

THE VIABILITY OF PAN-EUROPEAN MARKETING

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Abstract

Changes in the European Community present opportunities for marketers. A unification effort (EC92) will ease the exchange process. There are economies of scale and cost efficiencies to be gained. However, the target market must be reanalyzed. European consumers must be segmented by other means than geographic. Mass marketing and niche marketing may both be used to reach the new Euromarket.

Introduction

In 1946, Winston Churchill called for the creation of a "United States of Europe," following the continent-wide devastation of World War II. Peaceful unity had been a European dream for centuries, but national governments, particularly in Great Britain and Scandinavia, were reluctant to cede any authority to a supranational body. French Foreign Minister Robert Schuman and John Monnet (considered the father of united Europe) proposed the European Coal and Steel Community (ECSC) in 1950 favoring "a common High Authority" to oversee European industrial activity (U.S. Dept. of State 1990, p. 3). In 1952 the ECSC became the first international organization with an integrated federal governing body. Efforts continued to integrate the European economy and to provide for a common structure for the development of nuclear energy, resulting in the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) by 1958.

The modern European Community (EC) was born in the 1967 merger of the ECSC, the EEC, and EURATOM. The original members (Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands) were joined by Denmark, Ireland, and the United Kingdom in 1971; Greece in 1981; and Portugal and Spain in 1986. The countries of the EC committed themselves in 1985 to the creation of a single market free of barriers to the flow of goods, services, people, and capital by the end of 1992. Commonly referred to as "EC92," the program picked up speed in 1987 when the Single European Act, adopted a year earlier, went into effect. This Act eased the passage of EC legislation and required national governments to adhere to the Community's timetable in adapting their own laws to match EC directives (Stitt and McGonagle 1991; U.S. Govt. Interagency Task Force on EC 1992, 1990).

EC92 and its Effect on Marketing Strategy

The EC92 program has changed the rules of marketing across borders in the Community. The harmonization of technical standards and changes in

the distribution and promotion environments make Community-wide marketing efforts much more practical. At the same time, these changes, along with other EC92 directives and further changes resulting from them, will also make Community-wide marketing efforts much more cost-efficient.

First, marketing a single product across EC borders should be easier as a result of efforts to harmonize technical and safety requirements. National technical standards have been eliminated in favor of Community-wide standards. As of January 1, 1993, a product manufactured or marketed in any EC country must be accepted by all countries. In the past, it was necessary to customize products to national standards, requiring as many as twelve different versions of the same product (Stitt and McGonagle 1991; Williams 1989). This simplification of technical standards should make production and distribution simpler and less costly.

Second, changes in the distribution environment will also benefit pan-European marketers. EC92 initiatives to remove customs barriers, eliminate permit quotas for trips between countries, and abolish prohibitions on cabotage (trade or transportation between two points within a country) should increase distribution efficiency, as well as reduce costs. For example, only one administrative document will be required for all EC border crossings, and border checks of goods will be abolished (Quelch and Buzzell 1989). Additionally, these developments should result in increased competition among haulers and greater truck utilization, further reducing costs.

Third, promotion should be simplified through the use of pan-European media made possible by the streamlining of regulations. Developing pan-European marketing plans should be easier (Quelch and Buzzell 1989). Also, the creation of a Community trademark and the development of new technologies, such as direct satellite broadcasting, will allow companies to spread their marketing costs over a larger audience and realize economies of scale (Stitt and McGonagle 1991).

In addition to the cost reductions due to changes in standards, distribution, and media regulations, costs should decrease for other reasons. Public procurement contracts will be open to broader competition, foreign investment will increase production capacity, and competition policy will be more rigorously enforced. The general increased competition generated by EC92 will put downward pressure on prices. Finally, the harmonization of tax levels and the possibility of cross-border shopping by consumers should eliminate large price differentials between countries (Quelch and Buzzell 1989).

The changes brought about by the EC92 program

will not be simply technical. EC92 is expected to affect the lifestyles of Europeans. This has both immediate and long-term implications. For example, increased access to markets will mean wider product choices for Europeans. In the long-run, segments of Europeans with similar needs and wants may emerge. Many have suggested this is already the case with the formation of Euroconsumer clusters, or areas of consumers sharing similar characteristics without respect to national borders (Vandermerwe and L'Huillier 1990).

Global Theory and Pan-European Marketing

The fact that there are recognized global brands such as Kodak film, Levi's jeans, and Sony electronics and global media agents and telecommunications such as international advertising agencies and satellite communication systems lends credence to the possibility of pan-European strategies. Global marketing, or the marketing of products and services in a similar way around the world, is not a new idea. Buzzell (1968) argued that the common strategy of employing different marketing plans for different markets simply reflects customary ways of doing business which evolved when national borders were much greater barriers to marketing than they are today. Companies which dwell on idiosyncratic consumer preferences between countries miss opportunities to reap the savings and efficiency benefits of global standardization (Levitt 1986). Sheth and Eshghi (1989) claim an effective global marketing strategy is to segment the world on a set of common demographic and/or psychographic criteria. For example, the marketing strategy for a teenager segment for beverages, rock concerts, and fashion is likely to be the same regardless of country.

Does the Euroconsumer Exist?

There is resistance to pan-European marketing. The removal of trade barriers simply will not unite 340 million people from 12 nations to behave similarly. Whether Europeans can think of themselves as Euroconsumers first and their nationality second has been debated. In fact, some feel that removing the borders will have the opposite effect, and people will become more nationalistic. Additional obstacles to a "melting pot" include language and cultural differences. Danish, Dutch, English, French, German, Greek, Italian, Portuguese, and Spanish are all official EC languages and many other regional dialects and languages are spoken, such as Catalan, Flemish, Low German, and Luxemburgish. Language differences can be solved with translation; cultural diversity between countries would seem to be a bigger problem. However, the diversity between countries on variables important to marketers such as consumer needs and resources, may be less than those within countries (Sheth and Eshghi 1989). It can be argued, for example, that southern Germans have more in common culturally with the people of Austria (Catholicism and Bavarian traditions) or even of northern Italy (heavy industry and fashion) than they do with northern Germans.

