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ARMED CONFLICT'S INFLUENCE ON MARKETING

Abstract:

The article deals with some of the modern trends in the development of the marketing concept and the military impact on them. The end of the Cold War dramatically changed the perception about the international security environment concept. The downfall of the Eastern Bloc led to the growth of initial wave of hope and reductions in the military spending, but not long after that it became obvious that the world was still a dangerous place and there were many other conflicts that were not resolved and just waiting to escalate. The essence of conflicts has changed. They were domestic rather than international and many scholars focused upon the influence of civil wars over economics. However, those conflicts remained isolated and in the absence of major conflicts such as the Cold War, the path to the development of the global economy and marketing was clear. The simplest attempt for classification of the military conflicts would divide them into two characteristic types: more likely political (i.e. to impose a specific model of policy, political regime, ideological domination or some form of dictatorship...), or rather economical (for seizing and redistributing of markets, of strategic logistic locations or areas rich in raw materials and resources...). Most often the questions circle around/about clarifications who against who, where, with what ways and what purposes it gives one (or several) military conflicts and in the matter of this circle begins the upgrading - for the motives, interests, the "aggressor" and the "aggrieved party" are defined, inevitably some conclusions are made for the ratio justice/injustice etc. - this provides an incentive for conversations, which are too often emotional and make an endless subjective spiral. In the article the argument is presented that classical marketing is losing its importance; the defining characteristics of the future marketing model are discussed: global consumer's culture - globalization through higher mobility, mass media, music, sport are studied. Further studies are made into the nature of similar and different types of consumer behavior during military conflicts. Some of the applications of new culture in marketing are shown, along consequences of the development of the marketing concept in Bulgaria.

Keywords:

marketing, global consumer, new media, new culture, military conflicts

JEL Classification: M31, M39

Introduction

The end of the Cold War dramatically changed the perception about the international security environment concept. The downfall of the Eastern Bloc led to the growth of initial wave of hope and reductions in the military spending, but not long after that it became obvious that the world was still a dangerous place and there were many other conflicts that were not resolved and just waiting to escalate. The essence of conflicts has changed. They were domestic rather than international and many scholars focused upon the influence of civil wars over economics. However, those conflicts remained isolated and in the absence of major conflicts such as the Cold War, the path to the development of the global economy and marketing was clear.

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The assassination of the of the Austrian Archduke Franz Ferdinand and his wife, Duchess Sophie Chotek of Austria, by Gavrilo Princip in Sarajevo on 28 June 1914 is most often accepted as the beginning of the todays age, looked at as a historical category. Only about 20 years later, thinking about the social philosophy John Maynard Keynes writes: "...Moreover, dangerous human proclivities can be canalized into comparatively harmless channels by the existence of opportunities for money-making and private wealth, which, if they cannot be satisfied in this way, may find their outlet in cruelty, the reckless pursuit of personal power and authority, and other forms of self-aggrandizement..."¹ Unfortunately, in the real world, these two lines often fuse into one, also most often concealed behind some specious and relatively acceptable for the democratic community context. In his classical work "A Study of War" from 1942 the American political scientist and researcher of international relations Philip Quincy Wright brings out the convincing and statistically confirmed correlation when comparing the trends towards democratization during peace, and also the opposite trend towards democracy rejection during war times.² According to him this correlation confirms that rather the peace engenders democracy than the democracy to engender the peace. Certainly in terms of every contemporary military conflict a democracy is involved like the tendencies, especially after the end of the "Cold War", are in a direction of a sharp rise of the uncertainty in every one of them. In parallel with that, we constantly observe an increase of the asymmetry in the modern military confrontations. The asymmetry in the international relationships can be defined as a lack of sameness between the entities as well as in their resources, status and

¹ Keynes, J. M., "The General Theory of Employment, Interest, and Money", ch.24, p. 236

² Wright, Q., "A Study of War", Chicago: Phoenix Books, 1964. p. 161

strategies. In this connection, NATO's and USA's leadership in the last years promote more and more the necessity of apprehending new methods for warfare, because the traditional conventional war, at this moment is interpreted as something left completely in the past.

Most of the contemporary international relationships are becoming more asymmetrical and depend on the relationships between too many different individuals like countries, transnational corporations, religious communities, secret financial conglomerates or not numerous, but effective and brutal terrorist units. From the paradox of the relations between them appears the weak balance between "the power of the weak" and "the weakness of the strong".

Nevertheless, the concentrated localization of the conflicts, the asymmetry in power, resources and propaganda, and also the emotionally ideological (most often in the media) color, cannot cover the linear logic of the preconditions, which interpreted in any way still stay mostly as economic phenomena. The political aspects turn out to be only complicated tools, something like euphemism in the global text of the power approach. Rostislav Ishchenko³ says in an interview: "Whatever people say, in reality the crisis in Ukraine is part of the overall global crisis, a part of the confrontation between USA and Russia. ... This is part of the reason for their games in Afghanistan, Georgia, Syria, and now in Ukraine. The things that happen in Ukraine are a confrontation between USA and Russia. Everything else is just small conflicts."⁴ The connection is gradually getting clearer and is not illogical at all for the educated part of the audience, regardless of the skills and preparedness of the main contractors. The purely financial interests regarding mainly the markets redistributions and preemption of resources are visualized by implication, from a geopolitical to a local level.

In this way in the zones of military confrontations the connections of the market relations are broken, the whole economic structure is destroyed and drastically changed; the influence on the marketing and the communication with the consumers is only an aspect of the overall collapse of the social system, build on the civilizations norms, equilibrium relations and generally accepted values.

The rise of the global economy led to the rise of global marketing. A few decades ago it seemed impossible for Western firms to sell their products and services on Eastern markets. Nowadays this fact does not surprise anybody. In recent years the information technology or, if we want to be more precise, the internet has developed, the world has shrunk even further and now customers can obtain the products they want from different markets from all over the world within days. As technology creates bridges in communication, transformation and financial transactions, it is possible for companies and consumers to establish business in almost every country around the globe thanks to the advance in the international trade. Brands and products, which originate in one country are accepted in others with enthusiasm. For example Louis Vuitton handbags, BMWs and Columbian coffee, which are all foreign products, in the USA they have become symbols of status and quality and vice versa – many American brands such as Warner Brothers, IBM and others have similar footholds overseas. Even if a company do not want to establish its business in foreign countries, it is highly possible that it may well face domestic competition from foreign companies. That kind of competition has bred the necessity for many businesses to establish an

³ Rostislav Ishchenko – President of the Center for Systematic Analysis and Forecasting, Ukraine

⁴ "Русская правда" - <http://ruspravda.info/Rostislav-Ishchenko-Edinstvennyy-shans-dlya-hunti--otstupat-za-Dnepr-7304.html>

international presence.

Today marketing is a must for the companies. The qualities of a product alone are insufficient to achieve good business results. Having a good product of course is an advantage, but a good product without a strategy for its popularization to the potential clients won't prove successful. The goal of marketing is to develop a strategy, which can make a product popular and profitable. In other words marketing is used by the companies to achieve competitive advantages over their business rivals. One of the key purposes of marketing is the identification and satisfaction of the consumer needs. To achieve these, an important element is the evaluation and the analysis of the marketing environment.

Since every company operates in certain environment, it has to consider the factors of the environment, to confirm its actions to them and to influence those which can be manipulated. Therefore a constant research on the environment is needed, so that the company can choose the best strategy that suits its goals. But often the companies are forced to comply with factors, which endanger the normal economic environment. One such case is the military confrontation. It can bring chaos to the usual functioning of an economy and to hinder relations between producers and consumers. Military conflicts also affect the neighbouring countries. The Middle East is such an example – a region, where conflicts can hardly be contained in a single country and usually affect the whole region. The Syrian civil war is no exception. It broke out in 2011 and quickly infringed the interests of the neighbouring countries and world powers. Syria's economy is devastated and millions of refugees seek shelter in the neighbouring countries. In such conditions doing business is a hard task, but even in the most difficult moments there are opportunities. But such opportunities need a careful analysis and research of the environment in order to be noticed.

The Syrian civil war has brought millions of refugees to the neighbouring countries such as Jordan. They have provoked serious difficulties for the economies of all countries hosting them. As a result, important changes in the marketing environment occurred and need to be taken into account by the business.

International Marketing Environment – a brief overview

Marketing environment is the set of factors outside of a company which affect and influence its activity. It is vitally important for a company to understand these factors in order to develop its strategies correctly. To do that companies constantly need to observe the course of events and to research the environment. The companies are open systems which are in contact with the environment. The environment, for its part, influences the development of processes in the company and is being influenced in certain degree by the company. Marketing is central concept of the company's management which gives the possibility and develops the connection between the company and the outside world. Marketing pursues the acquisition of accurate, sufficient and well-timed information on the processes and events taking place in the company's environment and its application to the process of elaboration of marketing programmes and management decisions.

Marketing environment has several key elements which need to be taken into account when a company is researching it. One of the most important elements are the economic and political conditions. Research of the economic environment includes acquiring data for and analysing the household income, inflation and interest rates,

employment, demographic structure. The political environment is of no less importance. The government sets its goals and implements strategies for the development of the country and its actions need to be carefully examined, since they set the frame for the activity of all economic entities. That includes the political stability, the functions of the different institutions, the regime's ideology, the connections and relations of the country with its neighbours and other countries, various policies (for example a country may want to join an integration community or to develop extensive economic ties with another country) and legal acts of the legislation (for example acts, concerning the fiscal or tax policy, affect all economic entities). The company needs to understand the political factors and the national strategies and goals of the country where it's operating in order to make adequate decisions.

Analysing both political and economic factors helps the management when assessing the likelihood of various political or economic problems and opportunities which may occur.

The importance of analysing the political and economic factors becomes crucial when a country is in turmoil. A war or military confrontation is situation when the normal circumstances change considerably. Every type of social unrest endangers the welfare of a nation. The business is no exception. It depends on normal economic and political environment in order to operate appropriately and – which is more important – to ensure the proper distribution of goods and services in the country. So, when a military confrontation breaks out, it hinders the business and by doing that puts at stake the welfare of the nation. Hence, the necessity for the business to function even in exceptional circumstances.

Armed conflicts have serious consequences on the political and economic system of a country. First of all, they cause disorder in the relations between the economic entities. The normal legislation and judiciary cannot function properly either because of special governmental orders or as a result of military operations. The economic base – infrastructure, production plants, cities and sites of strategic importance – is damaged or destroyed. The normal movement of supplies and merchandise are being disrupted. The functioning of marketing activities is also endangered. These conditions threaten the distribution of goods. At the same time they show the necessity of civil matters and commercial relations being maintained so that the nation can survive. Armed conflicts have serious impact not only on the country, where they develop, but also affect its neighbours. A common consequence of armed conflicts is the migration of people, running away from the military operations. This can cause a refugee crisis in the neighbouring countries – for refugees need humanitarian aid, which the hosting country may have problems to provide. Refugee influx also causes various problems of legal, demographic and economic character – what should be the legal status of refugees, how and should refugees be integrated in the society of the hosting country, how and should they be integrated in the economy of the hosting country. Answering these questions is never easy, but it should not be forgotten that refugees don't cause only problems – they offer new opportunities – for the hosting country and for the business.

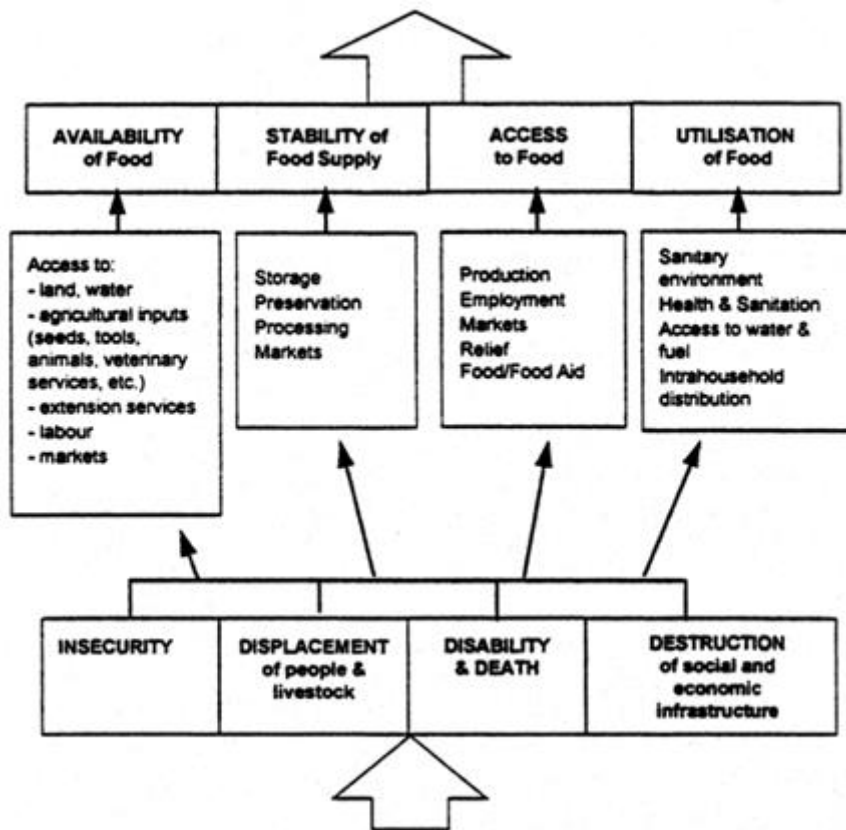
However, the aim of this study is to examine how war-confrontation in different regions of the world affects marketing and consumers' communication. For that purpose we are going to examine at some length how the crisis in Ukraine influences international marketing and what are the consequences for the different countries (and the relative consumers) that are taking part in this conflict.

According to recent World Bank research around 1.5 billion people in different geographical areas are living in war. The research mentioned the continuing armed conflicts in Afghanistan, the pirates in Somalia and also the political conflicts in Indonesia. The report is presented during the wave of uprisings in the Middle East in particular in Tunisia, Egypt, Yemen, Libya and Bahrain. It is worth mentioning that during the last year even Europe saw the disasters of the armed conflicts again after the war in Yugoslavia. The crisis in Ukraine reached its climax after the referendum, which was defined as annex by significant part of the western societies and is still reason for instability and negative effects on the European economies.

Armed conflicts, political conflicts and wars are surely among the factors that influence the international market environment the most. Although the international market is more flexible than the national one, it also suffers losses and negative effects. Problems and difficulties such as armed conflicts and wars usually decelerate the economic growth. They are a reason for economic crisis and problems in the entire regions of the particular countries the armed conflicts take place in.

The armed conflicts lead to damaged market and damaged market environment which is naturally resulted in inability for making appropriate and successful marketing. The armed conflicts could influence every aspect of the process for preparing marketing strategies, communication mix, segmentation strategies, advertising, public relations and etc. There are, unfortunately, groups of people and companies which benefit from conflicts and wars. Often black markets appear and accelerate the negative effects from the armed conflicts, because as long as there are people who do not want conflicts to stop, the economy and the normal market environment could not recover. It is not likely the economy to grow as well. That brings the necessity every entity on the market, including companies, consumers, dealers, traders and distributors, to try to adjust and to elaborate proper strategy for surviving on the market. The above mentioned is really important and applies especially to the activities of the marketing specialists who are those responsible for the proper strategies and opportunities for maintenance of the normal trading and profits.

The focus is then put on the simple restoration of those basic needs. A straight forward depiction of a war-conflict situation may be obtained from the graphical representation of the chain of problems concerning the provision of food during a conflict:



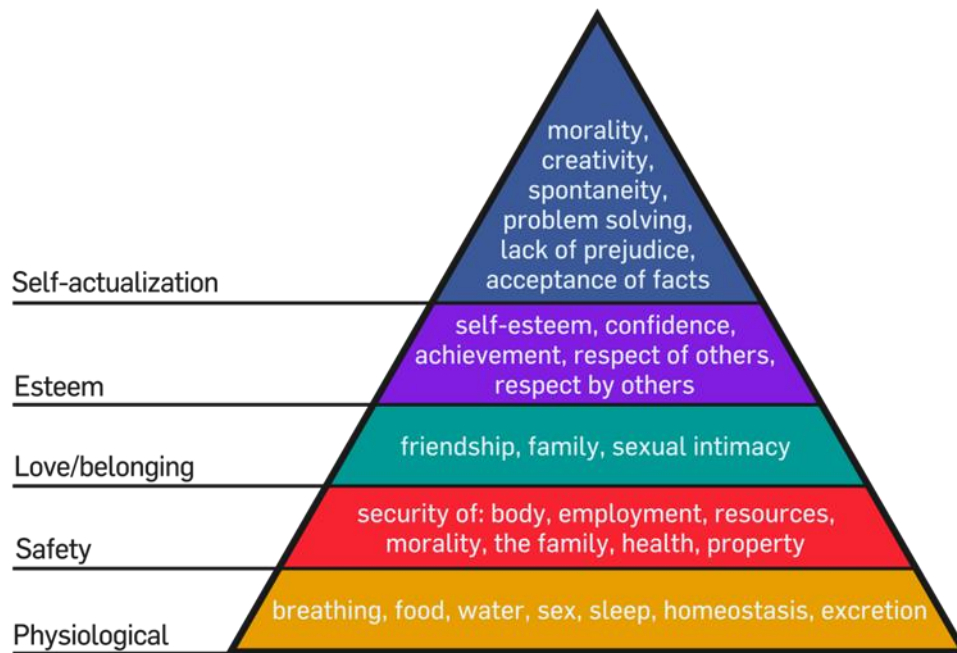
Source: Study on the impact of armed conflicts on the nutritional situation of children

Figure 1 Chain of problems concerning the provision of food during a conflict⁵

The insecurity in terms of physical existence, the displacement of people due to the conflicts, the impact on the work force and the destruction of the existing social and economic infrastructures, they all lead to an inevitable economic downturn. The performance of the economic structures is strictly dependent on the severity of the conflict which is taking place. First and foremost come the physiological needs of the individuals, that is, the essentials in terms of nutrition and water supply and other basic needs. This shows that in a time of crisis the most stable markets would be those of the most essential foods and the water supply industry. The first to be destroyed and last to be restored is the level of innovations. Novelties or upgrades of existing products on the market may occur only after all necessary commodities have been provided and a certain level of security and safety has been reached.

