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International Marketplace: The differences and implications between Western European and U.S. markets

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Introduction

The world is shifting in a new direction: a global marketplace. The world can not be thought of as a jumble of economic and political countries vying for the world's individual attention. In today's world, a company can not remain entirely domestic and keep innovative and profitable. Licensing, franchising, exporting, importing, commodity pricing, etc. affect every business across the world. Thomas L. Friedman, author of *The World is Flat,* states, "...because what the flattening of the world means is that we are now connecting all the knowledge centers on the planet together into a single, global network , which – if politics and terrorism do not get in the way – could usher in a an amazing era of prosperity and innovation." This globalization presents an excellent opportunity for companies to grow and thrive. It also provides for a much more detailed, sophisticated approach to looking at the business world.

A first step in the road to global marketing is to thoroughly research your impending market decisions. Most companies decide to branch out into a market that is most like their domestic market. This provides for an easier transition and can take advantage of the idea of standardization of goods and services. This paper will compare the markets between the United States and Western Europe, which are generally thought of as being somewhat similar in the way the markets perform. The comparison of these regions will hopefully provide a basic knowledge to any business person interested in expanding globally. These markets will be compared on the four major principles of marketing: price, place (distribution), product, and promotion.

Global Marketplace

To understand the relevance of comparing the United States and Western Europe, it is important to briefly discuss the various world markets that have emerged. The Asian environment is probably the most important big, emerging market in today's global exchanges. China, with the world's largest country population of 1,323,636,000, is a thriving center of business opportunity in Asia. Countries such as Japan, China, Taiwan, etc. are the world's largest manufacturing companies. Also, South America is becoming somewhat of a business hot spot. Brazil and Venezuela are essential parts of a growing corporation's span. It is important to remember that the world is a dynamic, ever changing marketplace and the world's markets are growing.

Western Europe

Western Europe is generally known as an area with similar market relations. Due to the vast time spent under Communist rule, Eastern Europe can not be included. This area has spent considerable time in economic lag and is still trying to catch up to the economic fervor of Western Europe. However, Western Europe has been flourishing in the past few decades. Western Europe has come to many countries: The Aland Islands, Andorra, Austria, Belgium, Denmark, the Faroe Islands, Finland, France, Germany, Gibraltar, Greenland, Guernsey, Iceland, Ireland, The Isle of Man, Italy, Jersey, Liechtenstein, Luxembourg, Malta, Monaco, The Netherlands, Norway, Portugal, San Marino, Spain, Svalbard, Sweden, Switzerland, The United Kingdom, and The Vatican

City. Although there are many countries generally considered to be in Western Europe, there are only a handful of major business players: Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, The Netherlands, and Switzerland.

COUNTRY	**POPULATION**	**GDP**
Austria	8,206,504	267 B
Belgium	10,445,852	316.2 B
France	63,587,700	1.816 T
Germany	82,422,299	2.609 T
Liechtenstein	33,717	825 M
Luxembourg	468,571	29.37 B
Monaco	35,656	870 M
The Netherlands	16,407,491	501.6 B
Switzerland	7,523,934	264.1 B
Aland Islands	26,711	N/A
Andorra	69,150	N/A
Denmark	5,633,228	187.9 B
Faroe Islands	46,962	1.0 B
Finland	5,255,580	163 B
Gibraltar	27,884	769 M
Greenland	56,375	1.1 B
Guernsey	65,228	2.59 B
Iceland	300,000	10.26 B
Ireland	4,130,000	136.9 B
The Isle of Man	75,049	2.113 B

Western Europe is not an officially recognized business entity, but is part of the recent European Union. The European Union was established in 1992 under the Maastricht Treaty. There are officially only 25 member states enrolled in the EU, however, the union controls all of Europe. There are over 20 different languages spoken throughout the area, but the working business languages are English, French, and German. The capital of the EU is located in Brussels and several administrative leaders as a whole. The population of the entire European Union is 459,500,000 and the GDP is $12.33 billion. These numbers, however, reflect the European Union as a whole, not necessarily entirely reflective of Western Europe. The EU is currently trying to standardize all the countries into one currency, but as of today there are only 12 countries that have adopted the Euro (€) – Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. These countries are sometimes called the "eurozone."

United States

The United States is a democracy that declared freedom from Great Britain in 1776 and was officially established in 1783. As the United States used to be a British colony, all of the original ancestry is European. The language and customs originally came from Great Britain, part of Western Europe, and may explain why there are certain similarities between the two areas. The capitol of the United States is in Washington D.C. and there is no official language, but is generally known to be English. However, Spanish is rapidly growing throughout the country. The official currency is the dollar ($) and is accepted as a currency throughout the world. In addition, many countries use the American dollar in business transactions as well as in future/forward contracts. The United States is a large free market economy. A free market economy is characterized by a lack of government control and influence in business functions. The market generally determines supply/demand, price, and market share.

