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Cultural differences in the internationalization of Bulgarian wine producers in the Asian markets

Andrey Georgiev Minchev

Institute of agricultural economics – Sofia, Agricultural academy – Sofia

E-mail: andrey_minchev@yahoo.com

ORCID ID: 0009-0006-9394-0115

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Abstract: In the article the findings and recommendations from a conducted study about the effect of cultural differences in the internationalization of the Bulgarian wine producers in the Asian markets are presented. The internationalization is examined from a behavioural perspective as the primary objective is to be determined if the cultural differences exert any effect on the manager's attitude to internationalization in Asia. It has been found a moderate impact of the cultural differences on the Bulgarian wine producer's attitude to entering the Asian markets. Despite the found impact of the cultural differences, they are perceived by the wine producers as a not enough important factor for entering Asia. At the same time some highly significant factors, hindering the internationalization of the Bulgarian wine producers in the Asian countries, have been identified such as the low production capacity of small and medium-sized wine producers and the insufficient government support for their consolidated entry in the Asian markets. Based on the findings recommendations are made to the wine producers and the Bulgarian government authorities about facilitating the internationalization of the wine producers from Bulgaria in the Asian markets.

Keywords: internationalization; Bulgarian wine; cultural differences; Asia; Bulgaria

1. THE INTRODUCTION TO THE RESEARCHED TOPIC

The internationalization of enterprises has been widely discussed in the scientific studies. Nowadays it is observed an intensified direction in the studies towards the small and medium-sized enterprises (SMEs) which outnumber the large enterprises in the countries' economies. In the specialised literature different internationalization approaches have evolved for explaining the internationalization of a SME. Among these approaches the economics approach, the stage approach, the network approach and the born-global approach have affirmed as dominating.

One of the earliest approaches for explaining the internationalization of enterprises that has a lasting impact in the field is the economics ap-

proach¹. Some of the underlying theories in the economics approach are the resource-based theory (Wernerfelt, 1984; Barney, 1991), the internalization theory (Buckley and Casson, 1985), the transaction cost theory (Williamson, 1975) and the eclectic paradigm (Dunning, 1988). Later in the introduction of the stage approach it has been advocated that a firm can gradually expand in foreign markets (starting from markets that are closer by psychic distance) by acquiring more market knowledge and experience (Johanson and Vahlne, 1977; 2009). One of the most popular models that falls under this approach is the Up-

¹ The economics approach is mainly referred to explaining the internationalization of a multinational corporation though some of its underlying theories (e.g., the resource-based theory (Wernerfelt, 1984; Barney, 1991)) can find their applications in the SME's internationalization.

psala model (ibid.). After 2009, the business network approach has begun to affirm as one of the dominant approaches. A key assumption in the network model is that a single firm is dependent on resources controlled by other firms. The firm gains access to these external resources through its network positions with other firms (Johanson and Mattsson, 2015). Recently the aim in research has been centered on the “born globals”. The conceptualization of Cavusgil and Knight (2015) for these born globals underlines new firms which draw a significant part of their incomes from international sales. These firms show a high level of international entrepreneurial orientation (ibid.).

In the above approaches a foreign market’s environment consists of different external factors. One of these factors are the cultural differences that have been discussed as obstacles for a firm entering a foreign market. Research shows that the cultural differences can exercise an effect on a new brand’s acceptance in a foreign market. The moderating role of a brand standardization has been researched by some authors who find out that the cultural diversity in foreign markets acts as a limiting factor that reduces the effect from a product’s standardization Nath, Kirca and Kim (cited in Minchev and Zhechev, 2022). Similarly, in other sources it is recommended that the marketing communications methods are adapted to the cultural differences and perceptions (Bosah, 2022). More specifically, some authors (Ngoma, 2016; Emeterio et al., 2018; Htet and Buavaraporn, 2019; Roberts and Muralidharan, 2020; Nath, Kirca and Kim, 2021) declare that the Asian cultural differences are an entry barrier for international enterprises in the Asian markets². Accordingly, on the ground of the previous findings and the lack of similar research studies in Bulgaria (to the author’s knowledge) it is necessary to be found what effect the Asian cultural differences

have in the internationalization of the Bulgarian wine producers in the Asian countries’ markets.

The topicality of this research about the potential influence of cultural differences in the internationalization of Bulgarian wine producers in Asian markets stems from the current strongly emphasized orientation of some part of the Bulgarian wine producers towards the trade of Bulgarian wines in these markets (Minchev, 2023). Furthermore, a significant portion of the Asian markets are defined as target markets by the National program for assistance in the development of the viticulture and enology sector in Bulgaria for the period of 2019 – 2023 (EAVW, 2020). The reported constant decline in the sales of Bulgarian wines in the international markets (including Asian markets) (ibid.) requires to research and ascertain the factors that cause it in order to create and apply an effective marketing program for the Asian markets. As a contextual factor the cultural differences take an important place in the creation of the marketing program which may be subjected to adaptations for different Asian markets.

