



DOING BUSINESS IN EASTERN EUROPE

An introductory guide by Day Translations

A PROMISING REGION

During the last few years, Eastern Europe has become a particularly favorable region for foreign investors.

Trade openness, along with the influence of the European Union and a battery of State incentives for economic development have made Eastern Europe a promising region that investors and entrepreneurs shouldn't dismiss.



TRADE OPENNESS



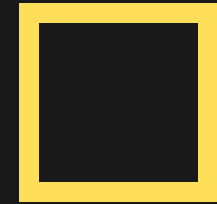
EUROPEAN UNION



STATE INITIATIVES

While the transition from centralized, planned economies to open trade policies might reap some obvious benefits, still, Eastern Europe suffers from certain institutional and developmental insufficiencies uncommon in EU members, and uncommon among countries with their degree of trade openness.

On the other hand, issues of regional disparity, wealth inequality, and financial instability at the household level should be considered before expanding.



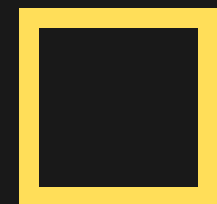
VIABILITY ANALYSIS: 3 ASPECTS OF THIS REGION YOU SHOULD HAVE IN MIND



BUSINESS CULTURE & ETIQUETTE



FACING THE CONSUMER: MARKETING & COMMUNICATIONS



YOUR CROSS-CULTURAL ALLIES

TODAY'S PRESENTATION



EASTERN EUROPE CONSISTS OF 21 COUNTRIES*:

Czech Republic, Poland, Lithuania, Latvia, Estonia, Russian Federation, Belarus, Ukraine, Moldova, Bulgaria, Romania, Hungary, Slovakia, Serbia, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Albania.

**We only took a few examples, to offer a non-conclusive but orientative introduction to the region.*

WHERE 16 OFFICIAL LANGUAGES ARE SPOKEN:

Bulgarian, Croatian, Czech, Romanian, Slovak, Slovenian, Albanian, Macedonian, Serbian, Lithuanian, Estonian, Ukrainian, Belarusian, Russian, Hungarian, Moldovan.