Many proponents of the Euroconsumer concept point to the United States, with its enormous cultural diversity, as a model for Europe. They contend that the differences that exist among EC consumers today are no greater than those that once existed among the colonists in early America, and that there will come a time when Greeks and Danes are at least as similar as Virginians and New Yorkers are now (Cutler 1990). A melting pot is not likely, but Europeans will become more similar as cultural influences such as the media are deregulated and become pan-European in scope. Culture can be a positive force in unifying markets and marketing can be a positive force in unifying cultures.

Marketing to Euroconsumers requires a strategy to identify segments based on something other than geography. Garreau (1981) attempted this for the U.S. and Canada in his ethnographic study, *The Nine Nations of North America*. Values segmentation, it was later determined, along with the Bureau of Census' demographic data proved to be a superior method of analysis (Kahle 1986). The European Community is probably best viewed as a heterogeneous market composed of distinct groups of Euroconsumers that vary according to demographics and psychographics (but often not by nationality), rather than as 340 million "Euroclones."

The clusters formed by Vandermerwe and L'Huillier (1990) are based on very simple data. This is but one traditional way of analyzing consumers. There are other ways to segment consumers and the new EC marketplace offers a unique opportunity to redefine target markets. Values research is needed in order to better understand the clusters of Euroconsumers and the way they function at home and at work. Values research will help determine whether a global or local strategy need be employed (Kahle 1986). Another segmentation variable, convenience orientation, has been suggested as a useful tool in international markets (Luqmani, Qurashi, and Yavas 1992). The demand for convenience is culturally based in part and on the values of time and comfort, as well as on economic factors. Finally, global stratification, looking for similarities of needs rather than differences across cultures, is another alternative to traditional segmentation methods. Duncan (1992) suggests analyzing global consumers for strata of needs to communicate on a common level:

"cultural and national differences do not mean that a single message can't be effective against more than one nationality, especially when ...globally stratified consumers have the same basic needs" (p. 357).

Going Pan-European

Two strategies are offered for pan-European marketing: Community-wide mass-marketing and regional micro-marketing. The appropriateness of each strategy depends on how the product appeals to the target market. Certain products lend themselves to pan-European campaigns more easily than do others (*The Economist* 1989). For example, industrial products are less culture-bound

than consumer products, and of the latter, commodity-type products like children's toys and laundry detergents are less culture-bound than specialized goods and services like banking services and health and beauty aids (Hilton 1992; Lever 1992). Even products in the same general category may vary in the ease with which they can be marketed in the same way across national borders. The Coca-Cola Company, for instance, varies its marketing strategies significantly from product to product. The company markets the flagship Coca-Cola brand in the same manner globally but customizes product attributes and campaigns regionally for other brands such as Fanta (*The Economist* 1989).

The first pan-European strategy, EC mass-marketing, means selling the same product in the same manner throughout the Community, for example, Coca-Cola's "one sight, one sound, one sell" message for its flagship (*The Economist* 1989). Eurobrands employing a common product, positioning strategy, and package design are expected to become more prevalent as Europeans become more similar. In fact, as marketers begin to treat European consumers more alike, the consumers will, in turn, become more alike. However, national preferences still remain, so companies should proceed carefully when transforming existing national brands into pan-European brands. Nestlé, for instance, has redesigned the packages of its camembert cheese which it sells across Europe under several different names. The new packages feature the corporate brand name next to the local brand name. The corporate brand name will be progressively enlarged over five years, eventually replacing the local brand name. Eurobranding of new products, especially when they create new categories, should be easier than re-branding existing products, though obstacles still remain (Quelch and Buzzell 1989). One of the biggest problems may be creating brand names that are appropriate in every language and available in every market (Martin 1992).

While not as extensive as true Eurobranding, regional or Community-wide niche marketing offers many of the same cost and efficiency benefits. As artificial barriers between EC countries are removed, companies will be able to extend a product's market regionally beyond national borders. As cluster research shows, regional similarities among people play a significant role in the cultural make-up of Europe. Community-wide niche marketing will grow naturally from regional marketing as similarities among consumers outweigh differences across borders, permitting the targeting of segments too small to be profitable on a national scale (Quelch and Buzzell 1989). Products targeted at the very rich, such as Rolex watches, currently employ this strategy (*The Economist* 1989).

Companies wishing to implement pan-European marketing strategies need to conduct extensive research in order to determine which strategy type is appropriate to their situation. Unfortunately, doing supranational research in the EC is difficult because data quality and definitions vary from country to country, making comparisons difficult. The current state of marketing research data in Europe is much less developed than in the U.S. (Cutler 1990). In order to identify

pan-European market segments and allow cross-border comparisons, standardized market research tools need to be developed to measure changes in consumer attitudes and brand preferences across Europe (Quelch and Buzzell 1990). Several companies are currently working to improve the quality and availability of market research data in Europe and to bring it more in line with U.S. standards (Cutler 1990).

Conclusion

With the technical aspects of marketing in the Community greatly simplified by EC92, pan-European marketing, selling the same product in the same manner across the continent, becomes much more appealing than it was when country-specific laws and requirements made it impractical, if not impossible. Because of the enormous economies of scale possible in production, distribution, marketing, and management, companies which recognize and capitalize on pan-European or global marketing opportunities will have a significant competitive advantage over companies which do not (Levitt 1986).

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