepreneur as anyone I have ever met.

Lisac opened his first company with his brother in 1989, when he was still a student. He told me: "We were still Yugoslavia and, for the first time in my life, it was possible to open a private company. We did it mostly just because we could.

We had no idea what we were going to sell." In the event, they sold ready-made companies for others who wanted to try the joys of capitalism. Since then he and his brother have built up a publishing company and telemarketing operation and he is a consultant and speaker.

Nearly 20,000 people have attended his marketing workshops and seminars, which is pretty remarkable in a small country of three million people. He also writes books, articles and a monthly newsletter.

On top of all that he was twice elected professor of the year at Gea College – a private college in Slovenia – and in 2006 was named 'the best speaker in Slovenia'. He has also been marketing director for a telephone company and done business in a number of other eastern European countries.

To cap it all, last year he organised his first International Direct Marketing Championship. This is the only marketing competition in the world with no jury: it's all based on the results of a real, live contest.

## An informed insider's view

The very phrase 'Eastern Bloc' tends to make one lump all these countries together – wrongly. I confess I was surprised at the huge differences between, for instance, Moscow and Bucharest.

Lisac has an interesting perspective, largely because of his nationality. He told me:

"Yugoslavia was never truly part of the Eastern Bloc countries. Tito positioned us among non-aligned nations. We were always something in between. We were allowed to travel everywhere when other Eastern Bloc countries' citizens

**'In Slovenia, you need to build your list from scratch – a big opportunity for list brokers from the west.'**

were just dreaming about it.

"There are big differences among Eastern Bloc countries. For example, just think about Yugoslavia – six republics, two autonomous provinces, two different alphabets (Latin and Cyrillic) three main religions, four different languages, and so on.

"Every Eastern Bloc country had its own bag of tricks. So far I've worked in Slovenia, Macedonia, Croatia, Bulgaria and Poland. Of course, most of what I know comes from my experiences in Slovenia. But here are things every direct marketer doing business in Eastern European countries should have in mind:

"Every Eastern Bloc country is different. Most were dominated by the Soviet Union (not Yugoslavia because Tito said NO to the Soviet Union in 1948) and in most countries they had some sort of socialism.

"However, there were huge differences in how much private incentive was allowed. In some countries, the government took direct control of companies, telling them what and how much to produce. Government-owned companies competed as in a market economy.

"People are well educated: schools were free. They are also 'street smart', because of what we all went through. Take me. I am 42 years old and I was born in Yugoslavia – now I live in Slovenia and always have.

"We went through periods when there was shortage of coffee, shortage of washing machines, when we could buy petrol just with coupons. I went through a few years with 2,000 per cent per year inflation. We went through a short succession war. In my life our country has



## DRAYTON BIRD explores the great potential and great differences in central and eastern Europe - with insider information on how direct marketers can succeed there.

had five currencies, not to mention how many times our government changed the way the game of business should be played. In those circumstances you have to get smart. You learn how to find loopholes in every law. Past experiences make people very innovative.

"Some words on a very important DM topic: Databases! It is difficult, though not impossible, to find a good database. There are no true list brokers, however, in some countries you can buy very good databases containing the data of corporations. In Slovenia, you can even buy P&L statements of privately-owned companies - but there's a real shortage of consumer lists. So, in most cases you need to build your list from scratch; a big opportunity for western list brokers.

"There is far less DM than in the West, so we still have less 'junk mail' than the UK or US. And what works in the West works usually (perhaps with small changes) in the East.

"There are differences in how people pay - people use credit cards in stores but not online. Cheques were very popular a few years ago, but today nobody would use one. COD is still very popular. Post offices are very efficient and reliable here - every letter gets delivered in Slovenia overnight. Local companies and brands are sometimes very strong. For example, the number one search engine in Slovenia is not Google, but [www.najdi.si](http://www.najdi.si) and Coke has a very strong Slovenian competitor, Cockta. So never underestimate local competitors.

"Marketing agencies in the East are very similar to agencies in the West. They have one thing in common: they like to be

creative and they do not read. I am still to find a marketing book in marketing agencies... They do not really understand direct marketing, but I feel this is changing. Advertising space can be very cheap in some media and in some countries. I remember when we were doing a campaign for petrol additives in Slovenia - we did the same campaign two years later in Macedonia for 20 per cent of the costs we had in Slovenia!"



Ales Lisac

### An informed outsider's view

As Lisac says, the secret of success with Central and Eastern European (CEE) countries is to understand not their commonality but their diversity.

Many have been able to leapfrog over the mistakes of western Europe - particularly in the use of new technologies, and some of the brightest, most imaginative IT programmers are to be found in CEE countries. Estonia, for example, is the first country in the world with 95 per cent coverage of Wi-fi - and it's free. These are the sort of developments we can expect to

see coming out of 'new' Europe.

The thing that strikes one at every conference or seminar in the CEEs is the enormous enthusiasm and thirst for experience and knowledge, plus a good, strong dose of creativity. My expectation is that, within the next few years, creative forces in the CEE will be winning Lions in Cannes and Echos at the US DMA.

However, serious challenges reduce effectiveness - and competitiveness. Lisac

mentions the dearth of B2C mailing lists and of list brokers. Unfortunately, some CEE countries have interpreted the EU data protection requirements very strictly, and added a few twists and turns of their own.

Hungary, for example, forbids the renting of lists by third parties, effectively banning list brokers.

The rules are also taken literally and applied strictly in some countries - we see a sort of inflexibility about some of the national interpretations of EU rules. For example, the idea of 'fair processing' of data, or of a

'balance' between business and consumer are difficult concepts for national regulators to grasp in some CEE countries.

Application of the laws can, therefore, appear to the US or western Europe to be inflexible.

Once over these barriers, which vary greatly from country to country, reception of DM by consumers and businesses is still much more rewarding than in the West. As Lisac says, the volume of DM is much smaller.

In Poland, for example, each household received only eight addressed DM mailings in 2003 and on average one of those was posted outside Poland (another interesting point: I know of no higher ratio of domestic to foreign mailings anywhere).

### Open to new concepts

This openness for 'publicity' in the broadest sense means, however, that competition between display advertising (TV, press, outdoor, radio) and direct response advertising is fierce and there is a high cost of mail compared to TV or other display advertising media. This brings us onto an interesting point: people tend to think short-term rather than about the strong growth of relationships which DM brings. Thus, DM is often used as a brand awareness tool rather than a customer retention and sales tool.

Marketers in CEE countries have come a fantastically long way in only 17 years (some even less) and are very open to learning and applying new ideas.

Drayton Bird is the author of *'Commonsense Direct & Digital Marketing'*; paperback, 446 pages, £24.95 (Kogan Page); [www.kogan-page.co.uk](http://www.kogan-page.co.uk)