Therefore, regarding the aforementioned the paper’s research objective is to examine the Bulgarian wine producers’ cultural attitudes to internationalization in the Asian markets and to suggest conclusions and recommendations about their future internationalization in Asia.

The conducted research includes the following limitations:

Firstly, the research study is based on the national cultures of Bulgaria, China, Japan, Hong Kong, Taiwan, Singapore, Vietnam, Thailand and Malaysia which may deviate from the cultures of organizations in the same countries.

Secondly, as most of the Bulgarian small and medium wine producers have not entered the Asian markets yet, their attitudes towards internationalization in the Asian countries are considered and evaluated.

Thirdly, in this article the export of Bulgarian wines as a form of internationalization is examined without making classifications of wines regarding their categories, sorts and types.

² Although the prevalent opinion is that the cultural differences are an influencing factor for the internationalization of enterprises, in some studies such findings are not supported. For example, Gripsrud (1990) claims that the cultural differences do not affect the attitudes of Norwegian exporters of fishery products to the Japanese market.

2. THE COMPARATIVE CULTURAL ANALYSIS BETWEEN BULGARIA AND THE ASIAN COUNTRIES

The Bulgarian national culture has been characterized by the use of different methodologies in the cultural field. Some of these well-known methodologies are Hofstede's (2020; 2021) and House's (GLOBE, 2016 – 2020) frameworks for defining and comparing the national cultural differences on a worldwide scale. According to the Hofstede's methodology, the Bulgarian national culture is characterized by a large power distance, a relatively strong desire to avoid uncertainty, a collectivism and a femininity (Davidkov, 2004; 2012). Compared to the findings by Hofstede (2021) and Davidkov (2004; 2012) who find substantial similarities between Bulgarians and Asians in terms of cultural indicators, Bobina and Sabotnova (2015) make a strong distance between Bulgaria and the Asian cluster basing their results on the House's methodology (GLOBE, 2016 – 2020). Bobina and Sabotnova (2015) outline the weak characteristics of the Bulgarian

management's cultural behavioral profile based on the dimensions of an uncertainty avoidance, an attitude to achievements and an attitude to the future, and highlight the values of characteristics such as a collectivism and a high gender equality. It needs to be stated that although the findings of Davidkov (2004; 2012) and Bobina and Sabotnova (2015) are controversial, their results are based on different cultural methodologies which may lead to the differences in the findings.

In the current research work the cultural differences between Bulgaria and the Asian countries are compared by using the Hofstede's methodology. In the background of the cultural differences of the Asian countries (Thailand, China, Japan, Hong Kong, Taiwan, Singapore, Vietnam, Malaysia), the author compares and distinguishes the cultural differences of Bulgaria. Figure 1 presents the common cultural frame of the countries in the study into which the cultural differences and similarities between them become visible.

For a more comprehensive comparison of Bulgaria with the Asian countries, the indicators for Bulgaria (power distance, individualism, mascu-

