

# MARKET EXPANSION IN EURASIA: UNLOCKING POTENTIAL THROUGH CULTURAL UNDERSTANDING

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## Abstract

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This article explores the prospects for market expansion in Eurasia, focusing specifically on Russia, Kazakhstan, and Uzbekistan. The study highlights the importance of understanding regional cultural nuances and consumer behaviours as key factors for successful market entry and long-term growth. As Eurasia contains a significant portion of the world's population, estimated at around 70%, the region holds substantial economic potential. The article investigates the diverse cultural landscape, addressing the role of language, religion, and local customs in shaping consumer preferences and brand acceptance. It also discusses strategic approaches for businesses seeking to navigate these complex markets, emphasizing the necessity of thorough market analysis and cultural adaptability, as well as the cooperation with local partners. By providing a detailed exploration of these elements, the article offers practical guidance for companies aiming to establish or expand their presence in Eurasia, ultimately contributing to more informed and effective business decisions in the region.

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## Keywords

Eurasia, Market Research, Market Expansion, Strategic Management, Cultural Understanding, Market Entry, Russia, Kazakstan, Uzbekistan, Consumer Behaviour.



# INTRODUCTION

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Eurasia is the largest continental area on Earth and represents approximately 70% of the total world population [1]. This area is an economic giant and contributes the lion's share of the worldwide generated GDP [2]. This makes Eurasia an extremely interesting market for expansion, not only for companies within this continental area but also for companies from other parts of the world that intend to enlarge the distribution of their products and services. Within Eurasia, the Central Asian region, in particular, promises interesting markets with significant growth opportunities, making the region appealing for all kinds of market expansions. Due to the cultural complexity and diversity of the Eurasian market, it is essential to better understand the characteristics of different regions and local markets before developing a market expansion strategy. The purpose of this article is to provide a high-level overview of the cultural and economic composition of the Eurasian region, considering culture and consumer behaviour. Additionally, this article covers approaches and strategies relevant to a successful market expansion strategy, which are based on specialised academic literature. A special focus will be on the markets of Russia, Kazakhstan, and Uzbekistan, which expressively represent the characteristics of Eurasia in terms of cultural diversity and consumer behaviour.

## CULTURAL DIVERSITY IN EURASIA

Eurasia, geographically speaking, consists of the European continent and the Asian continent. The countries that span both continents and connect the two landmasses are Russia, Turkey, and Kazakhstan.

Eurasia extends from the Atlantic shores of Europe to the Pacific coast of Asia. Therefore, the Eurasian continents are home to numerous ethnic groups, languages, religions, and traditions. This fact makes the region interesting in regard to its diverse culture and values, but also very complex and challenging from an economic point of view. In Eurasia, one can find more than 2,500 different spoken languages and dialects, as well as all major religions that exist in the world.

Focusing in more detail on the circumstances regarding languages and religions, particularly in Russia, Kazakhstan, and Uzbekistan, the situation is as follows:

In Russia, Russian is the official and most widely spoken language. Additionally, there are more than 100 other languages spoken within the country.

Many of them have official status in their respective regions, and there are major efforts to preserve and revitalize those languages. Regarding the religious situation, the focus in Russia is much clearer: about 70% of the Russian population can be assigned to the Russian Orthodox Church, while around 15% adhere to Islam.

In Kazakhstan, there is a similar situation regarding the variety of different languages. Kazakh, a language that originates from the Turkic family, is the official language. However, due to historical reasons and ties, the Slavic Russian language is still widely spread and is often used as the language of interethnic communication. Therefore, approximately 83% of the Kazakh population can speak Kazakh, and around 94% are able to communicate in Russian. The distribution of religious affiliation also indicates a clear concentration: about 70% of the population practice Islam, while approximately 26% adhere to Christianity, with Russian Orthodox being the largest Christian denomination.

The third country analysed in more detail is Uzbekistan. Compared to Russia and Kazakhstan, this country is culturally and religiously less diversified.

The majority, about 85%, speak Uzbek, the official language, which, like Kazakh, has its roots in the Turkic language family. Due to historic ties with Russia, still 14% of the population speaks Russian. In addition to these two main languages, there are several minority languages influenced mainly by neighbouring countries. In Uzbekistan, Islam is the predominant religion, practiced by about 96% of the population [3].