On the second level we could position the pharmaceutical industry, since health is one of the prior issues when it comes to safety, then the arms industry, which tends to exalt the idea of providing security. Some may also be tempted to place here commodities like clothing, but in case of severe war conflicts this tends to be a priority of charity organizations rather than the businesses which operate in the textile and fashion industry, because of the lack of profit.

⁵ Image: Study on the impact of armed conflicts on the nutritional situation of children
<http://www.fao.org/docrep/005/w2357e/W2357E05.gif>



Source: Maslow

Figure 2 Maslow's pyramid - hierarchy of needs

This could be related to the so called Maslow's pyramid expressing the hierarchy of human needs (Fig.2). People are mainly concerned about shelter and food and there is not high demand for culture, art and other not essential commodities. Self-actualization is on the top of the hierarchy, because it's something that is hardly achieved and definitely not in the list when it is about war.

Consumer behaviour

It is clear that consumer behaviour is intermittent and varies according to the factors of the economic situation and the changes in the market, but consumer behaviour during war is quite different and incomparable.

The military conflicts around the world may affect consumer communication and marketing in multiple ways – from the limited resources to new needs and propaganda. Consumer behavior and buying decisions are the factors that affect consumer choices – from personal values to the environment they live in. In this paper we are going to examine how the changed marketing environment influences the advertising and market success.

The effects of war on advertising and consumer behavior can be seen most clearly in the United States during the World War II. While millions of men were fighting on the battlefield, there was a great need for someone to produce goods. Then the government realized that women could do that job. They became a major part of the economy (36 % of the work force)⁶ – most of them had jobs as factory workers and teachers. As a result, they were independent financially and between 1939 and 1945 women were the leading consumer base.

⁶ <http://www.striking-women.org/module/women-and-work/world-war-ii-1939-1945> - Striking Women, Women at Work

The main role of the American media during this time was propaganda and providing information on the military situation in Europe and Far East. Naturally it was also a means for the government to address women that they are needed in the industry.

During the war many producers started manufacturing military products like weapons and uniforms instead of consumer goods. For advertisers it meant risk and possible business losses. The only opportunity for them was to form a mutually beneficial alliance with the government. They could keep their companies known to the public and help the government achieve its goals at the same time. Between 1943 and 1945 companies that were not producing consumer goods any more used their advertising space in the media to support the war campaign, mainly to attract women to become a part of the labor force.

Manufacturing was primarily for military purposes, so food rations and clothing were limited. That changes the marketing too – clothes were advertised as sensible and practical and the home front propaganda participated in textile designs. Clothing was not just a fashion, but a way to show patriotism and support for the national political goals. Textile was another way to influence the people to participate in the “total war” effort. And consumerism was buying a symbolic item that would help the country.

The “total war” effort meant that at the home front civilian morale had to be maintained. Consumers were encouraged to participate in the production, conservation, rationing and distribution of food supplies – there were minimum standards of provisioning. Fashion, as well as entertainment, was used as propaganda but also as a distraction, a promise of a better future after the war.

Developing business and marketing in a time of war confrontation

Maybe we can easily set two kinds of doing business during a war confrontation. The first is when one corporation is earning directly from the conflict by trading its products to one or to the both sides in the war. In our imagination emerges the character of Nicholas Cage in „Lord of War“, the motion picture from 2005. In that movie an arms dealer is selling guns to all kinds of dictators, drug dealers and etc. and his figure and business are marketing per se. There is of course a legally allowed kind of trading during a war. If there’s no embargo on your product it can go ahead. The second kind of doing business is when one company is involved in the conflict not of its own accord.

Then let’s have a look at different examples of both kinds of situation.

According to the UN ‘Protect, Respect and Remedy’ policy framework⁷, as updated and elaborated last year in the Guiding Principles for the Implementation of the UN ‘Protect, Respect and Remedy’ Framework, businesses have a responsibility to respect all human rights. This responsibility requires businesses to refrain from violating the rights of others and to address any adverse human rights impacts of their operations. And once again we come to the question: Where is the middle ground between respecting and having a profit? If a company is selling guns or working with valuable minerals, there is no place for moral or respect for the two sides. These actions call for political umbrella which means that the company is siding with one of the sides in the conflicts. A fresh example is the ongoing war in Syria. Russian firms and corporations are taking place in oil sector, building industry and of course

⁷ <http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf>

especially in the arms sector⁸⁹. Does this really mean anything for their marketing? It could be understood as a sign from the big brother Russia: "We are with the people of Syria". Also, for the people loyal to the president Assad, it could be perceived like a sign for help.

Recently there is a big noise about the slower Russian sales and, in some cases, store closures as the Ukraine-Russia conflict drags on. Here are some examples describing the situation: Russian officials and regulators have been cracking down on the McDonald's restaurant chain¹⁰. Officials shut down a handful of popular McDonald's restaurants in Moscow, and state media report that Russia's consumer watchdog will be conducting checks on outlets as part of a food standards investigation. Meanwhile, Wendy's was recently forced to exit Russia due to what it said was a change in management at its local partner Wenrus. The quarterly sales of Coca-Cola, for their part, have declined by about 5% in Russia, Ukraine and Belarus. Coca-Cola blamed "economic instability in the region," but global sales increased by 3%. Also, the Danish brewer Carlsberg warned that annual results will be weaker than expected, as Russian demand dries up. Carlsberg estimated that industry-wide Russian beer sales fell by as much as 7% in the first six months of 2014 due to an uncertain economic environment, leading it to also lose market share. Carlsberg beer is the most popular beer in Russia by a wide margin. The company's stock has fallen 15% since the start of the year. Further, in late July of 2014, the German sportswear company announced it was shutting stores and scaling back expansion plans in Russia. It said that "tensions in the region" had hurt consumer spending, and that the decline in the Russian ruble hurt profitability. Adidas slashed its 2014 earnings forecast by 20% to 30%, partly because of Russia. Shares have plunged 37% since the start of 2014.

The car market is not going well, too. The German automaker Volkswagen blamed an 8% drop in its Russia car sales during the first six months of the 2014 on political tensions, and it said it believes industry-wide sales fell about 25% in July. Volkswagen shares are down 13% since the start of 2014. The weakening ruble and slower sales in Russia have hurt Ford's bottom line, as the company said. Renault is on the same wave. The company has warned investors about a sharp slowdown in Russia and other emerging markets. Russia is Renault's third largest market in terms of sales. Another example is the British oil giant BP which owns a large stake in Rosneft, Russia's biggest oil company. It warned that the unit will suffer from tougher U.S. sanctions. Investors are also worried about other energy companies, including Total and Exxon Mobil which have significant ties with Russia.

But can having a business in a conflict zone be a part of a good plan for helping your sales and the people in the conflict area? IKEA gives a good answer to this question¹¹. IKEA Foundation helps in building homes for Syrian refugees in Iraq and other countries. The foundation is working on five continents to help people in need after emergencies and wars. Also, it is contributing by gathering money from its customers – IKEA customers raised over \$14 million for children's programs in Africa, Asia, Europe funded by the foundation¹². By doing this, IKEA, which is expected to be

⁸ <http://www.france24.com/en/20131226-syria-signs-offshore-oil-deal-with-russian-firm/>

⁹ <http://www.bloomberg.com/news/articles/2014-05-23/russian-companies-active-in-syria-seen-at-risk-of-u-s-sanctions>

¹⁰ <http://money.cnn.com/2014/08/23/news/companies/western-companies-russia/>

¹¹ http://www.unhcr.org.au/unhcr/index.php?option=com_content&view=article&id=469:ikea-foundation-helps-restore-sense-of-home-for-syrian-refugees-in-iraq-&catid=35:news-a-media&Itemid=63

¹² <http://www.unicef.ca/en/press-release/ikea-customers-raised-over-14-million-for-childrens-programs-in-africa->

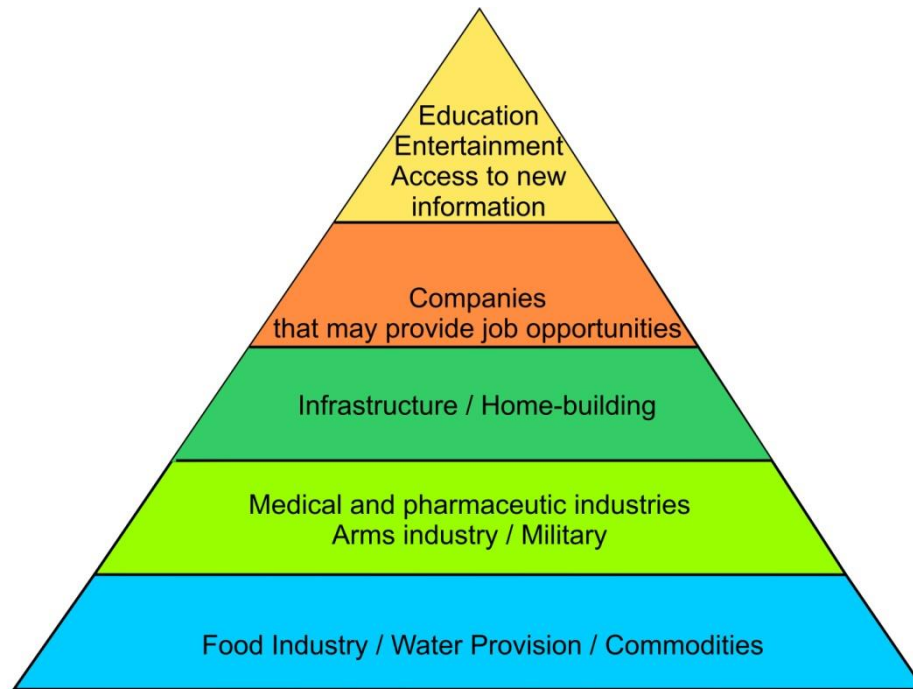
interested in building an image of a careful and family-friendly brand, achieves both – doing a good think for the destitutes and for its own profit.

Therefore, we can conclude that making money from someone’s misery is a common situation in our world. And without making very close and sophisticated analysis we can deliver this final judgment – some corporations are trying to profit by displaying their real help and using this to manifest their social responsibility. Doing this they want to attract their customers to buy more because they’ll contribute to people in need. Other firms are just selling their products like weapons and services, “working for the good guys” and again making money from the conflict.

So, let’s face it. Every business is trying to have a profit. The company just needs to put some hard work in making the business look good and acceptable to the public – the customers, the society or the stockholders.

The impact of a conflict on different marketing channels

Looking back into the Maslow’s pyramid, we can make a different type of construction. On the level of family and friendship may well be placed the companies operating in the field of infrastructure, house-building and provision of house-hold items. On the level of self-esteem and social-esteem could be placed the businesses which would provide a more welcoming atmosphere for a city and a field for people to form a homogenous society with common interests, where all companies that provide job opportunities for the population could be placed. Last but not least, the sector of education, different studies and the provision of effective access to literature, like the internet providers, bookstores and others, which are on the level of innovations, should also be mentioned.



Adaptation of Maslow's pyramid as an explanation for the different levels of stability of the various business industries the during a military conflict. The industries are classified based on the level of human needs that they cater for.

Source: Maslow

Figure 3 Adaptation of Maslow's pyramid¹³

Armed conflicts and wars can affect business practices as well. Unfortunately some firms prosper by using sharp practices while others become their victims. Some of the existing traders could resort to discouraging entry, but those who want to be viable will contract to the relationships that can still be trusted. Of course, certain groups such as opportunistic businessmen and traders can benefit from the war. The traders can make bigger profits by selling goods at higher prices and opportunistic businessmen by swindling those businesses that are constrained to honest trade. But all the other groups, which do not benefit from the war, suffer from the declining incomes. The result is that although most people suffer losses from war, there are small groups who have economic interest in the prolonging of conflicts and they are much more influential. That is why they continue to make trading and marketing difficult regardless of the fact that their interests are against those of the public. The marketing process is affected because the groups that want the continuation of the conflict don't obey market or other rules. As long as the conflict continues, the usual concepts for the marketing of products will be made more difficult, mainly because the principle of competitiveness is violated. Correctly responding consumers' needs becomes impossible and the segmentation of the market isn't in accordance with the usual criteria and conditions.

As marketing is considered, all of the above mentioned could lead to suitable marketing decisions and surmounting the bad influence of the conflicts on marketing as a whole. Also, business gains an opportunity to participate more actively and

¹³ Adaptation of Maslow's pyramid – the author of this paper

appropriately in the conflict stage and in the market stage afterwards.¹⁴

The consumption of the people tends to be more predictable in normal circumstances than during armed conflicts. Everything during war changes – the demand, consumption and business relationships. People shorten their time horizons as well¹⁵. Life is valued in a completely different way during war, becoming less predictable and more valuable for households. Nothing can be precisely estimated and predicted and that is why it is more difficult to analyze consumers' preferences and expectations.

Armed conflicts and wars have a long duration and have many negative effects, because they are brutal and widespread. The war sometimes could be a reason for major changes in the economy and especially in its production base. Countries involved in armed conflicts might change the focus of their manufactured goods and concentrate their efforts on war time production, like weapons or uniforms.

There is an opinion that the relationship between business and armed conflict is ancient and lasting. In our history, commodities have just as often been secured through violence as through trade. Armed forces have regularly been used for providing protection to the trade or for expanding business opportunities and developing new markets. Every monarch, state, or warlord needs a business to supply and finance the wars he or she leads. And, of course, war itself has often been primarily understood as a business activity by many of its foot soldiers because it offers an extraordinary freedom to pillage, and because of the black markets it creates for the scarce resources during the war¹⁶.

Usually the period of armed conflicts and wars are characterized with many difficulties and insuperable obstacles for the marketing specialists. There are difficulties concerning the normal process for development of marketing concepts and subsequently the process of the market strategy realization.

The process of making successful marketing strategies requires not only solid skills and experience, but also ability for making analysis and assessments of every situation occurring on the markets. The marketing specialist should be able to react against situations such as armed conflicts quickly and correctly. For example, they should have the ability to handle with huge amount of information, ability to predict processes concerning marketing, such as social economic development, changing consumers' expectations, needs and desires, which lead to changed consumer demand, and of course ability to cope with other challenges during complicated situations as armed conflicts or even wars.

Making marketing requires several steps preparing marketing mix. Marketers should create clear vision and tactics that are adaptive and responsive to every situation. Taking into account the specifics of the market when there are armed conflicts, it might be better the marketing ideas to be more delicate or prudent. Companies should learn how to adjust their marketing mix to the specific situation followed by the uprising of an armed conflict. The marketing mix consists of variables that could be changed as the companies could take advantages influencing their products' demand. The variables of

¹⁴ Slim H. "Business actors in armed conflict: towards a new humanitarian agenda", Volume 94, Number 887, Autumn 2012, International Review of the Red Cross

¹⁵ Justino P., The Impact of Armed Civil Conflict on Household Welfare and Policy Responses, Institute of Development Studies, Brighton, UK, Weatherhead Center for International Affairs, Harvard University, USA, Nov 30th 2007, http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2008_justino.pdf

¹⁶ Slim H. "Business actors in armed conflict: towards a new humanitarian agenda", Volume 94, Number 887, Autumn 2012, International Review of the Red Cross

the marketing mix enabled the companies to change the way their products are marketed in accordance with the dynamics of the market. The armed conflicts could be main reason for the changed market dynamics and processes. The marketing mix includes variables as product, price, place and promotion and marketing specialists should know how to use the mentioned variables as means to achieve the companies' goals regardless of the complicated market environment which is created from the ongoing armed conflict. For example, they should try to place and sell the products implementing appropriate and consistent, with the new market requirements, strategies.

The business suffers only negative effects. The business is detained because of the lack of information and communications. The connections between companies, dealers and retail dealers are interrupted. Even more the necessary communication between companies and state authorities could be disrupted during periods of conflicts. The situation that creates armed conflicts and wars make the market and business environment really complicated. And as long as the connection and the communication are ceased or disrupted the process of doing business, making marketing and successfully selling products and services is really complicated.

The successful marketing requires significant investments in time and research. Often marketing specialists have to make detailed research and analysis on different issues. It is obligatory for them to know how to assess the influence that armed conflicts have on households and the ways in which households respond to them. Conflicts reverse the normal conditions and the households could react unpredictable to cope with them. All of the above mentioned shouldn't be neglected.

The more complicated the situation is the more difficult became the realization of appropriate marketing strategies. Specialists must take into account not only that there are difficulties in communication and distribution, but also that when suffering the consequences of war people became concern only about their lives and safety. The behavior of the consumers changes and becomes more unpredictable. That is another characteristic of the market during conflicts, the consumers and clients are more likely to orientate towards those goods which are of vital necessity, so those who are responsible for marketing strategies and activities should try to find way to adjust to this new circumstances in a way to be successful even during periods of crisis and conflicts.


Usually conflicts lead to marketing strategies on the base of clearer defending the current market position of the products. It means that some products and services are imposed on the market. This could have negative effect either for the competitors or even for the company implementing such strategy of imposing its products on the market. For example, through such strategy the products or services of competitors may stay in the shadow of aggressive marketing, which could deprive them for any opportunity to succeed in staying on the market. But such strategy could have negative effect also for the company which had chosen it. To implement strategy like this usually requires huge amount of resources. It includes not only financial resources, but also many people working on the implementation of such strategy and there aren't any guarantees that the bad period will be overcome and all the invested time and efforts could be in vain.

It has been resurfaced many times as a discussion on political level that war conflicts

are a necessity for the military industries to survive.¹⁷ Conflicts have been thought to be purposefully initiated in order to achieve certain economic profit for the countries that are indirectly involved in it, in terms of provision of commodities and military forces to tame the conflict. Indicative of those accusations is the comparison between the top exporters of arms and the list of countries that suffer the most deaths due to war conflicts (Fig.4 and 5).