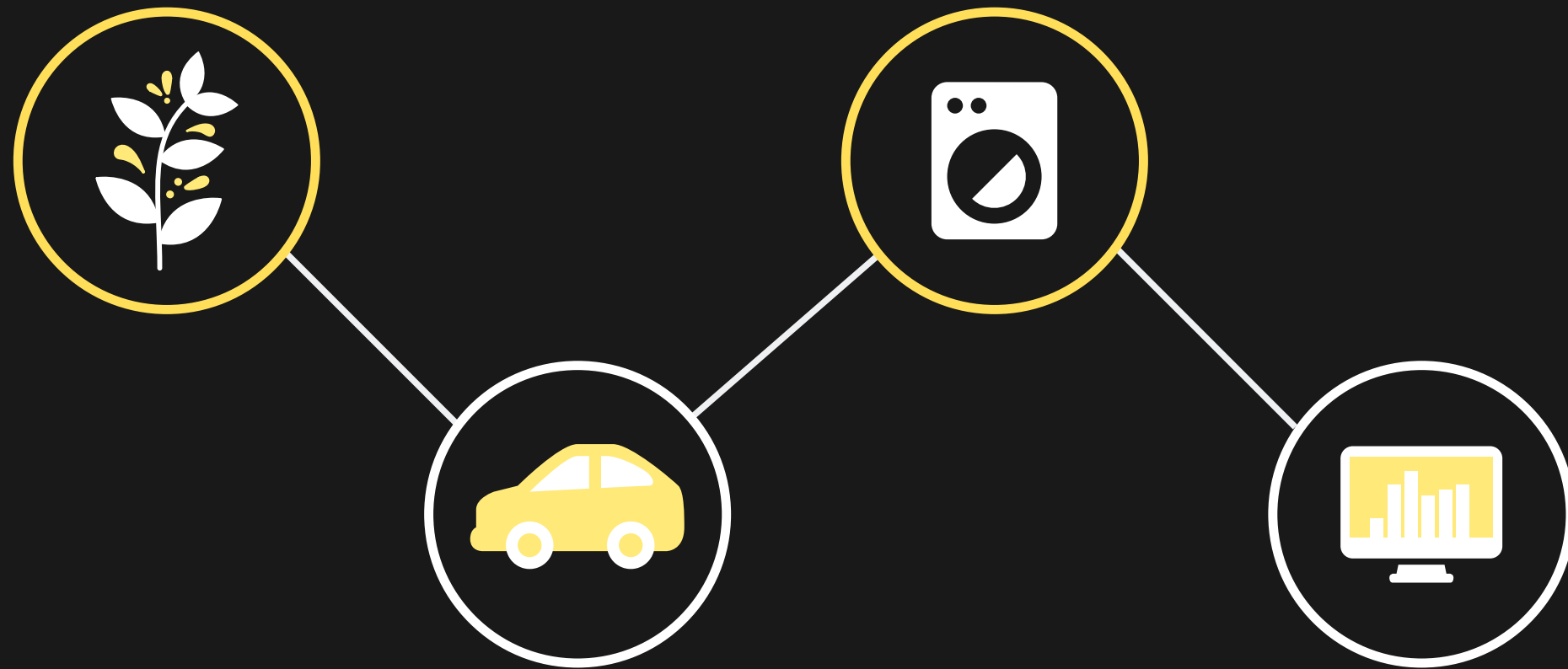
VIABILITY ANALYSIS

A viability analysis is a throughout study of the target market with the goal of understanding if the conditions in your target region are the ones necessary for your business to thrive.

A viability analysis involves, for instance, who's your ideal customer in your target region, the status of your industry there, what your competitors would be, what their comparative advantages and weakness are, etcetera.

We can't give you the final result of your viability analysis: It depends on your industry and on your business' specific traits. But we can provide you with some basic knowledge about the economic conditions of this region, to help you have an informed first approach to this region

FASTEST GROWING SECTORS



Poland was the only nation in Europe to avoid recession after the 2008 financial crisis. It's currently the eighth largest economy in the European Union, and it has been growing consistently. Poland has a very vibrant business services outsourcing sector, which is among the fastest-growing and highest-grossing industries in the country, along with automobile production, IT and defense.

The **Czech Republic** is currently the fastest-growing e-commerce market in the world. It's currently enjoying low inflation and low unemployment, but it's yet to transition out of an economy that's strongly dependent on exports and foreign investment.

In 2018, the IMF predicted that the **Romanian** economy would experience an annual growth of 5,1%. With high poverty rates worsen by inflation, and several ongoing anti-corruption attempts, Romania is still working towards a path of sustainable development. The mineral-rich country is leading in IT and motor vehicle production.

Hungary, on the other hand, is one of the most technologically advanced countries in this region. In spite of the rise in living standards caused by "Urbanomics", the country is still suffering from a polarized society, with an ever-widening rich-poor divide. 70% of Hungarian land is considered suitable for agriculture, with this sector making the greatest portion of the GDP. Automobile production, tourism and electronics manufacturing follow.

