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Euromarketing: factors and determinants of the European market

Abstract. European marketing is a reaction to political and integration processes of a common European internal market creation, subsequent globalisation processes of the world economy and international competitiveness growth. The paper aims at approaching the matter of European marketing, which is being formed as a new management concept facilitating implementation of business entities transactions on the common EU market with maximum respect for European consumer.

Keywords: European Marketing, European Union, Common EU Market, Factors and Determinants of Common EU Mmarket, Global Marketing, Intercultural Marketing

JEL Classification: M19, M31, F23

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Євромаркетинг: фактори і детермінанти європейського ринку

Анотація. Європейський маркетинг розглядається як відповідь на політичні процеси інтеграції та створення єдиного європейського внутрішнього ринку, а також і подальшу глобалізацію світової економіки і зростання міжнародної конкуренції. Автори даної статті покликані привести формулюючий європейський маркетинговий контент у новий управлінський підхід, який дозволить компаніям полегшити угоди на єдиному ринку ЄС і при цьому максимально врахувати потреби європейського споживача.

Ключові слова: Європейський маркетинг; Європейський Союз; чинники і фактори, що визначають єдиний ринок ЄС; глобальний маркетинг.

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Евромаркетинг: факторы и детерминанты европейского рынка

Аннотация. Европейский маркетинг рассматривается как ответ на политические процессы интеграции и создание единого европейского внутреннего рынка, а также и последующую глобализацию мировой экономики и рост международной конкуренции. Авторы данной статьи призваны привести формирующий европейский маркетинговый контент в новый управленческий подход, который позволит компаниям облегчить сделки на едином рынке ЕС и при этом максимально учесть потребности европейского потребителя.

Ключевые слова: европейский маркетинг; Европейский Союз; общий факторы рынка ЕС и факторы, определяющие единый рынок ЕС; глобальный маркетинг.

1. Introduction

The European Union currently represents the strongest political and economic grouping in the world with more than half a billion inhabitants living at its territory. Gross Domestic Product (GDP) generated at this territory amounts up to almost 16 trillion USD and exceeds the GDP of the United States. The formation and gradual enlargement of the EU have resulted in a common market, which creates a strong economic area without internal borders with granted free movement of goods, persons, services and capital. It currently represents 40% of global trade and is the greatest internal market with fixed conditions applicable for all EU member states. Such a common market requires the implementation of a specific marketing approach, which needs to reflect changes of market conditions depending on the market a business is carried out on. Environment for commercial activities on the European market is characterised by high-level competition, and significant turbulent and dynamic changes. Those are reflected in European economic, legal,

social and cultural environments of most of the EU countries. The key characteristic feature of such changes is increasing globalisation of economic and social structures, resulting in a whole range of disparities of individual regions and whole states, regionalisation and localisation as a reaction to global expressions of the life of society, increasing significance of national cultures as well as mass customization of European consumers. Characteristic features of the EU market area include the fact that the common European market records a still quite high level of heterogeneity in spite of the efforts to converge individual member states.

2. Brief literature Review

The European marketing theory has been little elaborated in domestic and foreign literature, as it is a quite new matter, which has been getting at the forefront more significantly only after formation of the common European market in 1993. Distinguished representatives who were the first to start dealing with the issues of European marketing include Ch. Halliburton