According to the 2004 U.S. census, the population of the United States is 285,691,501, with 48.9 percent being male and 51.1 percent being female. The United States also has an interesting population attribute due to the "baby boom" that occurred after World War II. There are a large number of middle aged Americans today that drive a lot of the economy. Also, they have a relatively large amount of disposable income in which to buy products. Several industries will be booming in the next few years once this age group retires: healthcare will be the largest. Below is a table from the U.S. census outlaying the population age ranges in 2004. Also, the growth rate of the population is somewhat low compared to the rest of the world. With countries such as India and China rapidly growing, the U.S. market may not be as expansive.

Under 5 years	20,008,152	19,978,334	20,037,970
5 to 9 years	19,659,110	19,553,918	19,764,302
10 to 14 years	21,084,611	20,982,837	21,186,385
15 to 19 years	19,077,645	19,020,003	19,135,287
20 to 24 years	19,327,806	19,258,661	19,396,951
25 to 34 years	38,692,519	38,628,148	38,756,890
35 to 44 years	43,571,574	43,503,975	43,639,173
45 to 54 years	41,219,069	41,158,009	41,280,129
55 to 59 years	16,227,169	16,144,211	16,310,127
60 to 64 years	12,618,545	12,533,373	12,703,717

65 to 74 years	18,163,750	18,127,521	18,199,979
75 to 84 years	12,415,691	12,362,767	12,468,615
85 years and over	3,625,860	3,577,679	3,674,041

Product

Americans are typically known for their over consumption of goods. The rest of the world considers Americans to be frivolous and greedy. This view may be attributed to the fact that Americans put great value on material items and images such as the "American Dream". Also, the United States has become a service based economy. Approximately 80 percent of the U.S.'s gross domestic product is contributed to services. These services include such things as dry cleaning, business consulting, restaurant/food service, etc. As with the change to service marketing, there are several inherent differences in the way these services are marketed. One of these differences is that services are perishable. These services can not be stored like a physical product can and therefore can not be inventoried. Also, Americans are known for their fast food. According to the National Restaurant Association, sales in 2006 will be $173 billion, up 5% from last year. This is a huge industry in the United States.

Western European products are not entirely different from the American products. Western Europe may not support bundling products and buying in bulk. Also, Western Europe is rather dense in population, so products must be smaller to fit that environment. For example, appliances such as refrigerators must be smaller to fit into European size homes. Also, the car industry is huge in

Western Europe. Mercedes, BMW, Volvo, and many others are located in Western Europe. This is not only a large industry but a way of life for the Europeans. They appreciate their cars and take great pride in buying European. Another industry trend is the issue of smaller cars. Mercedes' Smart Car is proving to be an excellent indicator of the downsizing of cars in Western Europe.

Pricing

The United States has several distinctive pricing characteristics. First, the U.S. has a large amount of coupons. Every day, Americans are bombarded with coupons whether they are in FSI's in the Sunday newspaper, direct mail, indirect mass advertising, or coupon books. These coupons actually attract numerous consumers to the business. Also, Americans can sometimes depend upon the coupons so much, that they refuse to pay full price for a certain product. In addition, Americans like to buy in bulk. Products can be purchased in large quantities at low costs. Americans like to pay less per unit, which means that they generally buy more at once.

Western Europe also has several distinctive pricing characteristics. Unlike the U.S., Western Europe does not really play into the coupon pricing. The culture does not use coupons and this trend is probably due to the lack of emphasis on price in Western Europe. Europeans are not necessarily attracted to pricing mechanisms as Americans are. In conjunction with this non-price attribute, advertising in Western Europe does not necessarily play up on the price. Advertisements tend to be more creative, edgy and less price, commodity conscious.

Place (Distribution)

The U.S. logistics and transportation industry is really booming. The trucking industry is a major player in this industry. American interstates, highways, and roads are dominated by the large 18-wheeler trucks. Deliveries are made 24 hours a day across the country. Virtually every store has loading docks to accommodate these trucks. Hugely vast distribution centers exist throughout the country, but typically are located several hundred miles away from each other. Large batches of product are carried in these trucks and they can travel thousands of miles at a time. The train industry is typically utilized by commodity products such as coal, but can prove to be very effective. There is virtually no passenger train network so basically large quantities of industrial products are delivered by train.

Western Europe has a very distinctive distribution network. Typically, the European system involves numerous distribution centers. These centers are smaller in size than American centers and hold fewer products. However, there are many more distribution centers located around the region. One major implication of this system is that the trucking industry does not exist in the same manner that the American trucking industry does. There are less 18-wheeler trucks and more large van type of vehicles. This occurrence is due to the fact that the products are delivered in smaller batches and travel lesser amounts of miles because the distribution centers are located so close together. Also, another factor is that there is just really not as much room in Europe to have large delivery vehicles. The concentration of people and business locations is quite high, so numerous amounts of large trucks would just not be feasible. Western Europe, however, has an excellent established train network. Trains, passenger and otherwise, exist all over Europe and practically go to any community. This method provides an easy and cost effective way of transporting products. Also, it makes more logistical sense that Western Europeans can distribute products by water. As shown in the attached map, Western Europe is surrounded by mostly water. This enables easy trade with other continents such as Asia, Africa, South America, and North America. Also, it provides for easy trade across member nations of the EU, as ships do not have far to travel.