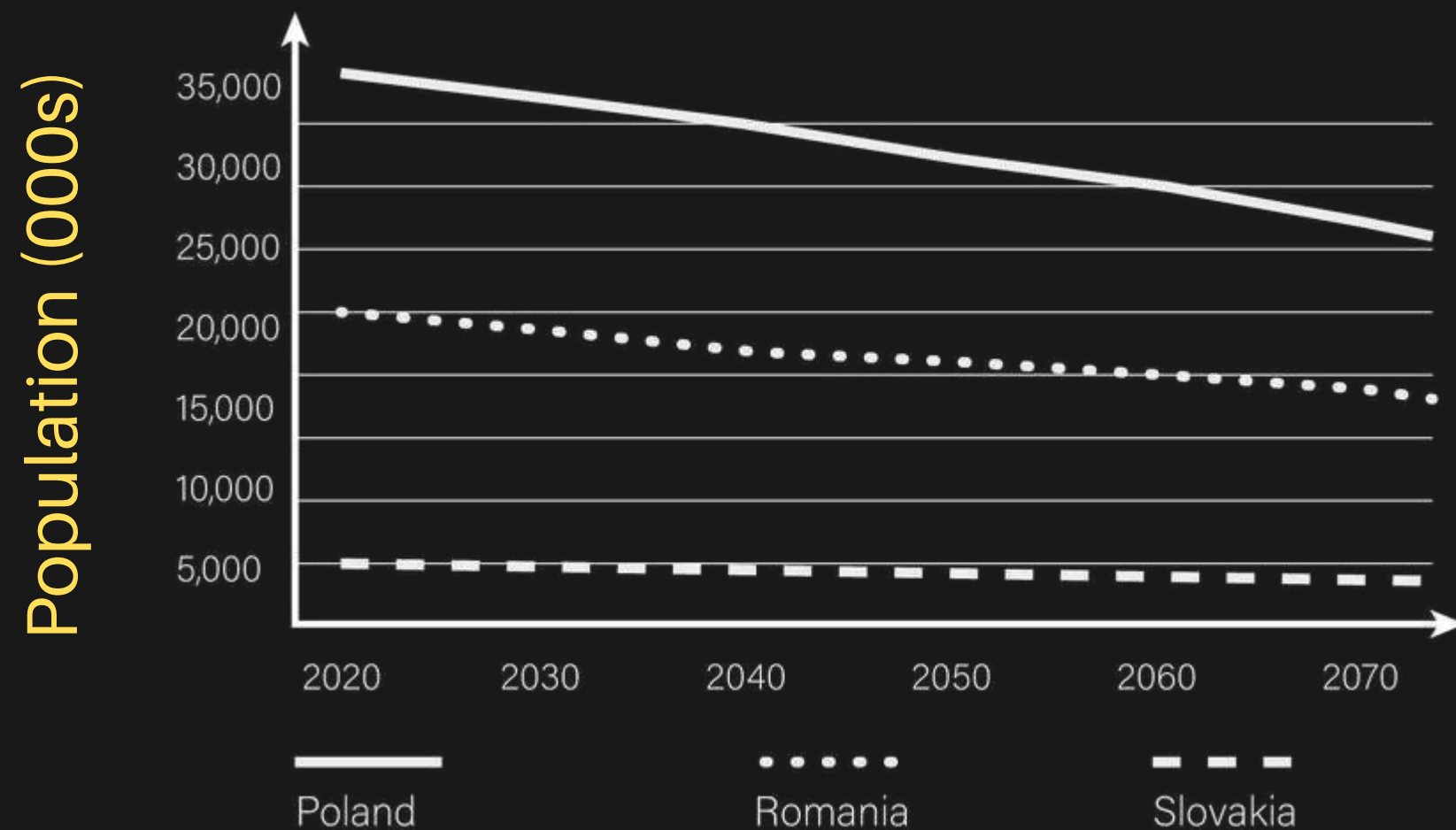
Slovakia, which joined the Eurozone in 2009 is enjoying slow but sustained growth. With a leading automobile industry, Slovakia is the first car producer per capita in the world. This promising sector has ignited debates, due to its growing automation. According to the OECD's Job Creation and Local Economic Development report, Slovakia is the most vulnerable country in the world to the pernicious consequences of automation and robotization on the labor market.



In **Russia**, on the other hand, there has been a strongly growing GDP, and there's more potential for growth. As reported by Anna Andrianova and Andrey Biryukov this february, for Bloomberg: "Russia is still punching well below its weight compared to emerging-market peers and its own performance before recession struck in 2015." 62% of Russians work in the services sector, which makes up about 60% of the country's GDP. The industrial and agricultural sectors follow. It's worth reminding that Russia is the R in the BRICs group, a coalition of emerging economies, including Brazil, India and China.

DEMOGRAPHICS

Eastern Europe Population*



Europe is experiencing pronounced **demographic decline**. This is severe in the Eastern European region as well.

But, while some countries have their negative natural growth counteracted by immigration, some others don't.

*UN World Population Prospects 2017

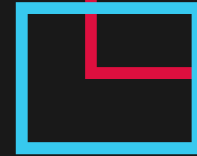


ACCORDING TO THE WORLD POPULATION PROSPECTS 2019 REPORT FROM THE UNITED NATIONS:

“Over the decade 2010-2020, nine countries experienced positive net migration (the number of immigrants exceeding the number of emigrants) **that countered negative natural increase** (the number of deaths exceeding the number of births): **Belarus, Estonia, Germany, Hungary, Italy, Japan, the Russian Federation, Serbia and Ukraine (...)** **In four of the nine countries** (Belarus, Germany, Italy and the Russian Federation), **the volume of net immigration was sufficient to offset the negative natural increase and maintain positive population growth over the decade. In the remaining five countries, positive net migration slowed the rate of population decrease, but the population estimated for 2020 is still smaller than in 2010 (...)** **negative net migration can exacerbate decreasing population size caused by negative natural increase. During 2010-2020, ten countries, all in Europe, experienced both negative natural increase and negative net migration. These include Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Poland, Portugal, Latvia, Lithuania, the Republic of Moldova and Romania. Consequently, all ten countries experienced a decrease in population size over the decade, ranging from minus 1 percent in the Republic of Moldova to minus 13 percent in Lithuania.”**

A stack of Euro banknotes is shown on the left side of the page, with the word 'EURO' and the number '20' visible on the top note. The background is dark with a red border around the main text area.