[1] and E. Kaynak, (2004) [2], who had published the first study on European marketing in International Business Press already in 1994. In 2004, he issued a publication «Euromarketing», providing an interpretation of the transformation from national towards European marketing and considers the intensity of selected variables at the transition from national marketing to European marketing. They predominantly include: competitiveness, price discrimination, effectiveness in product research and development, effectiveness in logistics and distribution, extent of product variations, configuration of activities, range of benefits, etc. From his viewpoint, the European marketing represents a certain transition between internal, international and global marketing. It exhibits the characteristics of internal marketing along with cultural diversification and globalisation (2004, 2012) [2, 3]. In 1993 Ch. Halliburton and R. Hunerberg issued a publication «Pan – European Marketing» (1993) [1], where they argued over the new marketing concept as a myth and a reality. Other theoreticians dealing with the issue of European marketing include P. Harris, F. McDonald (2004) [4] and F. Burton (2002) [5], who characterised the European marketing as marketing similar to international marketing, as it includes different decisions necessary to sell products across the borders of a country. Borders represent barriers differentiating the European marketing from national marketing. Of course, the EU member states have smaller barriers than non-members. The issues of Euromarketing are dealt with in more detail by V. Cihovska (2008) within scientific projects VEGA 1/0251/08 «The Research of Factors and Determinants that Influence European Business Environment and Marketing Strategies for Slovak Firms at a Common Market of EU with the Support of Specific Marketing Instruments» and KEGA 018 EU – 4/2014 «Euromarketing – Factors and Determinants of Common European Market» (2014), where she published a number of articles on Euromarketing. In the publication «European Marketing» (2011) [6], she provides a summary overview of European marketing in the context of international and global marketing. Monograph «Marketing Environment of Common European Market» (2010) [7, 8], analyses the key factors of the macro environment of European market and their influence on the marketing aspects of success of companies on the common market. In the textbook of scientific articles «Factors and Determinants of Business Environment of Common European Market» (2009) [9, 10], she highlights significant disparities of individual countries of the European community in economic, social and cultural environment, which hamper the divergent development of both business environment and European consumer.

3. Purpose

One of the most considerable achievements of the European integration is the creation of a common internal market. Accession of 28 countries in the EU had signalled the transformation of individual national markets to a single and big international market with huge economic potential without internal borders. Following its formation at the beginning of 1993, room enabling free movement of goods, services, workforce and capital was created and a possibility to build the most competitive world economies was opened. As a result of deepening integration processes, the European Union market is a very specific market with global, supranational, national as well as regional special characteristics. Practice shows that the EU does not create a common market for the implementation of global, pan-European marketing strategies. Even though almost all barriers of free trade have been removed, and buying patterns of consumers have gradually been converged, there are remaining cultural, economic and social disparities, present in the long term, which still divide individual EU countries. Therefore, this paper aims at collecting, analysing and developing theoretical knowledge and relations regarding European marketing and identifying the key factors and determinants of the European marketing environment for both theory and practice of businesses which want to establish themselves at a highly competitive EU market.

4. Results

European marketing as a scientific discipline was established at the turn of the 1970s and 1980s within the German

school of marketing as a reaction of theory to the political processes of creating a common European market and subsequent processes of globalisation of world economy. The initial vision of the European market was creation of a common market in the European area. Later, following the formation of the European community, this idea was transformed into the «European sector for global competition» (Halliburton & Hunerberg, 1993) [1].

The formation process of European marketing is thus a reaction to the establishment of European market, which enlarges the area of its examination from the originally separated markets to a single, big, multinational and multicultural market. Harris and McDonald (2004) [4] characterised the European marketing as marketing similar to international marketing, as it includes different decisions necessary to sell products across the borders of a country. Borders are barriers distinguishing European marketing and national marketing. Of course, the EU member states have smaller barriers than non-members. Eurozone members use the same currency – euro, which represents zero risk at rate exchanges as well as zero costs of foreign currency transactions. According to many authors, the basis of European marketing is creation and development of means how to achieve the convergence of legal, economic, social and cultural conditions in European countries, which are to facilitate mutual business transactions. It links global and local approaches with a maximum effort to use the strategies of standardisation of the offer of goods and services with regard to the specific features of individual markets of the EU member states. It can be defined as an adaptation of the elements and strategies of marketing mix, so called product, distribution, price and promotion policy to the conditions of common European market. At comparing the European market to national markets of individual EU countries, differences are quite significant. The common European market brings greater competitiveness; however, on the other hand, businesses can use savings from the extent, resulting from the market size. It also contributes to the formation of closer cooperation relations between companies, which can increase the effectiveness of research and development activities. Higher effectiveness in logistics and distribution is also expected. As the European market includes a great number of consumers and corporate customers, more numerous product variations than on national markets are expected. Specific features of European marketing include the fact that Europe is perceived as a clearly geographically defined segment, behaving homogeneously from the viewpoint of Europe however diversely from the viewpoint of other global regions. The key concept of European marketing is therefore market segmentation, applying national borders as the basic criteria of segmentation policy. From the viewpoint of global marketing, the world behaves as a single market segment, while European marketing perceives individual European economies rather as different countries with their national specific characteristics. Definition of whether the European market is a suitable area for global marketing and globalisation strategies depends on the analysis of macro environment, which can serve as the first step at decision-making on Euromarketing strategies from the business viewpoint. Arguments of some authors in favour of the global approach can be reduced to two complementary directions – customer convergence (global consumer or European consumer) and the effectiveness of global products (global product or Euro product), or customer divergence especially resulting from cultural and economic disparities. We agree with the global viewpoint supporters, who perceive European marketing as a transition from national towards global marketing approach, which however accentuates the intercultural marketing approach. This concept reacts to weaknesses of the global marketing, which does not take into account social and cultural differences of consumer markets in a sufficient extent, and does not enable a prompt reaction of companies to competition.