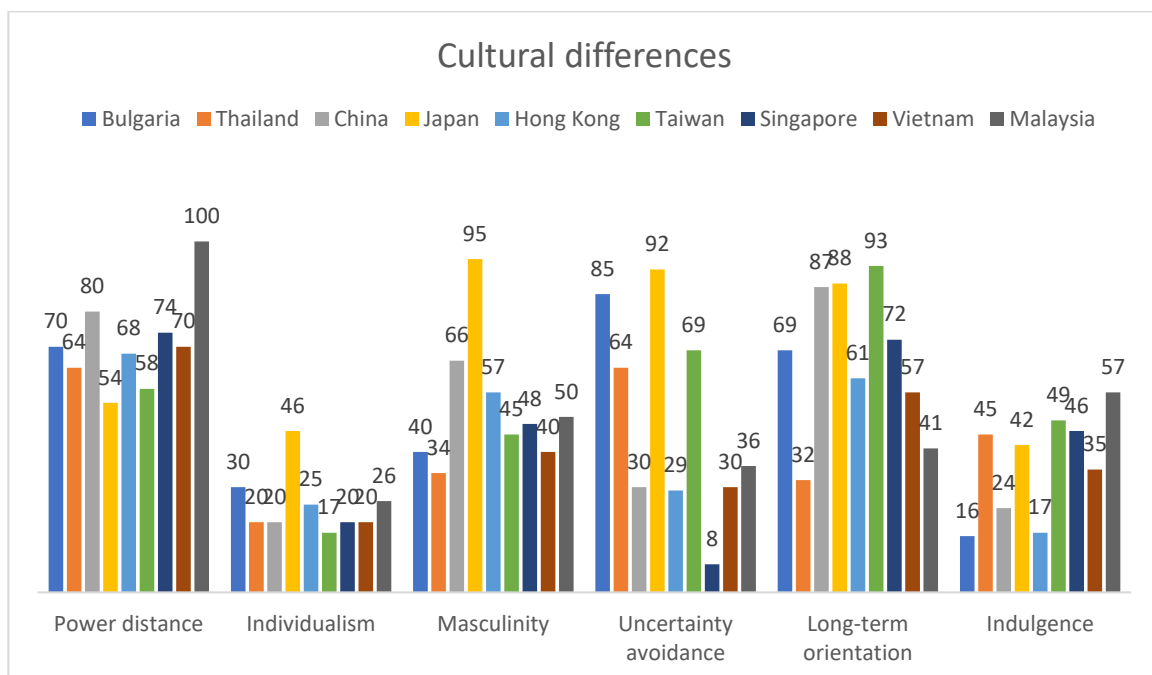


Fig. 1. Cultural differences between the countries in the research (based on the Hofstede's methodology)

Source: Hofstede, 2021.

linity, uncertainty avoidance, long-term orientation, indulgence) are compared with the same indicators for the Asian countries (Table 1).

Table 1 systematizes and summarizes the cultural differences between Bulgaria and the Asian countries in the study. The established cultural differences between Bulgaria and the Asian countries provide the theoretical ground for researching the internationalization of the Bulgarian winemakers in Asia in the outline of these cultural differences.

3. THE STUDY'S METHODOLOGY

The necessary data for fulfilling the research study's objective has been collected by (1) primary data from the author's personal research (online survey and telephone interviews with wine producers) and (2) secondary data from the research publications of Bulgarian and foreign authors in the fields of internationalization of SMEs, cultural differences, attitudes.

An online survey and telephone interviews are used as the primary data collection methods in this study. In the questionnaire the asked questions are evaluated with a linear Likert-type scale. Using the convenience sampling method from the target population consisting of 340 wine producers as of 28th April 2022 (EAVW, 2022), 103 wine producers responded to the survey. Additionally, 18 interviews are conducted with the representatives of the wine producers located in the five wine-growing regions in Bulgaria.

Regarding the analyses of the received empirical data the following methods have been used:

descriptive analysis, cross tabulation, Chi-Square test, content analysis, linear regression and multiple regression, Pearson correlation, Cronbach's Alpha, Kolmogorov-Smirnov test. The statistical softwares "SPSS" (IBM, 2019) and "MAXQDA" (VERBI Software, 2019) are used for applying the methods of analysis.

4. THE RESULTS FROM THE STUDY

Regarding the commercial perspectives in Asia and the impact of the Asian cultural differences, the wine producers in Bulgaria look positively at the perspectives for trade in Asia and express their readiness to enter the Asian markets. The cultural differences can moderately hinder the trade in Asia but can be overcome by creating wines that meet the Asian taste preferences, by wine marketing applications and by undergoing training on Asian cultural differences.

It has been found out the limiting and facilitating factors for entering the Asian markets. The limiting factors for the Bulgarian winemakers to enter Asia, ranked in an ascending order of importance, are insufficient government support for the industry's unification, low production capacity of small and medium-sized winemakers, business contacts, finances, high transport costs, Covid-19, risk, price policy, insufficient information about Asian markets, access to Asian markets, logistics, administrative and trade requirements, competition, specific requirements, European Union, image of Bulgarian wines, non-participation in wine exhibitions, language barriers and inflation. On the other hand, the facilitating fac-

Table 1. Comparative results for cultural differences between Bulgaria and Asian countries

Indicator	Power distance	Individualism	Masculinity	Uncertainty avoidance	Long-term orientation	Indulgence
Bulgaria	Moderate	Very strong*	Very weak**	Very strong***	Moderate	Weakest

*An exception is Japan, 46 > Bulgaria, 30

**The index of 40 is comparatively interpreted as very weak in the context of the target comparison with Asian countries; an exception is Thailand, 34 < Bulgaria, 40

***An exception is Japan, 92 > Bulgaria, 85

Source: Prepared by the author from the data of Hofstede (2021).

tors for the wine producers to enter Asia, ranked in an ascending order of importance, are the high quality of Bulgarian wines, commercial intermediaries, popularity of Bulgaria (a country of origin of healthy products, tourism), pure Bulgarian nature (organic wine), government support programs, establishment of a trade organization in China, flexibility of Bulgarian small wine producers, offering of boutique wines and a package of goods with the wine.