INVESTMENT & GOVERNMENT INCENTIVES



As noted in the HSBC International Business Guide for Central & Eastern Europe, the taxation systems of Eastern European nations tend to be favorable to investors, **with corporate taxes as low as 9% in Hungary**, a country that also offers help for startups, free entrepreneurship zones, green tax credits, and relief for businesses that donate to the arts and sports.

In Poland, investors can apply for state support in the form of income tax exemptions. The rate can be based on several factors, such as the size of the business in question and the unemployment rate in the region where it established its Polish branch or subsidiary. The exemption can apply for up to 15 years. Similar initiatives are available in the Czech Republic.

Slovakia, on the other hand, is providing tax deductions of 25%. Romania offers exemptions for reinvested profits in IT and technological equipment, initiatives to promote continuing education, and tax exemptions to companies settled within industrial parks.

BUSINESS CULTURE & ETHIQUETTE

In order to conduct successful negotiations in this region, you should have the following customs in mind:



Relationships tend to be deeply conditioned by status:
Be it age-related or rank-related.



Formality is a must. But formality doesn't have to be distant. Dress formally and communicate in a formal fashion, but you can conduct small talk and allow yourself to be humorous.





Go out of your way to mention some national artist, musician, writer, or sports person that you admire. Comment about culture, architecture or history. **Eastern European people tend to particularly like when their cultural background is acknowledged and praised.**



Have a business card. Unlike Southeast Asia's businesspeople, Eastern Europeans don't have any specific rituals regarding the exchange of business cards. But they are pretty standard, and having them translated into the local language can help you give a good impression.

Consider that workers in this region tend to have a great life/work balance. **Working long hours isn't common, nor desirable. And negotiations tend to be long-winded, involving several meetings, business dinners and gifts.**

While it's very likely that your business partners in this region will speak English, if you find it necessary or the situation happens to require it, don't hesitate to hire an interpreter.



FACING THE CONSUMER

MARKETING & COMMUNICATIONS



In our previous “Doing Business” e-book, we covered the cultural landscape of East Asia. In this e-book, we quoted consultant Richard O’Brien, who, in a 2015 symposium about doing business in Southeast Asia, pointed out that the phrase sounds bland and is uninformative. Talking about “doing business” in a region, erases the region’s diversity, as well as the richness and diversity within the nations that are part of it. **Acknowledging this international and intranational diversity is key to developing an intelligent plan and executing it effectively.**



Though each country presents its own rules, there are some overarching trends throughout Eastern Europe:

PIRACY AS A CONSUMER CULTURE PROBLEM

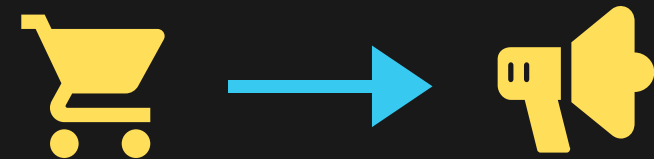


As noted by Polish entrepreneur Vlad Calus in a recent article:

“[In Eastern Europe] we're not used to paying for a product or service and it's hard to convince us that services like Netflix, Spotify or HBO GO are worth it. We're still fans of torrents and pirate streaming websites. Europe has the highest online piracy rates, by far and people are just used to getting free things and they're not afraid to ask for them.”

The region has the highest piracy rate in the world, which can pose a challenge to those in media and the cultural industries.

DIGITAL MARKETING CHANNELS



In an outstanding 2015 article for the Journal of Economics, Finance and Administrative Science, Dureen Jayaram, Ajay K. Manrai and Lalita A. Manrai designed a multidimensional framework to evaluate different Eastern European markets and craft marketing strategies accordingly.