We can essentially compare it to the approach of Perry (Halliburton & Hunerberg (2004) [1], who claims that European marketing is a unique phenomenon comprising exogenous factors, which are part of a continuous process of shaping and

combining marketing strategies due to changes of local, regional and global development. This approach points to certain similarities of individual marketing system, however it also confirms their natural disparity.

Disparities of the European Marketing. The fact that the European market is significantly heterogeneous in spite of gradual unification of norms and standards and convergence of the economic power of individual countries and regions is a persistent feature of the European market, which is reflected in economic, social and cultural environments.

Economic environment of the European market is created by a number of factors affecting the possibilities of companies to make offers on the one hand, and the possibilities of citizens to buy such offered products and services on the other. Factors and determinants of economic environment therefore have an immediate impact on the purchasing power of consumers and structure of their expenses. One of the most significant indicators of state economic power is gross domestic product (GDP) expressed in current prices, or gross domestic product per capita. From the factual viewpoint, GDP can be defined as a summary of final goods (consumer and investment goods) and services produced and provided over a certain time (usually a year) at the territory of a country. GDP thus represents the most complex criterion of the overall level of production of goods and services in a country.

The 28 EU member states record very different data on their economic power, however collectively they represent great economic power and strength in the world economy. In 2008 (before the crisis), the overall EU GDP amounted to EUR 12.511 billion, outpacing the USA with GDP at the level of EUR 9.769 billion, only representing 78.1% of the EU-27 economy (Cihovska, 2009) [10]. The most efficient EU economies according to the financial value of final products and services produced in the country over 2013 included: Germany, Great Britain, France, Italy and Spain. The lowest economic efficiency out of the 28 member states was recorded in Latvia, Lithuania, Cyprus, Estonia and Malta. Differences in the efficiency of individual national economies of the EU countries are even clearer at comparing the achieved GDP per capita, converted to standard purchasing power parities against the EU average. Different levels of GDP per capita not only show different levels of individual national economies but also differences in the living standards of its citizens, which affects, besides others, the average consumption and structure of household expenditure as well as other indicators. That needs to be a matter of interest of business entities, as they are directly reflected in the purchasing power and demand structure of potential customers.

Average GDP per capita in the EU-28 was EUR 25,700 in 2013. The EU countries with GDP per capita exceeding the average of EU-28 are Luxembourg (EUR 67,900), Sweden (EUR 32,700), Netherlands (EUR 32,600), Ireland (EUR 32,500), Austria (EUR 33,200), Denmark (EUR 32,100), Germany (EUR 32,000), Belgium (EUR 30,500), Finland (EUR 28,700), France (EUR 27,800). The significant difference in the average GDP per capita between the EU-28 and Luxembourg results to a significant extent from the fact that Luxembourg has a great number of foreign employees in relation to own citizens. Foreign employees significantly contribute to the GDP amount; however they are not included in the number of citizens applied in calculating the GDP per capita. That is not to imply that the first place of Luxembourg in the GDP indicator is not correct, it is only necessary to point to the correct interpretation of the result. Other countries significantly lag behind the EU-28 average. The lowest GDP values per capita are recorded by the poorest EU countries – Romania and Bulgaria, where this indicator only amounts to 40 % of the average of EU-28 [12].