10,000 or more deaths per year [edit]

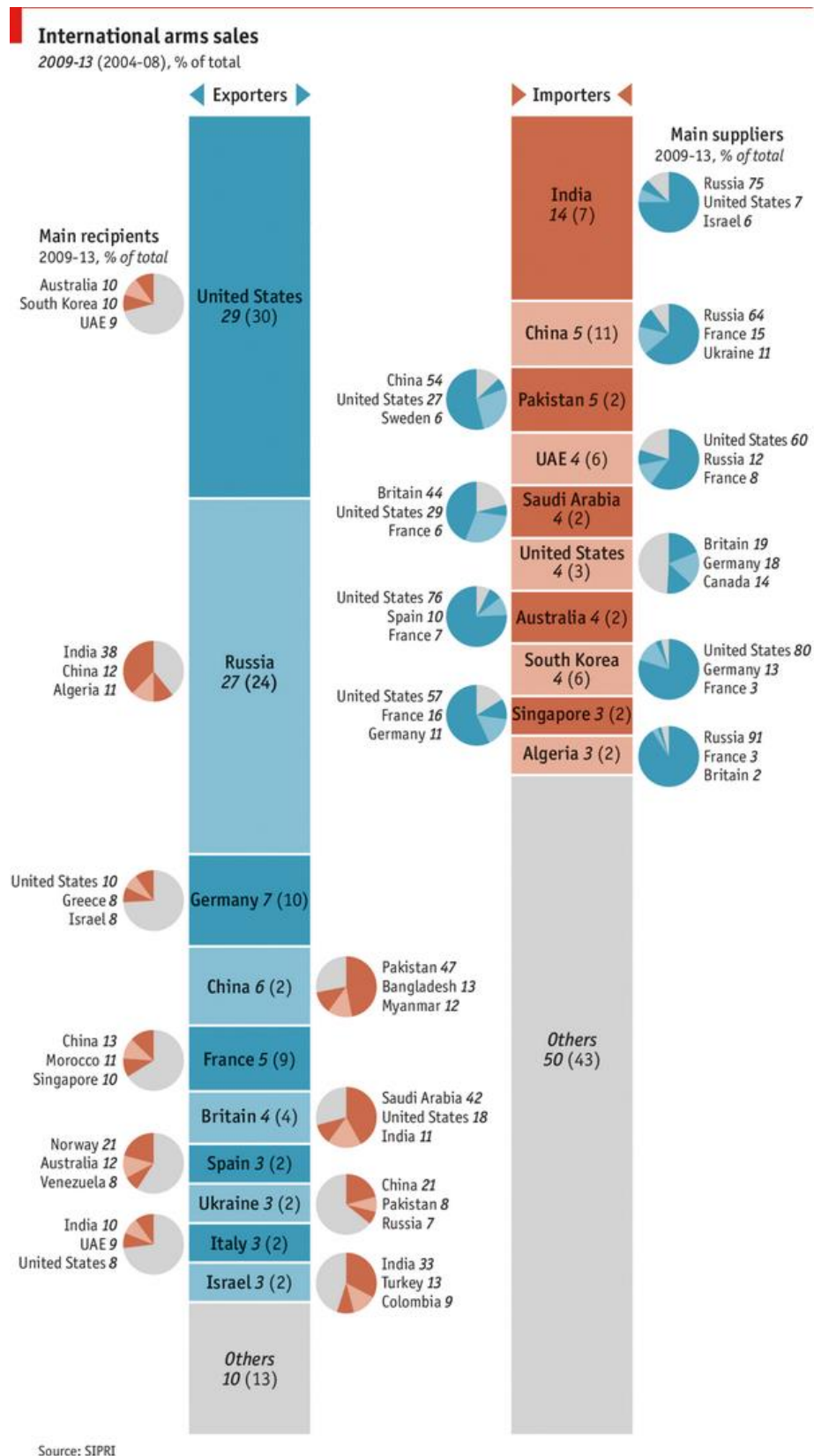
Conflicts in the following list are currently causing at least 10,000 violent deaths per year.

Start of conflict	Conflict	Continent	Location	Cumulative fatalities	Fatalities in 2014	Fatalities in 2015
1999	Islamist insurgency in Nigeria	Africa	 Nigeria	22,000+ ^{[2][7][37]}	10,849 ^{[2][38][39]}	219-2,019 ^{[40][41][42]}
2001	War in Afghanistan	Asia	 Afghanistan	56,000+ ^[43]	13,766 ^{[44][45][46]} [47][48]	9 ^[49]
2011	Syrian Civil War	Asia	 Syria	200,000 ^[50] 300,000 ^[51]	76,021 ^{[52][53]}	484+ ^{[54][55][56][57][58]} [59][60][61][62]
2011	Iraqi insurgency	Asia	 Iraq	35,829+ ^{[63][64]}	21,073+ ^{[64][65]}	534 ^[63]
2013	South Sudanese Civil War	Africa	 South Sudan	50,000+ ^[66]	40,000+ ^[66]	6 ^[67]

Source: Wikipedia

Figure 4 Top exporters of weapons and the list of countries suffering the most deaths due to war

¹⁷ Stockman, D., NATO's 20-Year Campaign To Find An Enemy And Weapons Market For The Military-Industrial Complex, (2014, August 25th) <http://davidstockmanscontracorner.com/natos-20-year-campaign-to-find-an-enemy-and-weapons-market-for-the-military-industrial-complex/>



conflicts¹⁸[Economist.com/graphicdetail](http://economist.com/graphicdetail)

Figure 5 International arms sales¹⁹

¹⁸ Wikipedia, List of ongoing armed conflicts (2014-2015),

http://en.wikipedia.org/wiki/List_of_ongoing_armed_conflicts

¹⁹ <http://cdn.static-economist.com/sites/default/files/imagecache/original-size/images/2014/03/blogs/graphic->

It must also be taken into account that armed conflicts change significantly the conditions on the international markets, so the marketing specialists should elaborate strategies and alternative behavior for operating on the markets. Armed conflicts disrupt or destroy marketing activities having huge consequences: lack of transport and fuel, lack of safety and deterioration of roads, reduces access to markets. Insecurity may prevent essential commodities from coming into the markets as businessmen will only bring in products if they can ensure security for their vehicles and goods as well as be assured of profits and customers. At the same time, prices may increase sharply reflecting limited access and then the small number of people with the resources will do business. Often black markets appear to supply contraband or to sell stolen foods or relief goods²⁰. There are also examples when the unit of measurement, during a war, has been totally changed – from currency to gold, precious metals and even cigarettes.

Another key characteristic of the market damaged by armed conflict is that the control of the marketing channels may influence the incentives for settling conflicts. Marketing margins tend to widen during a conflict and therefore create some profitable monopolistic trading opportunities which can give these traders an incentive for conflict extension. For that reason, the policy makers should be focused on making markets as competitive as possible²¹.

Markets during armed conflicts and wars become disrupted. In normal circumstances the main force keeping marketing activities is the competition. The competition during armed conflicts and wars tends to break down and trade becomes increasingly monopolistic.²² That is of course negative for the marketing activities, because marketing activities are aimed at emphasizing the advantages we take when buying products or services, which are well marketed and advertised in competitive environment. The competition is really important. When competition is missing marketing is useless and meaningless. Competition could reduce profits to normal levels and reduce the attraction of conflict for traders. There are also external players who benefit from the ongoing conflicts in the different parts of the world. The damaged local markets bring opportunities for foreign big companies to operate on the markets of the belligerent states, since they have the needed resources. During armed conflicts the possibility for emerging of monopoly increase as the market is influenced from many negative factors that harden and make the activities of the companies impossible. If there is no competitive trade, there is no need for marketing activities, marketing strategies or segmentation of the market.

Armed conflicts are also reason for blocked roads responsible not only for disruption in the communications, but for blocked distribution channels. The armed conflicts and wars influence the traditional way of distribution and products disposal as well. The military prevents movement of everything including goods and workers, thus impeding the supply and trade. The damaged infrastructure costs many efforts for the marketing specialist who should manage to properly offer the goods and services as there are

[detail/20140322_gdc001.png](#)

²⁰ FAO - Agriculture and Consumer Protection , Study on the impact of armed conflicts on the nutritional situation of children , <http://www.fao.org/docrep/005/w2357e/W2357E03.htm>

²¹ Justino P., The Impact of Armed Civil Conflict on Household Welfare and Policy Responses, Institute of Development Studies, Brighton, UK, Weatherhead Center for International Affairs, Harvard University, USA, 30th Nov 2007, http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2008_justino.pdf

²² Justino P., The Impact of Armed Civil Conflict on Household Welfare and Policy Responses, Institute of Development Studies, Brighton, UK, Weatherhead Center for International Affairs, Harvard University, USA, 30th Nov 2007, http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2008_justino.pdf

many obstacles and difficulties. It is also worth to mention that during conflicts the volume of transactions decrease and so does the profits, information becomes much more expensive and insufficient and the entry into market activities is much more difficult.

Nowadays, as well as in the past, the military conflicts have many repercussions on the daily life of the people, which undoubtedly leads also to many economic effects. The presence of military operations in an area / country has an impact on people's behavior as consumers, access to information and its dissemination which both have an impact on the marketing channels. In such hard times often people's wants, needs and desires tend to change. The war may have different expressions:

- *Local civil wars that go out of the boundaries of the state.*
- *Military actions between different countries, they may be contiguous (Israel-Palestine) or located far from one another (US-Iran).*
- *Thirdly, we can add terrorist attacks of various groups around the world.*

The military actions tend to change the distribution channels in some places, however, sometimes it happens that they open also new niches. Overall, a war acts as a catalyst for change, both the combatants and the countries having trade relations with the respected country/territory.

The marketing channels are the intermediary between the goods or services and the customers, passing the information from the manufacturer to the end user. The information channels are bi-directional, which is important both for the end user (customer) and for the manufacturer. There could be different distribution channels depending on their latitude and longitude.

Illegal channels

During times of war or existence of military actions the functions of the state usually get weakened. There are new channels for delivery of goods or services that are not approved by the official authorities.

Usually, after the cessation of the military actions these channels remain and continue to exist for a long time using prohibited goods. In case of war some of the channels are destroyed, but then replaced by new ones, dominated mostly by the state. An example is the whole logistics and distribution policy during the Second World War when the production was targeted to meet the needs of the army. The limitations that occur on the free market are due to several reasons:

- Destroyed infrastructure
- The workers are on the battle field
- There are limited or no resources

This leads to shortage and changes of consumer's demand – there is an increase for essential commodities. As a result on the market appear illegal suppliers which also reflect to high prices. It can be assumed that in a situation of embargo on a country or a region, these channels are longer, because of the large number of firms that either are officially authorized to provide the goods or do it but illegally.

We may consider the effect on marketing channels from a different perspective:

- Those involved in the conflict
- Those that are neutral and engage in trade relations with the warring
- Those of third parties who have no relation with fighting, but benefit from the situation

In this paper, a few of the military conflicts in the last 20 years will be examined briefly.

Armed Conflicts' Influence on Marketing

The war in Iraq

There is embargo in Iraq and all channels for import and export of products are closed. Only those for medicines and food are left and they even expanded.

The United States expanded the existing channels for delivery of food, weapons and equipment and created new ones for military bases in the conflict zone.

On the other hand, the countries that have trade relations with Iraq suffer from the embargo. They can not deliver goods or services to the country. The stopped oil supplies enable third country to take market share in the place of Iraq.

After the termination of the conflict new opportunities for many construction and transport companies are opened to engage in the restoration of the ruined country.

Next, we are going to examine the Iraq war and the way it affected the sale of consumer goods. The US-led war in Iraq was a reason for anti-American sentiments in many countries and especially among the Arabs. In 2002 – 2004 this has led to campaign against American products, including brands like Coca-Cola and McDonalds, laundry detergent and electronics. It was harmful for the US economy because the Coca-Cola soft drinks are iconic and symbolic and there are major American competitors on the detergent market. Meanwhile, new products entered the market and expressed the anti-US sentiment like Mecca Cola.

Military conflicts can affect how foreign companies and countries are perceived by the people and can directly influence consumer behavior. The American firms in that case suffer losses and it is considered as additional cost of the war.

Economists and marketing specialists have paid attention to the practice of consumer boycotts – people attempt to protect their interests and thus the firms are affected not by the government and the laws but by individuals or groups of people, although boycotts can be organized and supported by the government policies or directly affecting them. There is generally a skeptical attitude towards boycotts – the consumers may not participate if it leads to limited choices for them.

In the US, there was a boycott campaign against French wines when France was opposed to the Iraq war in 2003. Over the six-month period of protests there was a 13% drop in the sales of French wine²³. The conflicted relations between US and France reduced the bilateral trade by 10-12 %. The French government did not support the US-led war in Iraq on March 20, 2003. France was the only country in opposition to the war, but it was also the most prominent of the opposing countries,

²³ <http://www.decanter.com/news/wine-news/487285/opposition-to-iraq-war-cost-french-wine-112m> - Opposition to Iraq war cost French wine 112m

because it is a permanent member of the United Nations Security Council. Therefore, the consumers decided to support the boycott against the French wine industry, even though the industry played no role in the French government's position and opinion. Other industries also experienced a boycott of French products. The people in America who wanted to display their unhappiness with the French government tried to rename French fries as "freedom fries". A year before the Iraq war the imports of French table wine were 2.7% of the total volume of wine purchased in the U.S. It is not certain that there was an actual impact on French wine sales, because there were other influential factors. Since there are substitutes for French wine, consumers could choose other products. Also, the US citizens were not so displeased with France. In May 2000, about 50% of American citizens considered France to be an ally and only 5% perceived France negatively -- as either unfriendly or an enemy, according to Gallup. In April 2003, the situation was completely different - 18% of Americans considered France as an ally and 31% - to be unfriendly²⁴.

Over the first six months after the US war with Iraq started, the boycott caused a decrease of about 13% in the volume of French wine sold. Another consequence of the boycott was that the total imports of French wine to the U.S. declined by \$112 million. Nine weeks after the first news reports of the boycott, the sharpest decline in the French wine sales volume occurred, estimated at 27%. The strength of the boycott faded over time. French wine sales were back to within 5%, around six months after the boycott started, which is where they would have been if there was no boycott. And eight months after the war commenced, there was no significant influence from the boycott on weekly French wine sales.

Perhaps such boycotts are more successful where there are international elements and patriotism is involved? Military interventions, as well as sanctions, may cause unpopularity of some countries and their products. The Iraq war was the reason for anti-American sentiments in the Arab countries. A lot of boycott campaigns were launched by individuals and civic groups. The organizers of such campaigns sometimes made lists of European and Asian products that could substitute for the US products. In Saudi Arabia the list includes a wide range of products and services from US providers: from personal hygiene and cleaning supplies, clothing, electronics, to food, vehicles and furniture. For each American brand there were some substitute products of European or Asian origin. As a result, some US companies claimed that sales fell with between 25-40% while in Iran there was a huge demand for Zam Zam Cola – the local sweeter version of Pepsi and Coca-Cola. In Bahrain, the supermarket chain Al-Montazah pulled out about 1,000 US products.

In the United States, there were a lot of debates about the cost of the Iraq war because of the tremendous difficulty to measure and calculate all economic aspects accurately. However, it is accepted that the full economic cost of the war should include what the US did not sell because of USA's image in the Arab world. The negative impact of the boycott was statistically significant, even though economically modest and short-termed.

The most affected parts of the consumer's needs are the food and household items. Often the access to food is limited or its quality is not good. There is instability and uncertainty on the markets.

Marketing is essential for supplying a variety of food, especially in the urban zones.

²⁴ <http://www.gallup.com/poll/9340/Americans-Still-Reluctant-Call-France-Ally.aspx> - Americans Still Reluctant to Call France an "Ally"

The excessive production of food for home consumption needs may be encouraged, so the extra supply can be exchanged for other goods that are difficult to find. The markets provide access to commodities and services that maintain or increase food production.

Armed conflict brings devastating consequences for household food security and nutrition. It disrupts the marketing activities and reduces access to markets for the majority of the population. In the most severe cases, it can lead to the failure of markets because of the destroyed infrastructure. What goods can be produced is determined by the security that can be provided and the possible profits and access to customers. Since the production and supply of food drops, there may be drastic increase of prices. Often black markets appear to sell stolen foods or provide contraband.

Military conflicts throughout the history and around the world can have numerous effects on marketing and consumer communications. The war is limiting the resources and making the trade more difficult, it brings new challenges and requires new ways to advertise and adapt. It can even lead to ban of products from certain countries and create the need for domestically made substitutes.

The embargo in former Yugoslavia

A classic example for these processes we see as long ago as the 90s in the ex-Yugoslavia. With the obvious or hidden cooperation of Slobodan Milošević and Franjo Tuđman²⁵, “The tigers” of Željko Ražnatović, by name Arkan, get an opportunity (and make the most of it). From an insignificant gang of football hooligans they became one of the most powerful and symbolically militarized formations within contemporary Europe, redistributing the commodity and money flows, firstly in the rich area of Slavonia, and then on too large territory from the Balkans, repeatedly exceeding their own power potential. At one point in time, “The tigers”, in fact, controlled all economical processes, acquiring a really big rate of resource independence – a fact, which again draws the attention to the asymmetry and the rate of uncertainty in the today’s conflict zones. Similar effect is observed even more territorial within Islamic State of Iraq and the Levant (ISIL), but in a bigger scale, with a lot more resources and a multiplier of unpredictability, which lead to a hysteria for a big part of the world’s “geopolitical elite”.

From a purely military point of view, it is visible that the power of Arkan is mostly psychological in two main directions. First of all, there was always a reputation of relentless killers and robbers in front of them and nobody will ever want a meeting with them. A second important element is their glorification in front of the Serbian population as “heroes of the destruction”. “Anyone who has lived in the 90s in Serbia has felt the rapid and dramatic changes in policy and how new rules to the game’s public life are included” – says Olivera Pavichevich (research associate in IKSI²⁶) “Then something paradoxical happened – she continues – elements of the criminal underground world received the status and recognition of public heroes. They did not only become idols for the young generation, but also won the sympathies of a lot of

²⁵ Васић М. и екипа новинара "Времена"- "Досије Аркан" - VREME, broj 472, 22, januar 2000. Str.2,3; http://www.vreme.com/arhiva_html/472/05.html

²⁶ Institut za kriminološka i sociološka istraživanja, Beograd, Srbija - <http://www.iksi.ac.rs/>

the social layers from the “normal world”²⁷.