The general overview over Eurasia, with its characteristics, along with the more detailed focus on the three countries, underscores the complexity of this market as a whole. Different languages and religions also contribute to an immense variety of cultures, customs, and different understandings and interpretations of morals, which fundamentally influence consumer behaviour.

## LANDSCAPE OF ECONOMIC UNIONS IN EURASIA

The economic integration of member states of Eurasia is characterised by the dominance of a few economic unions with different approaches. The biggest union of this kind is the European Union (EU) with 27 members states [4], the Eurasian Economic Union (EAEU) with 5 member states [5], and the Shanghai Cooperation Organisation (SCO) with 10 member states [6].

The European Union operates through a hybrid system of supranational and intergovernmental decision-making, with policies encompassing a wider range of areas, including trade, agriculture, and regional development [7]. The aim of the EU is political and economic integration of its members, which also explains the Euro as a common currency.

As a much smaller union, economic integration is not the primary goal of the Eurasian Economic Union. Pure regional cooperation among diverse economies is the main objective. The Eurasian Economic Union has made significant strides in reducing trade barriers and harmonizing regulations, contributing to intra-regional trade growth, which underlines the success of this approach [8].

The third major union in Eurasia is the Shanghai Cooperation Organisation. The SCO primarily focuses on political and security cooperation in the region, but economic collaboration has become increasingly significant on its agenda [9].

## STRATEGIES FOR AN EFFECTIVE MARKET EXPANSION

After covering the topic of the immense cultural diversity of Eurasia and mentioning the main economic unions to better understand the market as a whole and the blocks of cooperation, the article now discusses strategies for effective market expansion in Eurasia. The right decision regarding the type and form of market expansion is fundamental to the success of the venture.

**Table 1**

**Main Types of Market Expansion**

Type	Characteristics
Market Development	Entering new markets with existing products.
Product Development	Introducing new products to existing markets.
Diversification	Entering new markets with new products.

<b>Strategic Alliances and Joint Ventures</b>	Leverage shared resources and expertise.
<b>Franchising and Licensing</b>	Another company can use your business model or products under agreed terms.
<b>Mergers and Acquisitions</b>	Merge or buy.

**Source: Root. F.R. Entry Strategies for International Markets, Lanham, Lexington Books, 1994.**

The table above indicates the most common types of market expansions. The challenge lies in the decision to choose the right type, on the one hand, regarding the market, and on the other hand, regarding the product itself. Therefore, the thinking steps taken while considering market expansion are essential. That being said, it is crucial to choose the appropriate entry model, and the decision depends mainly on the company's objectives, resources, and risk tolerance [10].

## **CONSIDERATIONS FOR MARKET EXPANSION**

The first few essential unknowns when starting to work on a market expansion strategy include market size, local spending habits, growth rates, potential competition, and the exact consumer needs. Therefore, a detailed market analysis is crucial for determining the viability of market expansion strategies, as it provides insights into market dynamics and the competitive landscape [11]. The market analysis should also include market research and cultural audits to better understand the consumer behaviour of the target audience, their preferences, and important cultural nuances. Once the objectives are known, it is important to assess which sources and resources can be used to successfully achieve those objectives. A firm's internal resources and capabilities must be analysed to ensure they support the market expansion strategy, as misalignment can lead to strategic failure [12].

Further risks of market expansion strategies include financial, reputational, operational, and general market or country risks. Risk assessment is critical in selecting market expansion strategies to mitigate potential negative impacts on the business [13]. Therefore, understanding the cultural and local regulatory environment of the target market is essential to avoid cultural missteps and legal issues from the outset. Cultural and regulatory factors significantly influence the success of market expansion and must be carefully considered [14]. Before being able to tailor a product or marketing strategy, customer behaviour needs to be understood. In this case, a detailed analysis of consumer behaviour is necessary to outline preferences, gather feedback, and adjust products and services accordingly. Understanding customer behaviour and preferences in the target market is essential for successful market entry and product positioning [15]. In almost all profit-oriented markets, there is high competition. This will not be any different when entering a completely new and unknown market. Examining the competitive landscape to identify key competitors, including their strengths and weaknesses, will help in understanding their market position and how to place and promote one's own products and services in the specific market. Hence, analysing the competitive environment is vital for developing strategies that leverage opportunities and counter competitive threats [16].