Overall, the most significant research results can be summarized as following:

- The economic interests of the Bulgarian wine producers are mainly toward the Chinese and Japanese markets.

- The cultural differences are perceived by the winemakers from Bulgaria as a factor that is not important enough for their internationalization in Asia.

- Regarding their export to the Asian markets, the cultural differences have a moderate influence on the attitudes of the Bulgarian wine producers.

- Marketing research of the Asian markets can help in the overcoming of cultural differences.

- The taste characteristics of Bulgarian wines can be adapted to the cultural peculiarities in each Asian market.

- The production capacity of the Bulgarian small and medium wine producer is not enough to meet the market demand in the Asian markets.

- It is useful to apply the network approach between Bulgarian wine producers for internationalization in the Asian countries.

- The low production capacity of the small and medium-sized wine producers and the insufficient government support for a united entry in the Asian markets limit the Bulgarian wine producers the most.

- Business contacts and finances limit the Bulgarian wine producers to a moderate extent.

- The high quality of Bulgarian wines, commercial intermediaries, and the popularity of Bulgaria as a country of origin of nature-friendly products help wine producers enter Asia.

On the basis of these findings, recommendations are made to the wine producers and the Bul-

garian government authorities. These recommendations can be summarized as following:

- The Bulgarian wine producers should expand their knowledge of the Asian cultures before doing an international business in the Asian countries in order to successfully adapt their product and business to the cultural peculiarities of these countries.

- A government policy that encourages and supports the unification of the Bulgarian small and medium-sized wine producers, e.g., a consortium of wine producers, should be introduced and developed so that the wine producers can enter the Asian markets unitedly. The Government Fund Agriculture in Bulgaria should stimulate the unification of small and medium-sized wine producers by creating programs for this purpose.

- It is recommended to unite wine producers by wine-growing regions with the aim of creating varietal wines with Bulgarian wine varieties such as Mavrud, Broadleaved vine of Melnik, Shevka, Red Misket, Keratsuda, etc. In this way, the creation of regional and national wine brands by wine-growing regions with the same batch characteristics can be achieved.

- Business partnerships with international wine producers in wine clusters can be helpful for Bulgarian wine producers for achieving a united entry in the Asian markets. It is recommendable to create blended wines with the inclusion of Bulgarian wine varieties and popular foreign wine varieties (Merlot, Cabernet, Syrah, Sauvignon Blanc, Muscat, etc.).

- The foreign trade relations between Bulgaria and the Asian countries should be planned and intensified with the purpose of exporting Bulgarian wines and promoting Bulgaria in these countries with the mediation of our commercial representatives at our embassies in the Asian countries.

- Government support by the national institutions (the Ministry of agriculture, the Executive agency for the vine and wine, the Executive agency for the promotion of small and medium-sized enterprises) should be provided to the wine producers. It should include information of the Asian markets (market access, cultural differences, administrative requirements of trade) and financing

opportunities for the wine producers which aim to enter Asia through a unification.

- A branch institution for wine certification should be created in Bulgaria with the best oenologists, winetasters and sommeliers in order to standardize the wines' quality of the small and medium-sized enterprises.

- The scientific bodies (Academy of agriculture, National center for agricultural sciences, Institute of vine-growing and winemaking, University of food technologies, National agricultural advisory office) should be engaged in the development of technologies for the creation of new low-alcohol wine products and dessert wines for the Asian markets.

- The Bulgarian wines should be offered in non-traditional packaging designs (can, 200–250 ml PVC) with the purpose of promoting the wines among the young adults in the Asian countries.

5. THE CONCLUSION

Through the conducted research it has been found that there is a moderate impact of the cultural differences on the Bulgarian wine producers' attitudes to entering the Asian markets. Despite the found impact of the cultural differences, they are perceived by the wine producers as a not enough important factor for entering Asia. At the same time some highly significant factors, hindering the internationalization of the Bulgarian wine producers in the Asian countries, have been identified, i.e., the low production capacity of small and medium-sized wine producers and the insufficient government support for a consolidated entry in the Asian markets.

Based on these and other essential conclusions from the research paper, recommendations have been made to the wine producers and the Bulgarian state authorities that are mainly directed towards the consolidation of the industry by wine-growing regions; the development of financing programs for the wine producers that intend to enter Asia unitedly; the development of technologies by the Bulgarian scientific bodies in order to create new low-alcohol wine products and dessert

wines for the Asian markets. The improvement of the wine producers' cultural competence is emphasized as a necessary condition for the successful marketing of the Bulgarian wines in the Asian markets with cultural specifics.

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