Still, in Slavonia, “The tigers” systematically plundered with industrial precision and carefully sorting the goods by type and value. They sort them carefully in “captured” enemy trucks, which were departing as a convoy to the sale points around Beograd. After the first chaotic plunder of everything that got in their way (from white wine to devices), “The tigers” gradually took over the control of the most liquid goods: cigarettes, alcohol, fuels, weapons, plus a full control of the transportation of people and goods. So, after 1992 (mostly in Bosnia) they exhibit particularly large interest for post offices, banks, municipal governments and police stations. In every captured village, they collect empty check forms, bank ID cards, driving licenses, weapon permission, blank passports and other similar things with maximum precision – completely real documents, sealed and signed entirely under the official norms, ready for use.²⁸ The fact that the whole economic structure (from the resources and production, through the deliveries to the placement and exchange) is captured by a group of thieves and killers, is not a secret for anyone, but besides this they have been massively perceived as patriots and the only real power fighting against the injustice in the society and against the enemies (internal and external).

“In the sociology – continues Pavichevich – this phenomenon of addressing to people is common, and especially in times of crisis when addressing to biologically powerful figures, which can stand against the difficulties.”²⁹ It is normal and expected in a time of crisis to admire the fighters who can survive, to stand against the unacceptable reality and to achieve success, to defend the weaker, to fight against the social injustice. Being supported in such a strong way, the field commanders ruled all of the available resources, the whole movement of goods and people, all major incoming and outgoing cash flows (under the benevolent and often thankful sight of the population), and form an unnatural but effective closed market formation. Only the commanders’ specific rules and subjective interests were imposed on the formations’ input, output and performance. The essential in this case is, as the extreme social marketing specialist Sergei Khaikin said, that “the society and the country need constant “feedback” to be aware of what are the people needs, what are their values, interests and moods, how they understand the pulses of the power”.³⁰ It is incredible how the described leaders are coping more than successfully with these tasks, intuitively or deliberately.

The Syrian civil war and its marketing consequences for the country and the region

In the early spring of 2011 in Syria broke out series of mass protests against corruption and many government practices, demanding more rights and freedoms. These protests were an element of the Arab Spring protest movement, which took place in the Arabic countries in North Africa and the Middle East. They soon escalated and eventually became a full-scale armed conflict between the government and the opposition forces. According to different reports the conflict has taken the lives of more

²⁷ Ђорђевић К. "Како су деведесетих криминалци постали хероји", POLITIKA ONLINE; објављено: 03.06.2013.- <http://www.politika.rs/rubrike/Drustvo/Kako-su-devedesetih-kriminalci-postali-heroji.sr.html>

²⁸ Васић М. и екипа новинара "Времена"- "Досије Аркан" - VREME, број 472, 22, јануар 2000. Стр.3; <http://www.vreme.com/arhiva.html/472/05.html>

²⁹ Ђорђевић К. "Како су деведесетих криминалци постали хероји", POLITIKA ONLINE; објављено: 03.06.2013.- <http://www.politika.rs/rubrike/Drustvo/Kako-su-devedesetih-kriminalci-postali-heroji.sr.html>

³⁰ "Россијска Федерација сегодња", журнал No-16 / 2014г. - Интервју номера: Сергеј Хайкин.

than 100 000 civilians and millions displaced. The internal conflict also involved key regional and world powers, striving for their own interests. The real economic and social costs are hardly measurable, since there are no accurate or reliable official or non-official statistics and indicators on many indices. Correct measurement is impeded by the expansion of the black market and tax evasion. However, the civil war results in an economic catastrophe. The financial losses since 2011 are at around US \$48.4 billion at current prices³¹. Many sectors have sustained heavy losses, including transport, foreign trade and telecommunications. The Syrian pound has lost 67% of its 2010 value and the inflation for 2013 is estimated at 59%³². In consequence of the mass protests international sanctions have been imposed on the country, additionally deteriorating the economic situation in Syria. One of the most damaged sectors is the retail and wholesaling trade sector, not only as a result of the military confrontation, but also the sanctions.

The Syrian economy has suffered catastrophic damages. The future development of the situation can hardly be predicted, since the armed conflict may continue for a long time in the future. As a result of the conflict huge population masses were internally displaced or sought refuge in the neighbouring countries. By mid-2014 the total number of refugees is estimated at around 2.8 million³³. Main countries of refuge are Lebanon, Turkey, Iraq, Egypt and Jordan. The hosting countries have suffered great impact from the refugee influx – loss of foreign investment, deteriorating cross-border exchanges and trade flows. Employment, salaries and price levels have been affected, also raising public discontent with the consequences of the migrations.

As a result of this discontent the UN Refugee Agencies (UNHCR) in some countries are making media campaigns aiming at a more humane treatment of refugees. Such a campaign was made in Bulgaria at the end of 2014 and it called out to the Bulgarian people to “look at the refugees with new eyes”.³⁴ “The idea of the campaign – the most ambitious one initiated here – is to encourage people to see the refugees as they are – normal people who had escaped from the terrible violence and persecution”, said Roland François-Weil, UNHCR Representative in Bulgaria. Its focus is on the people who take a restrained position and aims at changing their treatment. This example shows a different way in which the armed conflicts influence marketing.

Today Lebanon hosts the biggest refugee community of over a million of people³⁵. In Turkey are living around 700 000 refugees, in Iraq – 220 000, in Egypt – around 130 000³⁶. In Jordan there are around 600 000 Syrians³⁷, living predominantly in the urban areas of Amman, Irbid and Mafraq. The hosting states as a rule avoid encampment, especially in the context of the traditional intense cross-border communication. This also stimulates the economic integration of the refugees in the host-countries. On the other hand, this causes an increased tension in the costing communities. The Syrian crisis also affects the trade of the neighbouring countries in form of a loss of import and export markets. However, this demographic change is an opportunity for the business – the economies of the host-countries enlarge along with

³¹ *Al Wazani, Khalid*. The Socio-Economic Implications of Syrian Refugees on Jordan, Amman, 2014, p. 40

³² <https://www.cia.gov/library/publications/the-world-factbook/geos/sy.html>; accessed on 30.12.2014

³³ *Slim, H., Trombetta, L.* Syria Crisis Common Context Analysis, New York, 2014, p. 40

³⁴ Б. Чеширков, Медийна кампания призовава българите да „погледнат бежанците с други очи“, 25.11.2014, <http://www.unhcr-centraleurope.org/bg/news/2014/medijna-kampaniya-prizovava-blgarite-da-poglednat-bezhancite-s-drugi-ochi.html>

³⁵ *Ibidem*, p. 49

³⁶ *Ibid.*

³⁷ *Ibid.*

the Syrians spending, earning and trading, which raises the necessity of commercial investments.

The Syrian refugees in Jordan

Since the beginning of the first quarter of 2011 Syrians fleeing from the turmoil in their country started to enter Jordan. Jordan kept open its borders. Syrians usually settled in the border provinces of Jordan – Irbid and Mafraq. During 2011 only around 5 000 refugees have entered Jordan, but since 2012 the number of Syrian refugees rose significantly and today in Jordan live around 600 000 Syrians. Approximately 130 000 of the refugees live in camps, the others are in urban areas. Syrians living in urban areas can take advantage of public services (health, education, electricity, etc.) putting pressure on the Jordanian economy and budget.

Costs for the Jordanian economy

The refugee crisis has forced the Jordanian government to make expenses on food subsidization. The total costs for food subsidies are estimated around 85 million Jordanian dollars (JD). The aggregate cost for Syrian refugees is around JD700 million³⁸. As a result the public debt rose. The dense population increased the budget deficit as the Jordanian import rose. The structure of employment also changed. The influx of Syrian refugees results in a major increase of the labour force available. Syrians who live outside of the refugee camps (around 80%) are actively engaging in the country's economic structure. The Syrian labour is cheaper and in many cases more skilled, especially if compared to other migrant nationalities. Still the majority of the Syrians are mostly employed as an unskilled labour force. Another problem is the growth of the informal labour sector – many refugees need some income to live and are ready to work at any cost, even without a work permit. Competition over jobs affects the most vulnerable Jordanian population and lowers the wages especially in the informal private sector. Many employers don't report to the Jordanian ministry of labour about their hiring of refugees, which deprives the government of revenues. Additionally, working Syrians hinder the governmental programmes of replacing migrant workers with Jordanians.

Around 83 000 Syrian children are registered at public schools³⁹, approximately the half of all Syrian children in Jordan. Classroom space is constrained and many schools are forced to operate at two-shift system. Additional schools are needed, which requires more investments. Also, there was a rise in various infections and diseases. Syrians need medical care which leads to serious shortages in staff, facilities and drugs. There are serious problems with water supply, since the consumption of the refugees additionally pressures the existing water stations. Similar is the situation with the electricity consumption.

The increased government expenditures for the Syrian refugees has as a consequence the reduction of social spending for Jordanians and difficulties with various programs, aimed at diminishing poverty.

Benefits for the Jordanian economy and marketing

³⁸ *Al Wazani, Khalid*. The Socio-Economic Implications of Syrian Refugees on Jordan, Amman, 2014, p. 102

³⁹ *Al Wazani, Khalid*. The Socio-Economic Implications of Syrian Refugees on Jordan, Amman, 2014, p. 79

Notwithstanding the costs for the Jordanian economy, Syrian refugees offer some benefits for Jordan. As the Syrians live in Jordan, they spend money and this creates positive results for the Jordanian budget. The refugee influx also resulted in significant amounts of foreign assistance to help the economy in handling the negative consequences. However, the actual foreign assistance does not cover all expenses. As a result of the foreign financing, the foreign currency reserves of Jordan rose. It should be noted, also, the benefits from the Syrian direct investments flow and economic activity, which created new jobs for Jordanians.

As the majority of refugees live outside of the refugee camps, they need accommodation. This resulted in an increase of the demand for housing and the prices of accommodation. This rendered significant benefits for Jordanian house lessors. The same can be said about the retail trade – the influx of refugees increased the demand for all types of goods. It should be noted however, that the increased demand of the population has as a consequence the rise of prices. This increased the income of the commercial business, but at the same time disadvantaged poor Jordanians and those with fixed income.

The analyzed until now interactions in the Islamic State emerge on even larger scale. Powerful traditional beliefs, religious and socio-cultural values have been concentrated in the community of one of the poorest populations in the world. Furthermore, on the 30th of June 2014, ISIL announced that it is making “Islamic Caliphate”. With that act, the high commanders form a dogmatic case to bring the group on the surface as a real character, claiming for uniqueness in the terms of all possible competitors.

Using the chaos in Syria and the weak central authority in Iraq, the originated from Al-Qaeda small group is gaining a rapid capital of popularity, wins and economic independence, which shocks the geopolitical strategists and undermines the thesis for the controllability of the asymmetric conflicts. Abu Bakr al-Baghdadi is merciless against his enemies and consistent in his strategy. He immediately uses an Islamic law, underlining his priority in creating an Islamic statehood. He kills everyone, who professes a different Islam than his. He introduces strict rules, i.e. kind of statute, executing the mores and the behavior of the population, according to which the people must live entirely under the righteous standards from the VII century. He forbids the use of alcohol, tobacco and the wearing of today’s cloths, women must wear the so-called burqa, to go out of their home only in need and also cannot use perfumes and lipstick. The 5 prays per day are absolutely mandatory. On the question “When will they attack the country of Israel?”, asked in Twitter, one of the commanders of Islamic State notes that “the first targets are the apostates of fate... and then comes the turn of the real unbelievers”.⁴⁰

In parallel with the new righteous order, a new economic order is forming, corresponding to the same standards – Islamic Law Sharia and the principles of the Islamic Economics. The principles of the Islamic Economics are one too severe and extensive topic, which will not be reviewed in this text, but after an example will be given, suitable as a psychological background of the listed events. “By the Islamic laws, from two goods the bigger one is chosen, even if in that case you lose the smaller one, and from two evils you must stand against the bigger one, even if that makes you get the smaller one”.⁴¹ It is important to take into account the great

⁴⁰ Проф. д.ик.н. Владимир ЧУКОВ - "ИДИЛ между халифата и терроризма" - ГЕОПОЛИТИКА - 22.09.2014

⁴¹ "Материальные блага и их место в исламском фикхе" – Статьи по исламской экономике и финансам –

importance of the principles of Islamic Economics, which more and more international corporations and banks study in depth, as an essential factor of the environment and as a key to a traditional worldview in various Islamic markets, even though we must always be careful, to not go over the thin line between political propaganda and real economic laws. In ISIL everything is overstated and in some way theatrically exaggerated, but the effect is stunning.

The real economic strategy is, in fact, far more practical. The first attacks are pointed to economic objects and production capacities in the field of services for the population, like the provision of electricity, water and food.

The group starts using the wheat to bereave their opponents of the food deliveries and to get support from the Sunnis, preserving civil servants in the silos. A special committee is formed in Islamic State who supervises the food deliveries – from the harvesting to the distribution of the flour. The fighters avoid destroying the facilities which they capture. The Islamic State imposes the prices and sells the wheat, which has stolen, cheaply. “The price of the food and bread is really cheap. At the moment, they are the government here. They go in the bakeries and say: “Sell on this price”, explains an anonymous resident of Mosul.⁴²

In order the claims of the statehood to be backed up, the expenses are aimed at ensuring of the needs in those regions which have been marginalized by the government long ago, because the social vacuum has arose exactly in them, filled by Islamic formation.⁴³ According to Deutsche Welle, during the capturing of the north Iraq city of Mosul the fighters robbed the Central Bank of Mosul, stealing more than 420 million dollars. It is believed that in that moment the group has about two billion dollars for its “holy war”.⁴⁴ The other and most important target is the petrol resources. The conquered extractive deposits and some oil pipeline installations provide an input not smaller than 8 million USD per day, besides that they sell at heavily discounted prices of about 25 USD/barrel. The organization already controls 60% of the oilfields of Syria and two smaller wells in Iraq.

Prof. Chukov not accidentally underlines: “from the beginning of 2014 the main sponsors of the Islamic rebels in Syria – Saudi Arabia and Qatar, felt that IDIL is not an organization susceptible of control.”⁴⁵ Maintaining the natural life of one of the poorest populations in the world, finding the common enemy and introducing fanatical forms of order (even if bordering with the nightmarish visions of the expressionism), Abu Bakr al-Baghdadi achieves his objectives through the same anti-market relations as Arkan, 22 years ago, but on a much larger scale and with incomparably stronger effect – ideological, political and financial. Here we can also add the asymmetry in the relation of ISIL to the technological environment. While almost everything is forbidden – from the television to the lipsticks (after all, the live complies with the virtues of VII century), the group uses the latest technologies in the military area and in the communications, the propaganda in the social networks. The periodically published “reports” show that their activity exceeds in quality, structure and technological terms a lot of the leading international corporations.

<http://islameconomy.ru>

⁴² "Ислямска държава" използва житото, за да втвърди хватката си в Ирак"; в.КАПИТАЛ - 06.10.2014 -

http://www.capital.bg/politika_i_ikonomika/sviat/2014/10/06/2395159_isliamska_durjava_izpolzva_jitoto_za_da_vtvurdi/

⁴³ Проф. д.ик.н. Владимир ЧУКОВ - "ИДИЛ между халифата и тероризма", ГЕОПОЛИТИКА, 22.09.2014

⁴⁴ Бекер А. / Узунова Б.- "Как се финансират иракските джихадисти?"- ДОЙЧЕ ВЕЛЕ, 20.06.2014 - www.dw.de

⁴⁵ Проф. д.ик.н. Владимир ЧУКОВ - "ИДИЛ между халифата и тероризма", ГЕОПОЛИТИКА, 22.09.2014

Within these extreme processes, the employment also changes its characteristics and is redistributed by priority to the constant search of combatants.

Annexation of Crimea – consequences for marketing strategies

The complicated situation in Crimea now forces the big international companies to make a decision whether to support the annexation or not and how to change their marketing strategy and communications. Seeing what happened with Microsoft in November 2014, Paul Goble wrote that West needs a formal non-recognition policy on Crimea now.⁴⁶ Ukrainian and Russian media falsely reported that Microsoft had tacitly recognized the Russian annexation of Crimea by requiring new licenses for those using its products on the Ukrainian peninsula. Microsoft issued a statement⁴⁷ after the story started to circulate in the public space, saying that it had not sent letters to its customers in Crimea requiring that if they intended to continue to use its products they have to re-license. The company noted that Comparex, an IT company, had sent such a letter which included standard language about “the most suitable means of legalizing pirated products”, language that Microsoft said was “distributed in all countries in which its products are used”. The firm said that these terms did not speak to the issue of recognition of Russia’s annexation of Crimea. Media reports had suggested that Maykrosoft Rus had “recommended to all its clients” in Crimea to inventory their computers and programs before December 30th of this year to ensure that they had the necessary licenses and that these licenses remained in force despite any political changes. Despite these reports, Microsoft has done nothing to indicate that it somehow recognizes the annexation.

Many international associations, such as The International Civil Aviation Organization and the International Maritime Organization, have been quite clear in specifying that they consider what Russia has done to be illegal and that any air or sea carrier which goes to or through Crimea puts itself at risk of loss because this will be in violation of insurance regulations. In addition, Western officials, most recently US Secretary of State John Kerry, have declared that they will never recognize Russia’s occupation of Crimea and that the only way for Moscow to end the current standoff is to withdraw its forces and return that peninsula to Ukrainian control.

Goble thinks that “The Microsoft story shows such declarations are insufficient not only as a counter to Russian propaganda about Crimea, which will only intensify after Vladimir Putin’s declaration about “the sacred nature” of that land for Russians, but also as a basis for the actions of Western corporations and individuals who may have dealings there”.

One of the consequences for marketing in Crimea is that many companies think about whether to stay or not on the market at all. One of the most prominent examples of a big international chain that exited the Market in Crimea is McDonald’s in April 2014. The company said that the three restaurants in Crimea were closed.

⁴⁶ Goble P., “Microsoft’s Story Highlights Why West Needs a Formal Non-Recognition Policy on Crimea Now”, available at <http://www.interpretermag.com/microsofts-story-highlights-why-west-needs-a-formal-non-recognition-policy-on-crimea-now/>, last visited on 10.01.2015

⁴⁷ The statement is available at <http://www.c-inform.info/news/id/15891>, last visited on 10.01.2015

However, McDonald's will not be replaced by Burger king, but by Russian chain RusBurger which opens a restaurant in a former McDonald's Corporation outlet in the annexed peninsula⁴⁸. RusBurger is a small chain of a dozen restaurants that promotes itself as selling the "Taste of Russia".