Not only differences between individual EU countries but also differences between individual regions (currently in the amount of 271 within EU-28) have deepened with the increasing number of members. The second enlargement of the European community in 1981 by Greece and subsequent third enlargement by Spain and Portugal meant an increased share of economically underdeveloped regions at the whole territory

of the community, which was even deepened in 2005 following the accession of ten new members mostly from the former Eastern bloc and in 2007 following the accession of Romania and Bulgaria. The number of regions not reaching 75 % of the average GDP per capita increased after the EU enlargement on 1st May 2005. Up to 92 % of the citizens of new member states live in such poor regions. Up to 61 % of the citizens of new member states live in regions where per capita income is lower than 50 % of EU average (EU-25). Original member states only had 32 so called poor regions. The richest regions currently include central London, Brussels and Luxembourg. The poorest regions include areas in Bulgaria, Romania and Poland with the average of 25 % up to 36 % (EU-28 = 100 %). Only four regions of the new member states achieve higher than average EU level. They include capitals: Prague (162.3 %), Bratislava (148.7 %), Budapest and Warsaw. EU regional policy and national resources should have changed the structure of the poorest regions by 2015 in order for them to be able to develop effectively and reach the level of developed regions faster; however the recession would delay such efforts.

Household spending. Household expenditure and its distribution is another important economic indicator. The biggest share of EU-28 overall household expenditure is created by three important groups: expenditure on food, living and transportation. Each of them represents approximately 15 % of expenditure on final consumption in both EU-28 countries and the Eurozone countries. Approximately 10 % share is created by expenditure on recreation and culture, while the share of such expenditure is slightly bigger in the EU than the Eurozone. Only a slightly smaller share is created by the expenditure on restaurant and accommodation services, which is also higher within the whole EU.

Expenditure on food in individual countries is between 10 and 12 % (Great Britain, Luxembourg, Germany and Austria) up to 36 % in Romania. Expenditure on transportation is between 8 and 12 % (Romania, Lithuania, and Latvia) up to 19 – 22 % (Slovenia, Portugal and Luxembourg). Share of expenditure on recreation and culture is between 5 % (Romania, Portugal, and Greece) and 12 – 15 % (Sweden, Great Britain). The category of accommodation expenditure is at the level of 9 % (Malta, Cyprus, Greece, and Luxembourg) up to 19 – 23 % (Romania, Germany, Poland and Slovakia). It is necessary to point out that this item is only created by financial expenditure not related to services provided by the owners of occupied flats (rent). It means that countries in which a greater share of citizens live in rented flats have a bigger share of expenditure on accommodation than countries in which majority of citizens live in their own flats.

In relation to this item, the economic crisis mostly affected the poorest countries, especially Romania, Bulgaria and Lithuania, where expenditure on food and transportation are the highest, and the expenditure on recreation and culture are the lowest in the whole EU.

EU Labour Market. Knowledge of the situation on labour market provides an additional view for the analysis of economic performance and growth as well as social status of citizens. Unemployment has a significant impact on the consumption of Europeans, which is why it is necessary for companies operating on this market to monitor these indicators. Long-term unemployment is one of the greatest worries of the governments of the member states. Besides its negative influence on personal lives of consumers, it restricts social cohesion and decelerates economic growth of countries.

Years 2008 and 2009 resulted in a significant unemployment increase due to the global economic crisis in all EU countries. Unemployment level in EU-27 amounted up to 8.9 % in 2009, and up to 9.7 % in 2010-2011, which can be attributed to adopted austerity measures of companies which were reducing the number of their employees in order to maintain profitability. However, unemployment indicators are considerably different in individual countries. The highest unemployment levels of the EU countries were recorded in 2013 in Spain (22.5 %), Greece (18.3 %), Latvia (16.2 %), Lithuania (15 %), Slovakia (13.6 %) and Estonia (11.3 %). High values were also recorded in Ireland

(14.3 %). States with the lowest unemployment levels include Netherlands (4.8 %) and Austria (4.1 %).