Basically, our strategy will depend on traits of our specific target demographic, but it should be informed by factors such as:



the digital
connectivity divide



the average internet
speed available



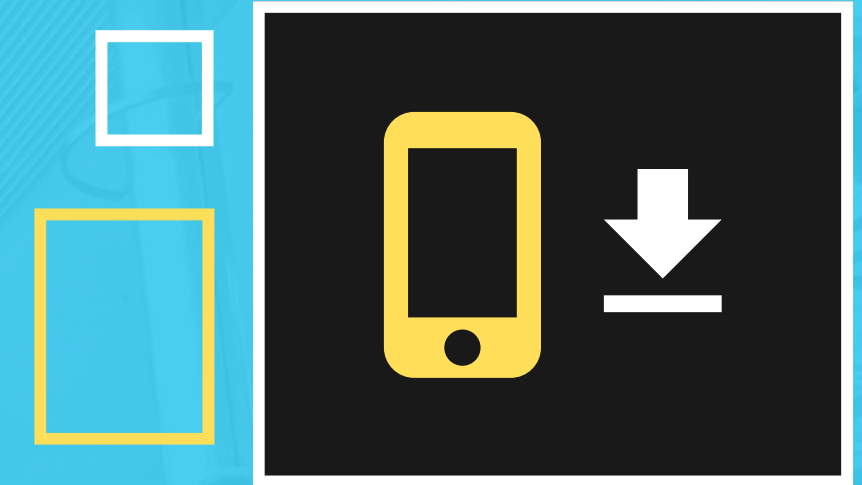
privacy laws



the corruption
perceptions index

Accordingly, the authors recommend that we:

- Invest in formal programs and structures to **combat the threat of corruption** when partnering and collaborating.
- Create social responsibility initiatives: "**The young audiences you reach are especially sensitive to how a company does business. Companies perceived to be unethical will be punished by a loss of increasingly powerful, well informed and networked consumers**"
- Expect consumer demand for **privacy protection**.
- Across platforms, foster a space where customers can talk to each other about the product honestly.
- If possible, **build an app** for audiences that haven't experienced the PC era as Westerners have. Don't embed tiny banner ads: They can hinder user experience and be particularly corrosive to your brand's reputation.

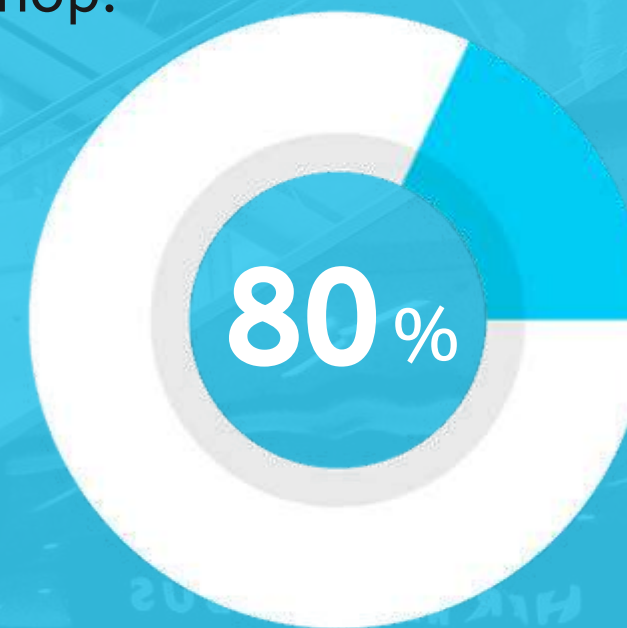


IN _____, PLEASE!



In this region, conducting your business' marketing efforts in the local language is vital. For instance, one of the most comprehensive studies ever conducted on the importance of localization, had a sample of thousands of Russian internet users, of which only 20% reported having purchased from an untranslated e-shop.

Showing your business partners that you appreciate their culture, by expressing admiration towards their artists or writers can create a great first impression: It shows them that you care. Likewise, ***showing your customers that you're willing to walk an extra mile to deliver them an e-shop experience, an ad, or a piece of content that's adapted to them is a great first step to create a strong, lasting bond.***



**purchase in
their own
language**

Of course, like we say at Day Translations: a good translator is an investment, a bad translator is an expenditure. If you're looking for high-quality international marketing, translation, interpreting and localization services, count on us.

OUR OFFER: GO GLOBAL WITH US

For more than a decade, we've provided translation services, interpreting and localization solutions to businesses, organizations and individuals around the globe.

Our value proposition is simple: **We ensure clear communication, effective marketing and successful negotiations through culturally-sensitive services. We assemble a team of linguists, marketers and developers to design and implement the right plan for your business and your goals.**



TRANSLATION



INTERPRETING



LOCALIZATION



**CUSTOMER SERVICE
AVAILABLE 24/7**



**SUPPORT OF OVER
100 LANGUAGES**

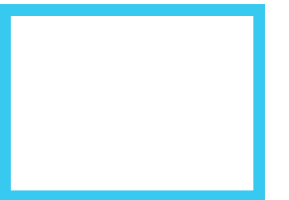


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