These examples show that the international conflict in Crimea had affected the local business. These fast changes will affect the customers who are familiarized to some brands. On the one hand, more Russian companies will have influence on the Crimea market and the customers will have the chance to taste more Russian goods. But on the other hand, some companies will prefer to stay loyal to the Ukraine market and exit from Crimea.

The bank sector in Crimea is changing as well. The largest Hungarian bank by market share and capital, OTP Bank Nyrt., has withdrawn from the Crimean peninsula by April 18 2014. As the 13th largest bank in Ukraine, the removal of OTP will affect eight of the 140 branches in Ukraine: a clientele of about 20,000 people, the bank told The Wall Street Journal. In a statement, OTP said further banking activity in Crimea was impossible because several Russian laws relating to financial regulation that had come into effect in the region are contrary to current Ukrainian legislation. OTP continues to operate in the rest of Ukraine.

Ukrainian banking system as a whole is experiencing big troubles and without external help it could not surmount such difficulties. Foreign banks are intensively withdrawing their capital from Ukraine and leaving Ukrainian market. Also Ukrainian banks refused to transfer their obligations and jurisdiction to Russian state and now the long process of leaving the Crimea by Ukrainian banks and their substitution by Russian ones is observed.

There are also changes in the mobile communication sector. The operator MTS Ukraine on the Peninsula has completely stopped working. While other Ukrainian operators - Kyivstar and Life - continue to provide service of the Crimean subscribers.

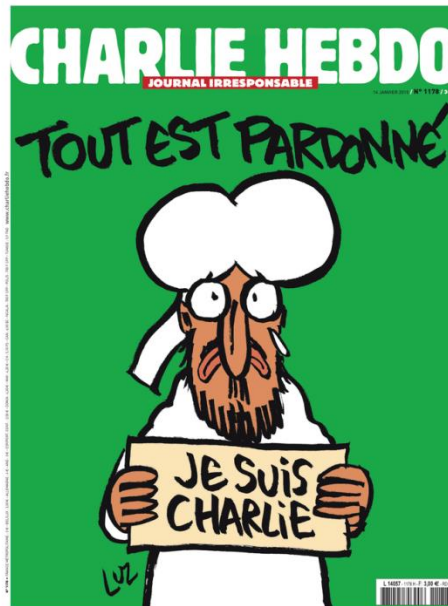
The situation with postal operators around is also complicated as many companies have been advising their customers that international mail services to the Crimean region and Sevastopol are suspended. For example, Deutsche Post DHL told its customers that letter mail services were interrupted, with "date of resumption as yet uncertain". But the company said it was still delivering parcels to the area because it uses a private parcel delivery company "who confirmed that they can continue to deliver to the Crimea for the time being". Canada Post was also among those who told customers that it has suspended international mail services to the Crimea region. Bpost International and Austrian Post are also among operators stating that their services to the Crimea are temporarily suspended.⁴⁹

In Europe, a number of companies including Adidas, the sportswear maker, and the brewers Carlsberg and Heineken have cited Russia as a factor affecting business.⁵⁰

⁴⁸ Khrennikov I., "Czar Cheeseburger to Replace McDonald's in Crimean Outlet", 01 July 2014, available at <http://www.businessweek.com/news/2014-07-01/czar-cheeseburger-replaces-big-mac-after-mcdonald-s-crimea-exit>, last visited on 10.01.2015

⁴⁹ "International mail services to Crimea via Ukrainian Post suspended", available at <http://postandparcel.info/60771/news/companies/international-mail-services-to-crimea-via-ukrainian-post-suspended/>, last visited on 10.05.2015

⁵⁰ Flood Ch. "Short sellers wary of making call on direction of Russian market", Financial times online edition, 14 September, 2014, available at <http://www.ft.com/cms/s/0/db3ceeae-38cc-11e4-a53b-00144feabdc0.html#axzz3OVEFticO>, last visited on 10.01.2015

Fig 6 Charlie Hebdo terrorist attack

An interesting example of the relationship between the third kind of armed conflicts – terrorist attacks, and marketing is the recent shooting in the French satirical weekly magazine Charlie Hebdo on 7 January 2015 in Paris. Although it was a huge tragedy, it presented good opportunities for the marketing of the magazine. This bad and unwanted event made the magazine one of the most popular and bought ones. Its sales increased rapidly which was not surprising. Since extremists attacked the magazine sales have risen to hundreds of thousands and revenues have reached \$32 million.⁵¹

On 11 January, about 2 million people, including more than 40 world leaders, met in Paris for a rally of national unity, and 3.7 million people joined demonstrations across France. The phrase “Je suis Charlie” (“I am Charlie”) was a common slogan of support at the rallies and in social media. The remaining staff of Charlie Hebdo continued publication, and the following issue print run 7.95 million copies in six languages, in contrast to its typical print run of 60,000 in only French.⁵² This event is significant for marketing because it is one of the rare cases when an armed conflict has a good influence on it.

The war in Ukraine

Looking into the Ukrainian crisis or in what is happening on the territory, controlled by the Islamic State obvious, at least at first look, differences some unexpected similarities can be distinct. In Ukraine, the war is determined as too foggy ethnic (can even be said – linguistically) opposition, on the borders of an area full of almost only Slavonic citizens, without any hint for religious or ideological separation. This is one

⁵¹ <http://www.nydailynews.com/news/world/charlie-hebdo-staff-squabble-money-increased-sales-article-1.2157864>

⁵² http://en.wikipedia.org/wiki/Charlie_Hebdo

traditional, orthodox, Christian community. Not by chance the commentators are not giving a meaning anywhere to the Tatar minority, or to the few Muslim mercenaries (mainly from Chechnya and Dagestan), which are taking part in the fights only because this is their profession. In the territories in Syria and Iraq, controlled by the armies of Abu Bakr al-Baghdadi, the announced target is the making of the “Islamic Caliphate”⁵³. The conflict is between the close ethnic communities, from the same religion, derived mainly by their appurtenance to some of two of their biggest differences of the Islam– Sunnites against Shiites (and only after that – against the other “nonbelievers”).

The culture factors and more specifically the subcultural ones have a really strong pressure in shaping of the local marketing characteristics. This is really easily visible at the ISIL’s domain. The laws of the applied strict Sharia⁵⁴ absolutely forbids the smoking and alcohol (the traditional consummation in Ukraine is exactly the opposite), as well as in the wearing of any secular cloths, different than the ones that are religiously accepted. However, these characteristics are not directly connected with the military actions. In the other countries which accepted Sharia the situation is similar. The difference is in the “rate”. They are applied in the ISIL zones with maximum precision and under the threat of cruel physical or even death penalties. The purpose of the extremities is a form of symbolism, needed by the power structures, which in this way formulate and send their unequivocal, semantically laden message to the internal and external factors (regardless if they are enemies or not). Long ago, the accepted setting is that the public domination is accepted by the society, when it guarantees exact goods to the other participants in the system – an example is the security and the favorable economic conditions and beside that is solidly supported from ideological, religious and other values, which are maximally common.⁵⁵ The very images of the leaders are ideological and media built as a whole, according to the respectively informational war, which they move and simultaneously serve. The leaders are a multilevel message (with undisputed world media rating and a high level of recognition), which symbolism is shaky (according to its sociocultural purpose) in range of extreme meanings: between a real individual, through an intriguing mystery with a hint for unreal personal qualities, to a generalized image-function, structured so that to be a subject (if necessary) in the respective group of easy enough and fast mythologization. The characteristics of the socio-cultural factors directly influence and define to a big degree the political structure with the matching up and lawful elements. As long as in the normal functioning developed democratic societies the purpose of the government regulation and of the legal economic frame, is at all focused on the protection of interests of the society, the consumers and the developers, then in the zones of military confrontations the reality is completely different.

The military say that the decisions in extreme situations are not perfect. Along with the need to deal with the basic dilemma for the ratio between the cruelty of the war and the humanism of the democracy, in front of the militarized rulers are concrete needs: to make their own community maximally impervious and parallel with that to convince

⁵³ A caliphate is a form of Islamic political-religious leadership which centers around the caliph, i.e. "successor", to Muhammad.

⁵⁴ Sharia (Islamic law) deals with many topics addressed by secular law, including crime, politics, and economics, as well as personal matters such as sexual intercourse, hygiene, diet, prayer, everyday etiquette and fasting. Sharia Law is a significant source of legislation in various Muslim countries, namely Saudi Arabia, Sudan, Iran, Brunei, United Arab Emirates and Qatar. (from: <http://en.wikipedia.org/wiki/Sharia>)

⁵⁵ Gilpin R. “War and Change in World Politics”; New York: Cambridge University Press, 1981

the citizens under their authority in the necessity of mobilization against some nationwide or (even better) commonly civilizational threat, which demands readiness to make sacrifices in the name of the formulated cause. We can guess that in this case the difference between “convincing” and “coercion” is mostly often indefinable. The deformation of the political environment directly deforms the market environment. The principals of the free and concurrent exchange provide efficiency in the basic ratio between demanding and offering eliminate and substitute with power actions and more and more distant from the concept of market, public rules. The economic factors are reordered, and the interrelations take in quite unexpected and often unpredictable directions. The elements like inflation and disposable income are getting drastically changed in a result of the violated balance and the blocked market infrastructure. A typical case for Donetsk and Lugansk is a citizen to stay on the pay-desk in a still working shop with his bank card in his hand and to ask the people, who have money in cash to pay for their things with his card (while it is still accepted), and the amount in cash to be given to him. Some enterprises continue to transfer payments to the bank accounts of their workers, but to receive “live” money is practically impossible. The banks do not load their ATM machines because of the big risk, and almost nobody dares to go for money to the controlled territory of Ukraine. Something more – the fears of marauding or robing make the bankers and the deliverers to reduce or completely stop their activity from the area. The distributors reduce the capacity and destinations in wide borders (between 20% and 80%), by delivering only goods with an extended expiration date and only to some exact trading bases for wholesale trades, while the highly perishable products are delivered from small producers at a big rate of risk and unclear perspective of return (or are not delivered at all). The transport also stops to function, and the producers practically do not have a useful choice.⁵⁶ Naturally in this chaos contraband appears, and the price levels become unpredictable. The economic losses greatly increase as an avalanche. By October 2014 the Ukrainian Agrarian Ministry estimates the losses only of the wasted (not-retracted) agricultural production and that is only in the area of Donetsk for 16.6 million grivni (conditionally about 2 million euros, and only with the arrangement for a constant collapse of the exchange rate).⁵⁷ We accept that the marketing is a “behavior of the exchange, which goal is to give possibilities for exchange, acceptable for the different interested countries (workers, auctioneers, bankers, traders, consumers etc.)”⁵⁸... And that this activity is optimally possible on the basis of such political environment, which “with a well-conceived regulation can encourage the concurrence and to guarantee fair markets...”⁵⁹ we see not only the destroyed relations, but also the variable interpretations of the basic definition of “fairness”.

According to prof. Sergei Khaikin the basic components in the extreme zones are the presence of a big number of armed people, not allowing free movement, destroyed infrastructure, distrust in the population, open aggression around... The country institutions there do not function and their role is taken by the local traditions and the religion.⁶⁰ According to preliminary data of one of the biggest distribution enterprises in Ukraine (AKB Market) the loses from their military opposition on the territories of Donetsk and Lugansk are already over 280 million USD. The indicated main reasons are the “nationalization” of the shops, the partly or full destruction of a lot of

⁵⁶ Gazeta.ru- "Донбасс на голодном пайке"- <http://www.gazeta.ru/business/2014/10/03/6247093.shtml>

⁵⁷ „ЕКОНОМІЧНА ПРАВДА” - 10.10.2014 - www.epravda.com.ua

⁵⁸ Кръстева Н. „Съвременен маркетинг”, том 1, София, Авангард Прима; 2013; стр. 15.

⁵⁹ Кръстева Н. „Съвременен маркетинг”, том 1, София, Авангард Прима; 2013; стр. 101.

⁶⁰ "Российская Федерация сегодня", журнал No-16 / 2014г. - Интервью номера: Сергей Хайкин (профессор НИУ-ВШЭ, директор Института Социального Маркетинга)

commercial sites, the mass thefts of money and goods, the damage to business equipment, the withdraw of transport vehicles... The marketing director of another big chain shares: "Several times war groups confiscates our trucks under the pretext that we provide the Ukrainian army. But we were transporting children's food and diapers!" According to his story, sometimes they are able to redeem the withdrawn transportation vehicles, other times – no. The other problem is that different military groups that are not synced between them are active in the area. Like that, one just redeemed truck with food supplies has a big chance to be confiscated shortly after from another military group etc...⁶¹ In this setting the more and more often the distributors stop all deliveries, and some speculative and contraband channels are included and thrived, under prices, which are a few times more than the real levels and under the control of all different kinds of military groups.

Most of the commentators are evaluating the newly elected 5th Ukrainian president for the weakest figure of the Ukrainian political scene. "Poroshenko did not have the needed training, nor a talent and a team, that is why he could not think of anything better than to activate the scale of the repression on its maximum..." – writes Rostislav Ishchenko. The president does not have a private army, like the other oligarchs. Petro Poroshenko does not control on a good enough level even the considered under his "feudal possession" area of Vinnytsia in western Ukraine⁶². Essentially he turned out to be a formal leader without any influence, whose problem gradually reduced not only to his political, but also to his physical surviving. A good illustration is how Igor Plotnitsky – president of the self-announced Lugansk People's Republic invited with an official letter Petro Poroshenko on a duel ("under the old traditions of the Slavs and Cossacks") with a condition whoever wins dictates the rules.⁶³ This full discredit of the central authority, of course, radicalize the society. The power and influence of the local private armies gets drastically higher, the rules and the distribution of the goods pass quickly into the hands of the field commanders.

The largest exporter of sunflower in the world is Ukraine. Because of the military actions there and the embargo, Bulgaria takes the 1st place and becomes number 1 in the world in the export of sunflower seeds.

Consequences of the Ukraine conflict for marketing

Kiev and Moscow are not the only ones, who are damaged by the ongoing crisis in Ukraine, but also the conflict is threatening to affect negatively the frail economic recovery of the countries, members of the European Union. The sanctions imposed on Russia by the West since March 2014, has already passed the purely symbolic character. Kremlin answered in proper manner and retaliated with a ban on the imports of agriculture food and also restricted travel to the West. Both Ukraine and the West on the one hand, and Russia on the other, lost essential markets, which seriously damaged their economies. Many organizations on the two sides of the conflict lost a great amount of loyal customers on foreign markets, which reflected negatively on their financial balance and many firms recorded great losses. The consumers, as well, are having a rough time, because they were deprived of products

⁶¹ Gazeta.ru- "Донбасс на голодном пайке"- <http://www.gazeta.ru/business/2014/10/03/6247093.shtml>

⁶² Григоров П. - "Предисторията, възможните последици и шансовете за разрешаване на украинската криза", „Геополитика“, 27 Октомври 2014 - <http://geopolitica.eu/actualno/1652-predistoriyata-vazmozhnite-posleditsi-i-shansovete-za-razreshavane-na-ukrainskata-kriza>

⁶³ Интерфакс 19.11.2014 - "Глава ЛНР вызвал Порошенко на дуэль" - <http://news.mail.ru/politics/20187619/?frommail=1>

and services, which are important priorities for them and their lifestyle.

We can only predict what is forthcoming. It seems that Ukraine has already chosen its future path and the country will desire as soon as possible to join the European Union and NATO. As it seems this would happen soon and we can easily conclude that the Ukraine economics would turn to the West. We can expect that Ukraine markets will become priority aim for many Western European and Transatlantic companies and they will do their best to establish their business on the vast domestic market arena, because of the wide mass of consumers. Western products and services would dominate Ukraine market and we can expect that Russian companies would lose large part of their market share. The Russians has already took hard hit because of the bans and restrictions imposed by the Ukrainians.

Since September the Ukrainian authorities has banned fifteen Russian television channels and has stopped their broadcasting within the country, suspending mostly the ones that are controlled by the Kremlin. Among those remaining legal and allowed to legally broadcast are the independent Russian-language channel RTVi, which is the main source of news for many Russian-speaking people around the world. As we can see one of the primary sources for affecting consumers behavior, the television as a marketing tool, has been interrupted in its larger part. In this way Russian companies have lost very important advantage to promote their own products and services.

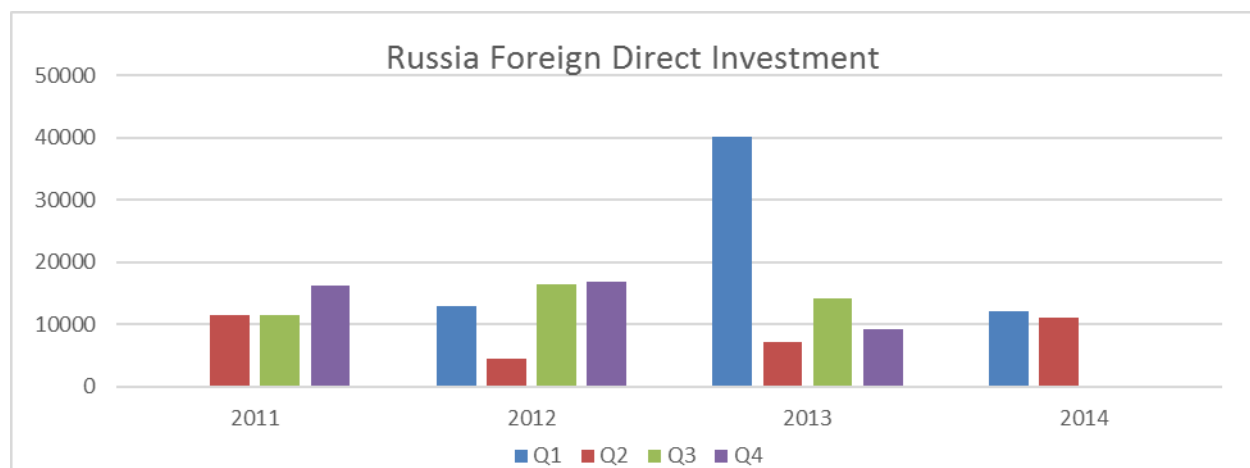


Fig.7 Russia Foreign Direct Investment⁶⁴

In December 2014 the chairman of the Eastern Committee of the German Economics – Erhard Kordes declared that the sanctions towards Russia are counterproductive. His calculations showed that export to Russia for 2014 has decreased with 7-8 billion euro. The import of German production to Russia since January to October has shortened with 17%. Moreover, Kordes thinks that a threat exists for the West to lose the vast Russian market in favor of China.⁶⁵

⁶⁴ Birnbaum, M.; "Western sanctions for Ukraine conflict hurt Russian economic, open up rifts", washingtonpost.com (October 12, 2014); http://www.washingtonpost.com/world/europe/western-sanctions-for-ukraine-conflict-hurt-russian-economy-open-up-rifts/2014/10/10/4f9db2aa-4e45-11e4-8c24-487e92bc997b_story.html

⁶⁵ Unknown author, "Германските бизнесмени са против санкциите по отношение на Русия", Bulgarian.ruvr.ru, (December 5, 2014); http://bulgarian.ruvr.ru/news/2014_12_05/Germanskite-biznesmeni-sa-protiv-sankciite-po-otnoshenie-na-Rusija-5618/

Fig. 8 German Exports ⁶⁶

Almost 40% of 200 German firms felt forced to cancel their project, because of the situation around Russia. Germany is the third sales partner of Russia after China and the Netherlands. Around 58% of the companies stated that the sanctions against Moscow had hurt seriously their businesses, but only 3% of the companies are leaving the Russian's market.