A fundamental country risk analysis that considers economic, political, and cultural factors is essential to gain an understanding of the stability of the country and the market. It can outline potential risks across different dimensions and levels at an early stage. Then economic and political stability of a market impacts the feasibility and risk associated with market expansion [17].

Additional risks come from the regulatory environment and compliance in new markets. Even though navigating local regulations and limitations can be tough, compliance with the rules is a must. Understanding and adhering to local regulatory requirements is essential for smooth market entry and operation [18]. Therefore, to stay up to date with the latest information and regulations, local partnerships are highly recommended. A local partner can provide support regarding cultural sensitivity and communication. It is not uncommon in business that nuances in communication can determine success or failure. That being so, adapting to local communication styles is crucial for marketing and customer engagement in culturally diverse regions like Eurasia [19]. The impact a local partner can generate in terms of contacts and local business partnership should not be underestimated.

## **IMPORTANCE OF CULTURAL ADAPTION AND CONSUMER BEHAVIOUR**

Special focus needs to be placed on the relevance of cultural adaption and consumer behaviour. While considering or planning a successful market expansion within Eurasia, it is essential to combine the aspects of consumer behaviour and cultural adaption in all decisions. An analysis of consumer behaviour leads to a better understanding of purchasing decisions, while cultural adaption is the process by which a company adjusts and integrates into a new cultural environment.

Tailored market expansion strategies are key and must always consider cultural sensitivity and adaptability to regional economic markets. Companies must be especially sensitive to the cultural diversity of Eurasia, as cultural missteps can lead to consumer alienation and brand damage [20]. Another characteristic of the Eurasian, particularly Central Asian market, is the importance of cultural values. Aligning business practices with the cultural values and norms of the local market can significantly enhance consumer acceptance and loyalty [21]. Economic conditions are a factor that counts for every market expansion, regardless of the specific region. Economic factors, including income levels and economic stability, play a significant role in shaping consumer behaviour [22].

## **CONSUMER BEHAVIOUR IN EURASIA**

The overall consumer behaviour in Eurasia is highly influenced by local cultural norms and values [20]. This can, for example, be measured by the brand loyalty of consumers. Consumers in Eurasian countries exhibit strong brand loyalty, particularly towards brands that align with local values and have established trust. In Russia, for example, trust in a brand is a critical determinant of purchasing decision, with 62% of consumers citing it as a key factor [23].

Another major influence of measurable differences between Eurasian markets is economic disparity and spending power. The vast economic disparities within Eurasia, from higher-income countries like Russia to lower-income countries in Central Asia, create diverse consumer spending behaviours. Higher-income countries exhibit greater demand for luxury and premium products, while lower-income markets prioritize affordability and essential goods [22]. Another major change in consumer behaviour that has reshaped the markets over the last few decades is digital engagement and e-commerce adoption. E-commerce penetration varies significantly across Eurasia, with countries like Russia and Kazakhstan showing rapid adoption due to high internet penetration rates, while others lag due to infrastructure challenges [24].

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Eurasia is a vast landmass rich in culture and enormously attractive regarding economic potential and opportunities. Especially the markets between Europe and Asia, including the Central Asian markets and Russia, seem appealing and promising when considering a market expansion strategy. On the one hand, there is a historical and a cultural tie among these Central Asian countries, leading to an advantage in scalability. When a market expansion strategy into one of these countries is successful, it can easily be adjusted and used to expand into neighbouring countries. On the other hand, the geographical location of the Central Asian countries places them in the middle of the major production hubs between Europe and Asia. Therefore, this region is well-positioned as a potential consumer market for European or Asian companies looking to expand into other markets. For the success of a market expansion, a carefully planned market entry strategy is fundamental. A key part of this strategy is to include the various options for market entry as well as the relevant economic and academic knowledge on the topic. Additionally, it is essential to consider cultural adaption and consumer behaviour in different regions and local markets. Western companies, in particular, tend to underestimate the importance of cultural values and traditions in Eastern markets. Thus, it is necessary to establish a market expansion strategy that not only covers all economic and scientific aspects but also places significant emphasis on local culture and values. Cooperation with local partners and advisors is highly recommended for an effective and successful market expansion.

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