Further serious difficulties have persisted on the labour markets of individual EU countries. The most urgent one is the fact that unemployment of especially young people is very high in many EU states and that young people have not achieved proportionate benefits from the EU economic boom before the crisis. Even though there was a positive development recorded also in the level of unemployment of young people (between 15 and 24 years of age) in 2007, the unemployment level of this group was more than double compared to the unemployment level of the whole workforce. Almost one in six young people in EU-28, i.e. around seven million people is leaving the educational system early and the level of achieved education has not increased. Every sixth young person (15.3 %) within the EU member states at the age between 18 and 24 leaves school after achieving the maximum of lower secondary education (men: 17.5 %, women: 13.2 %) and they neither participate in further education nor training afterwards. In some states (Spain, Italy, Malta, Portugal), the number of such young people is very high (approximately 20 %), while in other countries, the results have actually deteriorated since 2000 (Luxembourg and Slovakia). Although there has been certain progress achieved in relation to the number of people who have completed higher secondary education, it has not been sufficient to achieve the goal of at least 85 % young people at the age of 22 with completed at least higher secondary education by 2010. The longest compulsory school attendance out of the 28 EU countries has been implemented by Germany (until 19 years of age) and Great Britain (18 years of age), while majority of other countries including Slovakia has implemented the compulsory school attendance until 16 years of age. Slovakia is also among countries reporting the highest share of young people with a completed secondary school (men: 86 %, women: 95 %), which is by 23 % more than such a developed country as Luxembourg.

Data of a report presented by the European Commission in December 2013 showed that every fifth young person of the EU on average, i.e. 5.4 million people younger than 25, are unemployed, which is alarming. This group of young people was defined by Brussels as LOST GENERATION, which is also the name the European Commission used for a group of socially excluded people whom society has not enabled employment and success on the labour market. They are young people not having reached 25 years of age, who have graduated from school however are unable to find a job. The European Commission wants to solve such serious problems by adopting a strategy which could decrease the number of unemployed young people of the Union by 340,000. The member states are recommended to decrease the number of people without education, to improve the quality of education and interconnect schools with practice [11].

In spite of persistent disparities of individual EU countries (especially in economic and social environments), EU legislation, distribution systems and economic growth of individual member states (temporarily decreased by the finishing recession) are directed towards harmonisation of the European market.

Conclusions. European marketing has much in common with international marketing, especially in management and decision-making in products sales (goods and services and their combination) across state borders. These borders become barriers, which can be considered to be the key difference between European and international marketing. Even though the intensities of such barriers differ within individual EU countries, their common focus of interest is marketing activities. The key difference between European and internal marketing is based on cross-border trade barriers. These differ according to whether a country is part of the EU and Eurozone. Countries outside Europe trying to enter this market are exposed to a

complex marketing environment, while there are similarities in economic and legal environment but there are also big differences in cultural and social spheres. European marketing can therefore be characterised as a special type of international marketing with certain characteristics in common with national marketing of the countries with minimum differences in legal, economic, social and cultural spheres. It means that the founding countries of the EU and Eurozone countries have the lowest level of political and economic barriers from among all EU countries. Many marketing experts expect that the common European market will support the convergence of taste of European consumers and will enforce a «European consumer». Convergence of values, lifestyles, opinions, habits and taste still does not necessarily result in the convergence of needs. They can differ on individual national markets similarly to differing purchasing power and consumer habits of buyers. Europe as a mixture of different cultures and systems offers great marketing opportunities for businesses in the sphere of production and trade.

Although it is possible to combine social and demographic characteristics and marketing strategies of consumer products companies in order for them to converge the styles of individual European countries, diversity will have an equally important role as convergence in the new global economy. Businesses should therefore identify regional, national and local specific features and create suitable marketing strategies reflecting such diversity. Pan-European strategies can be profitable where consumers have similar cultural values and homogenous taste in relation to a particular product or service. Standard marketing programme can be used e.g. for luxurious products (like jewellery, watches, sports cars, etc.), which are demanded by a small number of similarly thinking customers, or for fashion products, which are purchased by young people in all countries (global approach).

However, social and cultural characteristics differ significantly within Europe, which requires an adaptation of marketing strategies depending on individual EU regional markets. We can therefore say that Europe is far from becoming a common internal market for European companies but also far from becoming a common foreign market for companies outside Europe.

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