It seems that Ukraine conflict has unsettled German business and consumers leading to the stunt of growth of the largest economy in Europe, which on the other hand is dangerous for the fragile European economy recovering from the Eurozone crisis. However, earlier this year, many economists and politicians predicted that the crisis in Ukraine would have only a limited economic impact, relying on the diversity of German industry's global customer base. But as we can see the conflict in a country not far away has broadly unsettled German businesses and consumers. The worries of postponed investments and dampened economic growth are not only probabilities, but they have already started to happen.

The analyses show that German chemical makers saw domestic sales drop with nearly 3% in the second quarter of the year because the factories influenced by the geopolitical situation decided to curb production and order fewer chemicals. An index of German consumers' economic expectations plunged to 10.4 in August from 45.9 in July, largely erasing a year of gains, according to research firm GfK SE.⁶⁷ Germany's economic growth dropped in the second quarter of 2014, which has been for the first time since early 2013.

German exports to Russia dropped with 15% only in the first five months of the year. The downturn in Russia has hit some of Germany's most important industries, adding

⁶⁶ Unknown author, "Германските бизнесмени са против санкциите по отношение на Русия", Bulgarian.ruvr.ru, (December 5, 2014); http://bulgarian.ruvr.ru/news/2014_12_05/Germanskite-biznesmeni-sa-protiv-sankciite-po-otnoshenie-na-Rusija-5618/

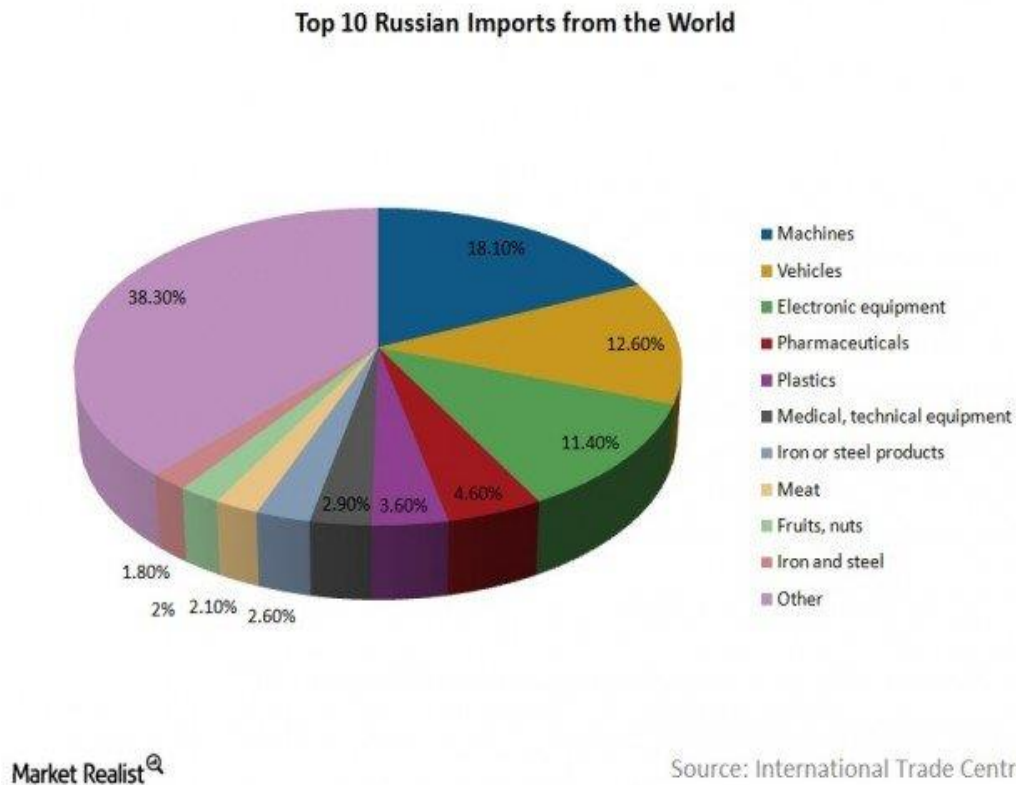
⁶⁷ Trojanovski, A., "Ukraine Conflict Stunning Growth in Germany", The Wall Street Journal, (September 4, 2014); <http://www.wsj.com/articles/ukraine-conflict-stunting-growth-in-germany-1409849605>

to the list the automobile sector. Russian market was seen as Europe’s soon-to-be biggest car market by sales. The troubles to the East are rising new concern in other emerging markets, including Brazil and India.

According to the economists it will take at least several more months of data in order to establish whether recent fall is more than a brief downturn for the German economy that over the past few years has been pillar of the Eurozone. The demand for German goods in other key markets, for example the USA, remains healthy and in the same time the labor market does not show sign of instability.

The bans and restrictions against United States, European Union, Japan and other nations is revealing new horizons for countries that are not affected by Moscow’s countermeasures. In fact they have the opportunity to step in and fill the gap left behind by the large economic powers. Moreover, part of the producers based in nations implicated by the restrictions sooner or later will find a way to get their products to Russia’s sizeable consumer base.

Fig. 9 Top 10 Russian Imports from the World



a) Limited supply of new technologies⁶⁸

The ban, which the United States introduced regarding supplies to Russia of space and military electronic components, is aimed at limiting Russia's access to modern technologies. The United States Department of State impeded implementation of the project to make the Spectrum - the World Space Observatory - Ultraviolet (WSO-

⁶⁸ <http://itar-tass.com/en/non-political/764465>

UV). Russian scientists faced problems with buying foreign electronic components for the missile and space technologies.

b) Financial war

Fig. 9 Ruble hitting record lows once again against the US Dollar

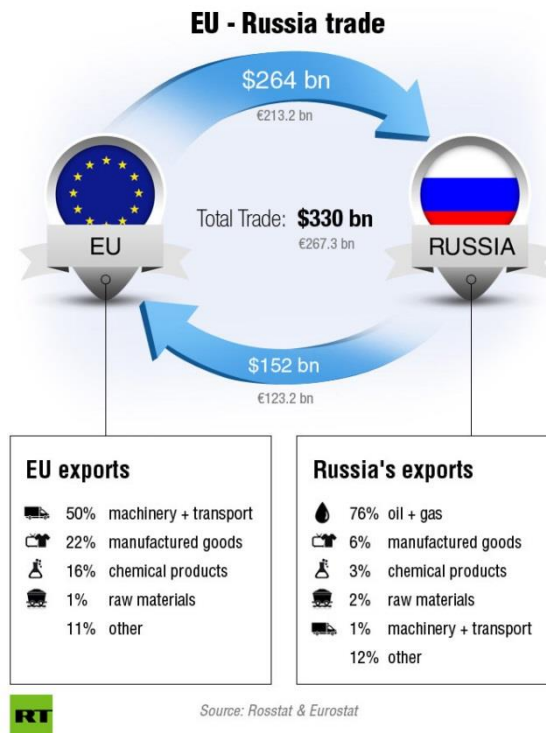
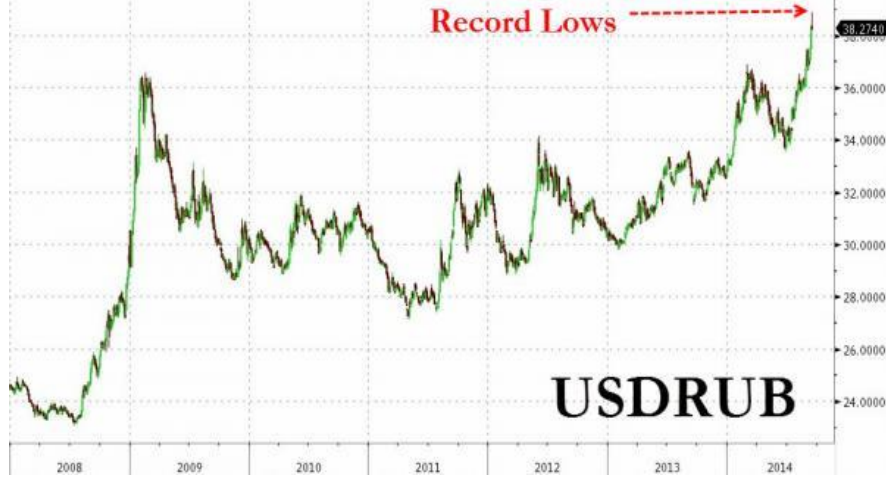


Fig. 10 EU- Russia trade

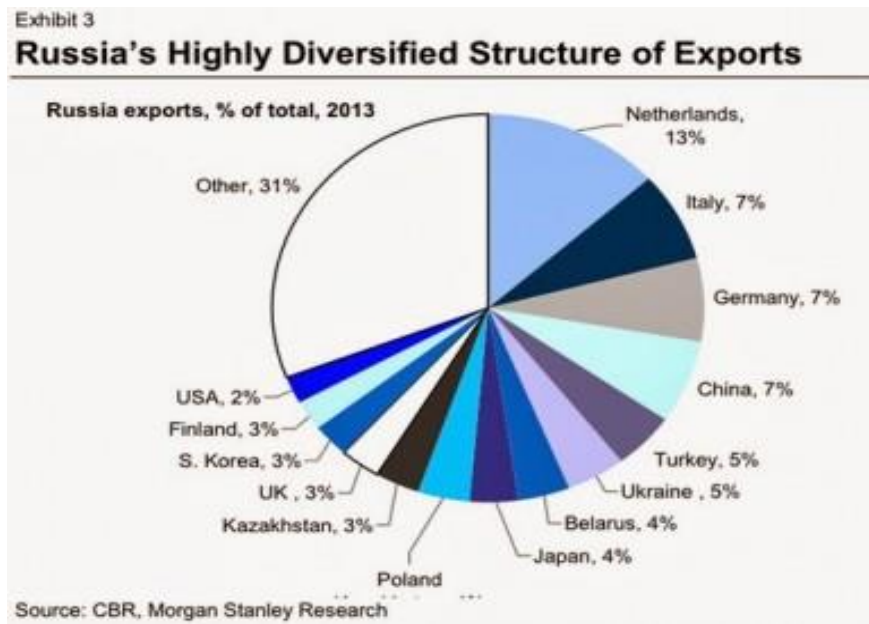


Fig. 11 Russia Highly Diversified Structure of Exports

How the Russian embargo affects the food market?

The price of Russian embargo on the European economy may reach 5 billion. Euro.

Russian embargo hit hard Poland, which exports to Russia annually fruits and vegetables to 340 million. Euro. Polish apple became a symbol of the embargo, having launched a campaign that promote local consumption of apples after tons of produce intended for export to Russia remained in the country.

Germany exported most foods and crops from EU countries, its exports to Russia for 2013 was 1.6 billion. Euros.

France exported food to over 1 billion. Euros in 2013 for Russia.

What is the situation, however, the other side of the current barrier?

One of the excuses that gives official authority in the Kremlin introduced sanction is "the promotion of local producers." Despite the good harvest in some sectors of agriculture, the desired effect is not achieved. Occasion for joy have only suppliers in countries affected by countermeasures, especially in Latin America.

The head of the Russian Agency for Fisheries, Ilya Shestakov, is convinced that Russia will be able "to replace the market with its own production."

On the other hand, prices of mass fish offered by the company Russkoe Sea, have doubled. Making the owner of the company Gennady Timchenko another profitable in current situation.

"Long asked questions to reduce or not to abandon imports," says Galina Bobilyova, head of the Russian Poultry Union. Imports people dairy industry in Russia and the ban would cause a shortage of dairy products in the country, assured Andrei Danilenko, head of the National Association of milk producers. If solid state controls throughout the supply chain will soar and prices, he said.

If the West react to the introduction of additional penalties, damages for Russian food industry will be extremely serious

"We like to say that if nothing else - at least we will always have enough potatoes and herring," said Potapenko - Director Petyorochka chain stores, but also adds that 80% of seeds of varieties of potatoes in Russia are Dutch.

Embargo on imports of bovine semen (from Canada) you will actually destroy the breeding of cattle.

In the best case will take time to allow alternative import or increased national agricultural production to compensate for the shortage, and the immediate result will surely be higher prices.

Experts admit however, that the forbidden foods will fall on the Russian market in Belarus and Kazakhstan because of open borders within the tripartite Customs Union.

The big winner

Undoubtedly the big winner of this stage of the economic and political opposition is Belarus. The most striking example is that the country, which is landlocked, doubled its exports of marine fish in the last three months - a sure sign that something strange is happening.

The effect on public opinion in Russia

Currently there is no published polls of public opinion against the bans, but judging by an informal online survey conducted by the Russian news agency,

91% approve of the ban, and only 7% are against it.

For starters, the ban seriously affecting the core of Russian society, not just the rich gourmet lovers, because Russia is more dependent on imports than most Russians suspect.

"Food patriotism is just hollow rhetoric," says Dmitry Potapenko, founder of retail chain Petyorochka. Mass approval of the ban was accompanied by hints or directly worded condemnation of "spoiled" Russians consume Camembert or foie gras.

Ban meets the propagandistic purposes Putin, deepening the divide between the vast majority of patriotic Russians and modest minority of "decadent" Western-minded people.

What will be the overall effect on the EU and Russia to see. It inevitably remain bound by the dynamic political situation in this part of the continent. Conducting marketing policy in those markets will be a real challenge for the specialists in this field.

The current model for globalization

Accession of Crimea became that point, after which previous relationships between the West and Russia were already impossible. The option for "negotiation" proved already practically unattainable. In this war Russia fights not only against the United States but against the current model of globalization.

Ukraine crisis and the global energy market

The confrontation between Ukraine and Russia has the potential to switch the established relations on the global energy market and could increase the likelihood of a dangerous dispute over energy supplies, which could lead to heavy energy crisis.

The European Union took a bold move by imposing bans and restrictions against Kremlin. At the beginning the foreign ministers of the member-states have said that they are prepared to take additional measures against Moscow due to the ongoing support for rebels in Eastern Ukraine. That was a bold move and definitely the warm summer weather boasted the confidence of the European officials. However, the winter has come and the threat of gas crisis is more than real. If the crisis in Ukraine goes deeper and Russia decides to cut all gas supplies to the West through Ukraine then this could lead to the same scenario from 2009. The Russian president Vladimir Putin cut all gas transit to the EU via Ukraine only for about two weeks, but for that short time Slovakia was forced to declare a state of emergency and Bulgaria to shut down many of its factories. Even Germany was hit hard and had to scramble to make up for lost supplies. European officials have to realize that part of the EU member - states are deeply bound and dependent to the Russian economy and have to judge twice their political moves. Moreover, Kiev is in deep economic crisis and we can declare with certainty that Ukraine would be additional burden for the European economy.

Russia on the other hand is going to suffer great losses, too. However, Moscow can change its priorities and to unbind the economic knot with the West and to concentrate on the Eastern markets. The Eurasian Economic Union is uncovering new opportunities for the Russian companies. Kremlin is definitely looking East in search of new energy markets. China is the best opportunity for the president Putin. The vast Chinese market can save the Russian economy and to condemn the restriction measures of the West. The huge Chinese economy, as well, needs a lot of energy supplies in order to exist. Beijing is dependent from the supplies of the Middle East, where the U.S. has enormous influence. Russia and China has never been closer politically, which could lead to the establishment of strong economic relations and drastic changes in key global markets.

The solution for the West is to impose bans on big European companies to export liquid gas outside Europe, increasing the gas reserves and to cut the supplies for some of the industries. Most probably Europe will rely on liquid gas supplies from Africa and Middle East and the U.S.A. is expected to help to its transatlantic partner.

By imposing sanctions and restrictions on Russian energy companies and banks, the United States are trying to prevent Kremlin from obtaining long-term funding from the West. As we can see Russia is not going to sit and wait for mercy and also is taking countermeasures against the West. We can expect that if the European Union and the U.S. continues to prevent Russian companies from access to the European markets, we can be sure that Moscow would not hesitate to close its domestic market for Western companies. The Ukraine conflict is not only affecting business on both sides, but also consumers are deprived from essential for them goods and services and economic instability is affecting their purchasing capability. However, Russian consumers seem more determined to become reconciled with the particular situation because of their political conscious that the West is trying to enforce its will over them.

Military actions have a great influence over people's habits, way of life, needs and the whole economy. This inevitably reflects also to the marketing channels and their use.

Sometimes new ones exist and others are terminated.

Examining the market situation and the existing channels gives valuable information on the market environment and how to increase efficiency. Obviously, in case of war it is difficult and even sometimes impossible to predict but staying aware might reflect in finding a new niche that might be opened.

As already mentioned, a great role to the marketing channels is played by the existing/available infrastructure in the country. In case it is destroyed, different marketing channels may be stopped and unable to function until the infrastructure is renewed.

No matter if the economic situation of a country is stable or not, for any business key factors are the degree of flexibility, expertise and access to information and resources. In many cases, in a war situation these are pretty limited and may lead to loss of investments, and deterioration of a company and even bankruptcy.

In a global world, military conflicts are literally and figuratively everybody's business. The US and EU have imposed numerous sanctions and embargos against a number of countries throughout the years. The reason why, for example, Cuba, North Korea, Iran, Iraq and so on are on watchlist, is that they are considered a threat to global peace and security. Sanctions and embargoes include arms embargoes, import/export licensing, financial sanctions, travel bans and so on.⁶⁹ According to Bloomberg's analyses in 2012, Iran loses \$133 million a day when it comes to oil export due to United States' sanctions.⁷⁰ That it is why Iran consented to negotiations about its nuclear program. At the same time, the National Iranian American Council has come up with analyses that show that the United States have also been deprived by the sanctions. The statistics indicate that for 18 years, from 1995 to 2012, the restrictions have cost \$175.3 billion in export.⁷¹

⁶⁹ Information from the UK's government site, Sanctions, embargoes and restrictions. *Department for Business, Innovation & Skills and Export Control Organisation*. Last updated August 21, 2014
<https://www.gov.uk/sanctions-embargoes-and-restrictions>

⁷⁰ DiPaola, A. & Arnsdorf, I., August 2, 2012, "Iran Loses \$133 Million a Day on Embargo, Buoying Obama", Bloomberg, <http://www.bloomberg.com/news/2012-08-01/iran-loses-133-million-a-day-from-sanctions-as-oil-buoys-obama.html>

⁷¹ Schectman, J., July 14, 2014, "Study Finds Iran Sanctions Are Costing U.S. Billions in Lost Trade", The Wall Street Journal, <http://blogs.wsj.com/riskandcompliance/2014/07/14/study-iran-sanctions-costing-u-s-billions-in-lost-trade/>

U.S. Losses from Iran Sanctions

The National Iranian American Council says the sanctions may have cost the U.S. \$175 billion in lost exports.

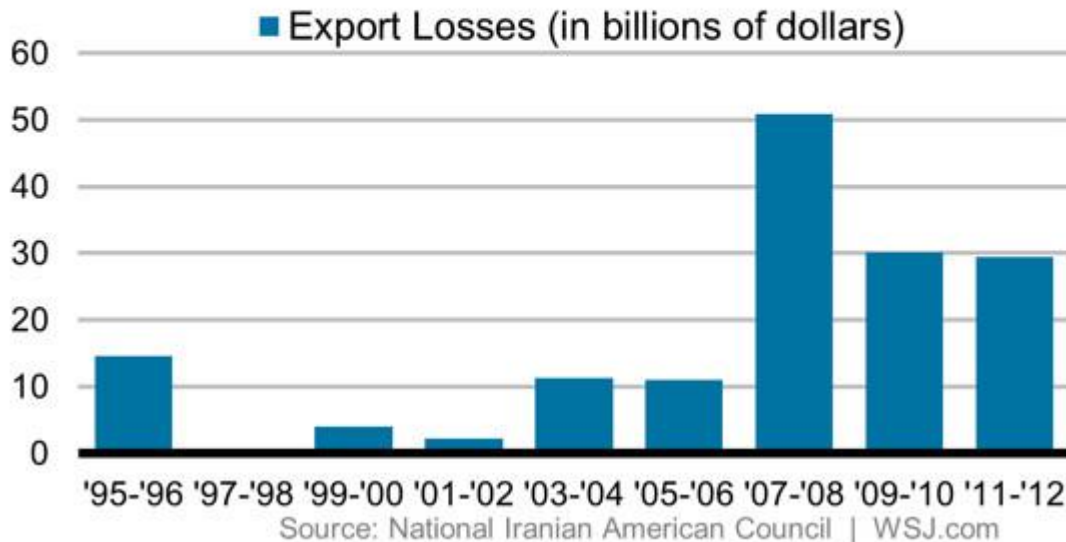


Fig.12 U.S. Losses from Iran Sanctions

The dispute between Russia and Ukraine is another example of conflicts with international impacts. The military collision took place last year and has led to numerous sanctions against Russia, which for its part has answered to western societies with counter sanctions. Russia's Finance Minister Anton Siluanov confirms that the imposed restrictions cost his country 32 billion euros per year.⁷² The West is not buying Russia's raw materials and the land's access to international markets and technologies is blocked as well. Falling oil prices and plunging ruble however are not a sign of victory for the West. Europe's strongest economy, Germany, is highly dependent on trade with Russia. One of the German's main exports is that of cars and vehicles which amounts to 17%. Russian's contrary sanctions against EU have taken their toll on Germany's economy, which gross domestic product's rise is expected to be 1.3% in 2015 while initial prognoses for 2014 were for a 1.8% rise.⁷³ According to the value of agriculture products produced in the EU, most subjected to Russia's ban in that respect were Poland, Lithuania, Germany, Netherlands and France.⁷⁴

⁷² Article from AFP republished by Business Insider, November 24, 2014, "Russia Is Losing Up To \$140 Billion Per Year From Western Sanctions And Oil Price Fall", <http://www.businessinsider.com/afp-russia-to-lose-some-40-bn-a-year-due-to-sanctions-minister-2014-11>

⁷³ Thompson, M., October 14, 2014, "Putin puts a chill on German economy", CNN Money, <http://money.cnn.com/2014/10/14/news/economy/germany-economy-forecast-russia/index.html?iid=EL>

⁷⁴ Kassam, A., Willsher, K., Oltermann, P., Adekoya, R. & Brooks, L., August 15, 2014, "Russian food embargo leaves Europe with glut of fruit, pork and mackerel", The Guardian, <http://www.theguardian.com/world/2014/aug/15/ukraine-europe-news>

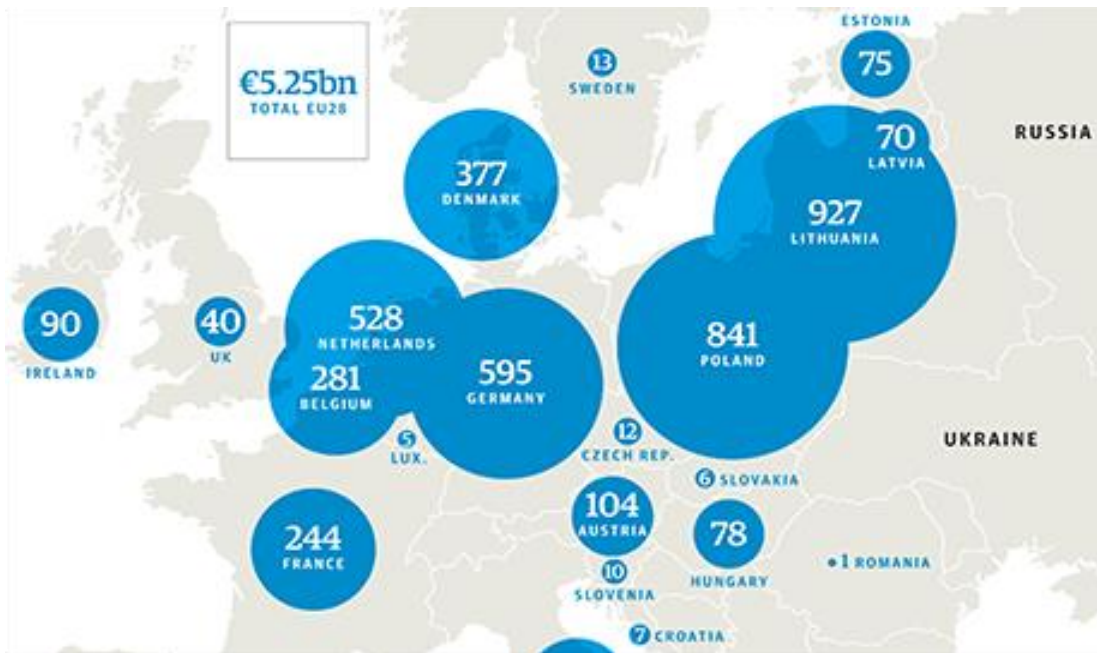


Fig.13 EU exports to Russia

At the beginning of the restriction campaign, a contributor at Forbes published a comforting article, claiming that the losses on food export that Europe would experience were highly exaggerated and that the EU's budget can afford them, because they were nothing, compared to the situation with Russia's market.⁷⁵

No matter who is right or wrong, marketers in some countries surely took advantage of the situation in the best possible way. Like in Poland, for example. There are around 60 000-apple farmers⁷⁶ in Poland and the country is the world's largest exporter of apples with 438 million euros per year.⁷⁷ After the ban on export, several newspapers published an appeal to Polish citizens to support the economy by buying apples and drinking lots of cider. The social media played a huge role in the online marketing of the products. The restriction unleashed a new trend among Poles. In support of their fruit production, they started uploading pictures on Facebook and Twitter showing them eating apples and drinking cider with the hashtag #jedzjablka (#eatapples).

⁷⁵ Opinion – Worstall, T., August 18, 2014, "Now We Know The Cost Of The Russian Sanctions On The European Union Food Exports", Forbes, <http://www.forbes.com/sites/timworstall/2014/08/18/now-we-know-the-cost-of-the-russian-sanctions-on-the-european-union-food-exports/>

⁷⁶ Troszkiewicz, A. & McFerron, W., August 20, 2014, "Putin Turns Poles Into Cider Lovers Amid Russia Food Ban", Bloomberg, <http://www.bloomberg.com/news/2014-08-19/putin-turns-poles-into-cider-lovers-amid-russia-food-ban.html>

⁷⁷ Oltermann, P., July 31, 2014, "Poland takes the bite out of Russian apple ban", The Guardian, <http://www.theguardian.com/world/2014/jul/31/poland-takes-bite-out-russian-apple-ban>



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Fig.14 The (#eatapples) campaign in Poland

The Finns also thought of a smart way to tackle with the situation. At first Finnish producers of dairy products were shocked when their trade with the neighbor was threatened. The international political problems led to huge discounts in the price of Oltermanni cheese, which was sold at half price and was dubbed “Putin cheese”. Big signs promoting the significant cut in price, saying “Spasibo Putin” (Thank you Putin) allured both buyers from Finland and the neighboring country. Russians are visiting Eastern Finland very often. The city of Lappeenranta, 25km from the Russian border is a shopping place for travelers coming from the other side of the frontier. Calculations show that 400 people from the Slavic country visit Lappeenranta a day, some of them explaining that the price of food products in Finland is two times cheaper than the one in their homeland.⁷⁹

The Russian-Ukrainian conflict may lead to another marketing tactic in a completely separate field. The tragedy with the downing of MH17 over Ukraine last year and the disappearance of two planes have tarnished Malaysia Airlines’ reputation. It has been reported that Malaysian Airlines share price has significantly decreased because of the tragedy with the MH17 flight. As passengers have recently started dodging the service of the company and the cancellation rates have reached 20 to 30%, the Malaysian government is racking its brains to find a way to save the national airlines.⁸⁰ One of the possible scenarios is changing the brand’s name. Analysts are skeptical towards the success of this idea and advise Malaysia Airlines’ to regain people’s trust by proving themselves. Only time will show whether this move will help the company to redeem its reputation or not.

The events that took place in France in the last days reminded the western civilization

⁷⁸ Tomchak, A. M., July 31, 2014, "Poles #EatApples to annoy Putin", BBC Trending, <http://www.bbc.com/news/blogs-trending-28590589>

⁷⁹ Bosworth, M., September 3, 2014, "Finns on Russian border wary of Nato ties", BBC News Europe, <http://www.bbc.com/news/world-europe-29049601>

⁸⁰ Mangla, I. S., July 30, 2014, "Will A Rebrand of Malaysia Airlines Help Turn It Around?", International Business Times, <http://www.ibtimes.com/will-rebrand-malaysia-airlines-help-turn-it-around-1643852>

about military conflicts that not long ago occurred only in distant lands, far from Europe's borders. The terrorist attacks against the cartoonists at the satirical French magazine Charlie Hebdo and the following tragedies including several deaths, hostages and shootings devastated and shocked not only the French society, but also all the people with a secular way of thinking around the world.⁸¹ People are talking about freedom of speech, religion, ethnicity, cultural differences. After they overcome the tragedy at some point, there will be probably debates about the impact of what happened on economy, tourism and business. The tourism is positive that travelers will not stop flocking to the country, especially American tourists who have a special connection with France and Paris.⁸²

Unlike the continental part of France, the island of Corsica in the Mediterranean has had another faith. In spite of its natural beauties, the island has been subject to negative coverage in the media, by being presented as the place with the highest murder rate by capita in Europe.⁸³ The separatists have been responsible for many terrorist attacks starting from the 1970s and later became notorious for their criminal activity. The official tourist site of Corsica answers directly to the question whether the island is safe for tourists despite the collisions.⁸⁴ Speaking openly about the conflicts and explaining their nature is a good way to attract adventurous and open-minded tourists, because customers want to hear the truth. The site confirms that the island is a safe place for people who are not involved in the political and local disagreements and probably the fact that more than 3 million people visit the destination per year proves it.⁸⁵

The military conflicts have not passed Australia either. In December, an Islamist gunman took 17 people hostages at a Lindt Chocolate café in Sydney. The man, Man Haron Monis, declared his allegiance to the Islamic state and. In the end the terrorist and two of the civilians died. After the hostage-drama was over, Lindt offered its help and support to the victims and their families. By doing so, the company demonstrated social responsibility and a good example of a cause-related marketing.

Undoubtedly, trade and marketing go hand in hand. All the political and military conflicts dictate on the market, that it is why it has acquired a power as well and represents its country's or region's political views. By understanding international trade and marketing, one can explain the political systems and ideals one is a witness to.

Armed conflicts have direct effects on the economies of the belligerents. The direct effect on the economics as price changes influence marketing as well. It becomes impossible for some companies to sell their products even if they have managed to stay on the market and keep their distribution channels. The price changes make it impossible or even pointless for companies to continue selling as they should invest more in marketing due to the complicated situation without any guarantee that it will be profitable. Some companies are forced to leave the affected markets. For example the

⁸¹ From the print edition of the Economist, January 10, 2015, "A blow against freedom", <http://www.economist.com/news/europe/21638195-france-and-other-european-countries-have-long-been-braced-commando-style-terror-attack>

⁸² Clark, P., January 8, 2015, "Terror in Paris: How Will the Attack Impact Tourism?", Travel Pulse, <http://www.travelpulse.com/news/destinations/terror-in-paris-how-will-the-attack-impact-tourism.html>

⁸³ Esslemont, T., February 18, 2013, "Murder in Corsica: Assassination stains an island's image?", BBC World Service, Corsica, <http://www.bbc.com/news/magazine-21473100>

⁸⁴ Information from Corsica's official tourism official site, "Is Corsica a safe destination for tourists", <http://www.visit-corsica.com/en/Useful-info/Practical-info-and-FAQs/Questions-Answers/11-Is-Corsica-a-safe-destination-for-tourists>

⁸⁵ Information from the site Rough Guides, <http://www.roughguides.com/destinations/europe/france/corsica/>

software company Luxoft was forced by its biggest clients to leave the Ukrainian and Russian market as a measure for easing the tension. Although the company claims that there weren't problems for their activities in the above mentioned countries, they started to implement plan for expansion in other Eastern European countries as Poland, Romania and Bulgaria. This comes to show that problems caused by conflicts are insuperable if there aren't adequate responding measures. Provoked by the situation between Ukraine and Russia the company suffer another negative consequence, namely the price of the company's shares went down sharply in February along with the political crisis in Ukraine.⁸⁶ Similar or identical effects require the development of specific measures and strategies.

The continuing armed conflict between Ukraine and Russia has another influence that must be thoroughly analyzed, because it reaches unexpectedly expansion. The conflict brought unforeseeable effects. Research of the Romanian Center for Sociology and Marketing has shown that significant part of the Romanians are afraid of a possible conflict in the region. It is observed that due to the crisis in Ukraine many Romanians became concern about the possibilities of armed conflicts. This comes to show that when analyzing the consequences of wars and conflicts we must take into account even tendencies that are at first glance negligible. People that are afraid of something are usually not interested of anything accept for their safety. Armed conflicts change people's needs therefore in order to be successful the marketing strategy should be made in precised and watchful manner. They should examine from all sides the new situation and to differentiate new market segment. People who live in conflict areas and in state of war have their specific and similar needs, which must be considered as the most influential factor on people's behavior as consumers. Appropriate example for using the situation, which also illustrates similar effect and influence is the mass fear of the Armageddon. Those marketing specialists who were watchful enough succeeded in making profit from people's irrational fears as selling them opportunity to be in safety. They took advantages from people's fears as selling them safety from non-existing threat. It is for sure not moral, but it is indeed profitable.

The conflict in Ukraine is not situation that could be neglected. If it continues it will bring sustainable negatives to the countries involved. Good example is the sanctions that suffer Russia from the United States and the European Union. The Russian currency had already suffered the consequences of the ongoing conflict. The citizens from the involved countries are also suffering negative influence. But the conflict will influence the most the economics of the belligerents and especially the Russian economy.

There is also likely to be an increase in criminality during armed conflicts. That made the market environment even worse. Thefts are another negative consequence that the households suffer due to the armed conflicts⁸⁷. It is also harder to get access to legitimate marketing channels and to overcome smuggling. Detailed analysis and research will help marketing specialists to promote and to implement their marketing

86 „Luxoft премества руски и украински програмисти в България. Нестабилността в Украйна форсира стратегията на софтуерната компания да диверсифицира служителите си по света“, юни 2014 г., В-к „Капитал“,

http://www.capital.bg/biznes/kompanii/2014/06/04/2315440_luxoft_premestva_ruski_i_ukrainski_programisti_v/

87 Justino P., The Impact of Armed Civil Conflict on Household Welfare and Policy Responses, Institute of Development Studies, Brighton, UK, Weatherhead Center for International Affairs, Harvard University, USA, Nov 30

Th , 2007, http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2008_justino.pdf

strategy, but they should correctly assess the current situation.

Periods of armed conflicts are characteristic for their propaganda and intolerance. People are full of prejudices and fears. Many of them could not be reached through any campaign or interested in any product or service as they do only feel need for safety. The marketing specialist should take into consideration the above mentioned and should try to reach to the consumers and clients through alternative way through social media and social networks.

The damages from armed conflicts for the economy and for the market are huge and continue in the future long after the conflict is ceased. Countries where there were conflicts in are usually subject of prolonged negative media coverage focusing on the terror and violence. Due to the conflicts is also the unstable market environment as investments and companies do not tend to make business in such areas. They evaluate the economic conditions and the market. When suffering the consequences of armed conflicts states are not able to provide quality and safety for those trying to make business. That in its turn makes marketing useless.

Probably the most significant difficulty that occurs during wars and armed conflicts is the maintenance of the communication and the correspondence. The period we are living in requires stable connections and communication, but the establishment of connection and its maintenance is hard at every level during periods of war and conflicts. The communication is disrupted and as a consequence the connections and the communication between consumers and producers or between companies and distributors becomes less or none. This is characteristic for periods of armed conflicts and especially for those happening in the Middle East.

The communication consists of information exchange between people, organizations or other entities. There is always problem the information to be correctly understood from the other party but periods of conflicts make it even harder as there is much tension and the already used communication strategies are insufficient. The process of communication is complex and usually consists of several stages - preparation, encoding, delivering and decoding. The encoding aims at presenting the message using symbols and methods for information, that is recognizable for the recipient. It means that the message is addressed to a certain recipient who can understand the idea of the message. Although the receivers of the messages made from the marketing specialist are the same in the periods of war or peace, they differentiate for their changed behavior, expectations and needs. This could be main reason for incorrectly decoding of the messages by the consumers. It is known that the marketing specialist always observe the specifics of different periods and addressees, but during armed conflicts they should be even more careful.

According to the Human Rights And Business Dilemmas Forum, there are three ways in which you can help the country where you operates: 1) you can create general wealth and opportunities which are really important for the solution of the conflict and for the post – war recuperation; 2) you can be the first one who can make a contraction with the new government for the re – building and re – construction of the country; 3) if you integrate in your own philosophy of business that the biggest value for you is to respect the cultural and human rights, then you become a herald of peace.⁸⁸

You have to know that using the social responsibility in your strategy is a ‘two – edged

⁸⁸<http://hrbdf.org/dilemmas/business-and-peace/#.VLEVo9KsUpo>

sword'. It can give you a great competitive advantage in the peaceful world or in the post – war situation. It can boost your credibility and it can help you build better image of your company. But it can also destroy all those benefits as quick as thought. You have to make sure that you never break your own philosophy.

If you are not already working in the country and you are planning to do so, you have to conduct a very serious analysis about the culture and the conflict in where you are going to operate. Remember that the security of you and your staff is the most important. That is more important than anything.

Examples of well addressed massages

Bill and Melinda Gates Foundation/ Microsoft⁸⁹: Their aim is to establish healthcare in Nigeria, including the conflict areas. For this purpose they are addressing their message to the private sector in Nigeria which can help for the acceleration of the processes. The Foundation is supporting the Millennium Development Goals for healthcare for 2015.

IKEA⁹⁰: IKEA in collaboration with UN Refugges Agency has developed new solutions for the reffugees campuses. The company has started to build new cottages which have solar panels on their roofs and walls that can deflect heat during the day and retain it at night. The first 50 prototypes are already in use in Ethiopia, Syria and Lebanon. Every cottage can serve as a home for 5 people. Now their cost is 8000 dollars but in the near future IKEA expects that it will be reduced to 1000 dollars.

ArcelorMittal Foundation – “Camp of Children`s Smiles”⁹¹: ArcelorMittal is company which provide mining operations in Bosnia. Its aim is to help the socioeconomical development of the community. The company is trying to support the areas of health, education and social development. Every year the company organize the “Camp of Children`s Smiles” in which take part around 100 children and many volunteers. Participating in workshops and sports activities the children learn about their differences and build bridges of friendship between their cultures.

Rio Tinto – Madagascar⁹²: In 2011 and 2012 the QIT Madagascar Minerals in partnership with the Red Cross and the UN Refugges Agency took part in workshops for the application of international humanitarian principles.

As we can see from the examples, every organization is doing its best to help during a war conflict. QIT is taking part in a workshop. With these acts it is helping to the diffusion of the knowledge of Human Rights in its country. Microsoft is supporting the program for the Millennium Development Goals for 2015. IKEA its own abilities for construction in order do help the reffugees. ArcelorMittal has developed its own Foundation and is following its own goals for a brighter future. There are thousands of possibilities to help. Act now!

Profitable sectors during war⁹³:

Telecommunications: Communication can have bad or good impact during a war conflict. This depends on the will of their end user and their goals. However, one thing

⁸⁹<http://businessdayonline.com/2013/11/bill-gates-endorses-private-sector-health-intervention/#.VLEjB9KsUpo>

⁹⁰<http://www.telegraph.co.uk/news/worldnews/10149607/Ikea-produces-flatpack-refugee-shelter.html>

⁹¹<http://suppliersandequipment.mining.com/2014/04/10/international-and-local-arcelormittal-volunteers-gather-in-bosnia-and-herzegovina-to-support-inter-ethnic-friendships-at-childrens-camp/>

⁹²http://www.riotinto.com/ourcommitment/features-2932_5150.aspx

⁹³<http://hrbdf.org/dilemmas/business-and-peace/#.VLEVo9KsUpo>

is sure. Telecommunications is a profitable business during war. It connects people and helps them find the information they need. In the post – war time it facilitate the debates and also helps the other businesses to develop.

Infrastructure development and construction: Those companies are the first ones that are leaving the company and the first ones that are coming back. Normally, they are in a contact with the UN and they are helping to the country with whatever they can. After the end of the war they are the first in the list of the contractors who are going to rebuild the infrastructure of the country. Their presence is accepted as an indicator of security.

Finance and Banking: The local Finance and Banking Institutions stays at the country but the big ones leave. They are coming back with a little delay after the cease of the conflict to help the businesses and the process of invention.

Sectors that impact natural resources and services: Gaining control over natural resources and services is very important because it can cause fear and insecurity of the population. This is the beginning of the profitable business on the black market with food and water when there is no possibility for a humanitarian aid. So when the conflict is over this is one of the fastest developing sectors.

However, nobody can give guaranties that they are not selling weapons to repressive governments to stay in power. During 2012 the articles which have been sold most are aircrafts, electronics, missiles, engineering, artillery, ammuniton, military vehicles, small arms, ships, etc.⁹⁴

Here is a table of the countries which spend more on their defense:

Fig. 15 Top 15 countries in 2012 in terms of their defense spending ⁹⁵

Country	Defense Expenditure	% of GDP
USA	\$682 Billion	4.4
China	\$166 Billion	2.0
Russia	\$90.7 Billion	4.4
United Kingdom	\$60.8 Billion	2.5
Japan	\$59.3 Billion	1.0
France	\$58.9 Billion	2.3
Saudi Arabia	\$56.7 Billion	8.9
India	\$46.1 Billion	2.5
Germany	\$45.8 Billion	1.4
Italy	\$34 Billion	1.7
<u>Brazil</u>	\$33.1 Billion	1.5
South Korea	\$31.7 Billion	2.7
Australia	\$26.2 Billion	1.7
Canada	\$22.5 Billion	1.3
Turkey	\$18.2 Billion	2.3

⁹⁴<http://www.mapsofworld.com/poll/is-war-a-booming-industry-facts-infographic-text.html>

⁹⁵<http://www.mapsofworld.com/poll/is-war-a-booming-industry-facts-infographic-text.html>

Possible decision and marketing approach if the communications are not disrupted is the social media marketing. During the uprising in the Middle East social media and social networks played crucial role in gathering people together for protests. Social networking services like Facebook and Twitter played an important role at the beginning of the uprisings. They had a major impact on the intensity and spread of the uprisings in the region⁹⁶. This leads to the conclusion that social media could bring significant success for market specialist as they could reach to the consumers, influence their behavior and predefine their choice. To advertise or to make research through social networks is easy and safety. Social media and social networks are probably the most appropriate way to reach to consumers. But using them as an instrument for social media marketing requires flexibility and attention to the details, because of the fact that through social media marketing are addressed different consumers with different social - economic and demography status and with different expectations and needs. Marketing specialist should try to meet all these expectations and needs. They should analyze and make proper strategies subsequently. They should take into account the existing market segmentation and to develop flexible campaigns as the promoted brands and products should create great deal of trusts and feeling for security for all types of the consumers. The products should be reliable because consumers always need to feel that they have made the best choice. That impression might be obligatory when markets are influenced by crisis and conflicts. Due to armed conflicts and wars is hampered the whole process of doing business. The international companies have their methods related to the way of communication, marketing, commercials and public relations. The environment among which the companies exist is complicated even without aggravated obstacles as armed conflict. For sure it becomes harder and more expensive to preserve their positions and profits especially taking into account the specific conditions and culture in the different countries and the way people there give interpretation to the messages of the companies. It is also true that the contacts between stakeholders became rare and insufficient. The implementation of the contracts and of the agreements is impossible in the environment during armed conflicts.

Even if the company managed to stay on the market, challenges to stay on the particular market continue to appear. The company lost positions sometimes or worst - its already gained market share. This might lead to the conclusion that the whole marketing communication strategy must be reconsidered, taking into account the new environment, necessities and the future company's market share survival. In order to adapt the communication mix should include new elements due to the new environment. There should be new approach in the commercials and in the other public relation activities. Everything which regards marketing must be thoroughly considered and discussed as the successful marketing could be the only possibility for the survival of the company on the market of the affected by the armed conflict countries.

As a whole the communication policy vary not only due to the specific market and market environment, but also due to the product mix. Some products require open markets which is almost impossible during armed conflicts. Everything should be adjusted so that the influence of the armed conflict is reduced to minimum.

96 Gailiūnas, E. p Arab Uprisings and Western Security Interests: a View from Lithuania, *Institute of International Relations and Political Science, Vilnius University*, http://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element/doi-10_2478_v10243-012-0011-6

All of the mentioned characteristics are worth to be considered. As regard the marketing as a whole it is influenced by everything concerning consumers daily live, way of life, behavior, fears, expectations, needs and etc. Marketing shouldn't be considered separately, on the contrary marketing should be considered in accordance with all of these aspects as they influence the most consumer behavior. The main goal of marketing is not only to sell products, but to sell them in taking into account all of the consumers' needs. It should meet numerous requirements and elaborate huge amount of strategies in order to reach everyone and everywhere. It should be also applicable in every situation influencing consumers' behavior and making profits for the companies. Marketing specialist must be able to find opportunities and decisions for every situation. Marketing should be able to present products and their usage no matter what the situations are.

As mentioned above in compliance with the national marketing the international marketing applies big variety of strategies and more opportunities for segmentation and positioning, but there is also more risk and insecurity and the armed conflicts are some of the risks that occurs. Conflicts influence marketing in not presumable ways and scale. Conflicts are not wanted and are for sure negative for every aspect of human's lives, but conflicts are something that occurs periodically and as such the market environment which they create must be examined and if it is possible to be used with the purpose of profits.

Conclusion

Indeed armed conflicts have tremendous effect on business activities and marketing. Armed conflicts disturb the normal environment – political, economic, demographic – in which economic entities operate. Not only suffers the economy, but also the relations between the households and the business. The disturbed social relations result in a limited effectiveness of the normal economic interchange. This has two-fold consequences. Firstly, the business loses profits and is forced to shrink the production and the workforce. Secondly, the households have to lessen their consumption and in the context of an armed conflict to seek a way to survive. In such conditions many people and families are forced to abandon their homes and seek refuge in other regions of the country or in neighbouring countries. However such migrations soon cause serious problems for the hosting country. It has to ensure normal living conditions for a very short time and for many people. This requires serious financing which most countries can't afford.

Beside the similarities in the examined formations, there is one essential difference, which triggered panic in the big geopolitical “players”, violates the strategic controllability of “the asymmetric conflicts” and threatens the performances for “the controllable chaos”, started from Zbigniew Brzezinski in 2004.⁹⁷ This difference is financial and creates great rates of insecurity in a global economic and political scale. The comment for ISIL of Yevgeny Primakov is laconic and clear: “the group is combat ready,... has many and diverse weapons... it is absolutely financially self-secured,... even the CIA admits, that the group's numbers for three months grow up three times...”⁹⁸ This “exclusion” causes a necessity to be added a few words on the vertical of the analysis, in order of the general conditions for the local phenomena discussed here to become clear.

⁹⁷ Brzezinski Z. - "The Choice: Global Domination or Global Leadership", New York: Basic Books; 2004

⁹⁸ Интервью Евгения Примакова, 27 сентября 2014 - Vesti.ru - <http://www.vesti.ru/doc.html?id=2002574>

Let's use some "prehistory". In 2007 the biggest gas field in the world has been found in the Persian Gulf, which size is 6 times bigger than the second one on the planet – Urengoy gas field in the northern West Siberia, Russia. It is divided between Iran and Qatar. Iran calls it South Pars, and Qatar – North Dome field. Almost the whole production of Qatar and 35% of Iran is gathered from there. It can bring enough profit to cover the expenses for drilling even before the gas is pumped out.⁹⁹ Many analysts think that exactly this has started the realization of the big project of "Muslim Brotherhood" which later became known as "Arab spring". The idea for the construction of a gas main from Iran, through Iraq and Syria with a strategy – supplying the European Union turns out to be more than unacceptable for USA, Britain, Israel and Qatar. Such tight energetic binding between continental Europe, Russia and Iran (and with more than 50% of energetic securement for the European Union, from Russian and Iranian deliveries) cause fierce resistance, and the USA doctrine is that "they will never let the European-Russian relations to deepen to such extent that the political, economic and military domination of the USA and Britain on the European continent will be questioned. Similar development will be avoided by all means necessary, even if it is needed to provoke a military conflict in Central Europe".¹⁰⁰ On the other hand, the times of George Bush are already far in the past and his shiny secretary James Baker, who knew how much can be achieved with the means of the skillful diplomacy and the negotiations. The generation of John Forbes Kerry and Condoleezza Rice thinks that can speak whatever it wants and if this does not work the brute force (does not matter if it is about threats or its practical use) will solve every problem.¹⁰¹ Somewhere in the beginning of 2013 USA already understands that the war in Syria cannot be won. In that time Saudi Arabia has already started a mass recruitment and financing of "Jihadists" via the Al-Qaeda networks. And during the whole time it is thought that Al-Qaeda controls the hydrocarbons – the simplest class of organic compounds, making via their sources (petrol, natural gas, coals...) as well as through their respective derivatives, the most complicated and unpredictable geopolitical relations. It is not accidental that exactly from this organization is released and started his rise Abu Bakr al-Baghdadi. According to many experts, exactly then the war in Ukraine has become predictable, and the events from 2012 and 2013 show that the plan for the overthrow of the government of Viktor Yanukovich and the long-term destabilization of Ukraine has been started somewhere after July 2012. Today – continues his comment Petar Grigorov – while the Americans are trying to go away from the "Ukrainian crisis" with minimal loses, the European leaders are on a crossroad. "They can lose a lot, if they continue to accent on the energetic sanctions against Russia (as USA insists), but can also win, if they decide to perceive a different approach to what is happening in Ukraine."¹⁰²

Eventually we can reach to the conclusion that the politic is an economic activity, but by other means. In this relation prof. Ignatenko thinks: "Al-Qaeda controls the petrol market, but this is too commonplaceness and banal as a purpose for the youth. That is

⁹⁹ CAPITAL.BG - 12.12.2013 - http://www.capital.bg/politika_i_ikonomika/sviat/2013/12/12/2202143_gaz_ot_iran_-_pone_sled_desetiletie/

¹⁰⁰ Григоров П. - "Предисторията, възможните последици и шансовете за разрешаване на украинската криза"- "ГЕОПОЛИТИКА"- 27.10.2014 <http://geopolitica.eu/actualno/>

¹⁰¹ Сейкър В. - "В Крим беше погребана мечтата за глобална доминация на САЩ"- ГЕОПОЛИТИКА" - 25.03.2014 - <http://geopolitica.eu/actualno/1565-v-krim-beshe-pogrebana-mechtata-za-globalna-dominatsiya-na-sasht>

¹⁰² Григоров П. - "Предисторията, възможните последици и шансовете за разрешаване на украинската криза"- "ГЕОПОЛИТИКА"- 27.10.2014 <http://geopolitica.eu/actualno/>

why they use the Islam as a mobilization ideology.”¹⁰³ While Taufic Ibrahim Dr. Sc. Philosophy points out another point of view: “The Muslim map will be played until the petrol defines the world politics... The image of the enemy is really needed for the secret services and the related with them transnational corporations. And what access to a financial recourse is that!”¹⁰⁴

The topic of this paper is too extensive and is difficult to analyze comprehensively and multilaterally within this small capacity. Besides that, some particular conclusions are becoming really clear. The described “market” paradigm in a horizontal plan is visually similar for these so different territories, populations and stereotypes. The formed picture is an antithesis of the field, where the functioning of a contemporary market would be normal. Having in mind that “in historical plan the appearance of the marketing is linked to the period, in which the offering of goods and services exceeds the demand...”¹⁰⁵ we will see the whole absurdity of the facts we observed until here. Something more – the fundamental market principals, which can be “basis of every market success, which is not a result of deficit or monopoly of the market”¹⁰⁶ – are proved to be untenable in the described zones. According to prof. Philip Kotler “The people already have concerns beside their personal consumption. They are excited about the status of the world and the problems, which the humanity has.”¹⁰⁷ Not here. In our case it seems that more applicable is the phrase of F. Dostoevski: “Feed, and then ask for virtues”. The environment, which most of it is a deficit, power monopoly and no possibilities for free communication are unnatural and hostile in the principle of the marketing nature.

¹⁰³ проф. Игнатенко А. - мастер-класс: «Мировой ислам и национальные интересы России». ОПЕС.ру
Экспертный сайт Высшей школы экономики;

http://www.opec.ru/library/article.asp?d_no=5806&c_no=19&c1_no=

¹⁰⁴ ISLAM NEWS – 24.02.2014 - <http://www.islamnews.ru/news-144557.html>

¹⁰⁵ Кръстева Н. „Съвременен маркетинг“, том 1, София, Авангард Прима; 2013; стр. 11.

¹⁰⁶ Кръстева Н. „Съвременен маркетинг“, том 2, София, Авангард Прима; 2013; стр. 11.

¹⁰⁷ http://www.dnevnik.bg/biznes/2010/11/01/985641_profesorut_po_mejdunaroden_marketing_filip_kotlur/