Promotion

Everyday around the world, people are bombarded with promotional material. This material includes public relations, advertising, publicity, direct selling, etc. Basically, integrated marketing communications is a complex, sophisticated system of communicating with consumers thought to be the target market. This process is implemented by companies across the world. It is impossible for any company to escape these daunting tasks. As much as companies strive to be standardized throughout the world, it is very important for companies to understand the cultural differences between countries. Promotional practices, especially advertising, are a very culture sensitive issue and should be researched accordingly. Companies should have cultural knowledge about a region before they even decide to enter a market. This process should be part of the marketing opportunity analysis.

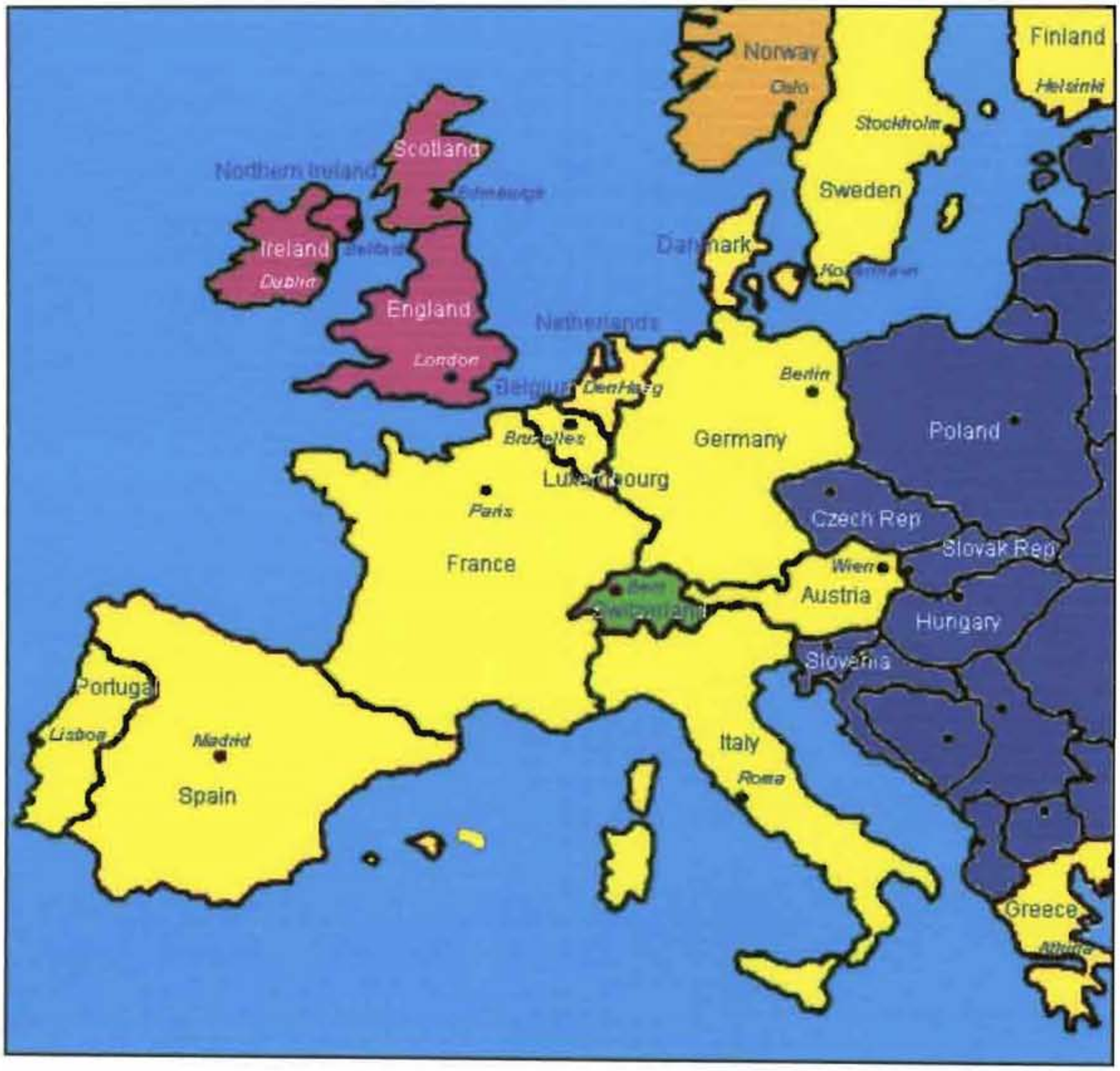
Promotion is an important aspect in influencing Americans to purchase a product. Radio and television are the most important of these factors because the fact that they reach the most amounts of people as well as Americans being known for watching a lot of television. Television ads are typically around 15-30 seconds, and usually are pretty tame as compared to some European ads. The American trend is that television advertisements are getting shorter and shorter. Americans are known for their extreme emphasis on time as they are constantly going to and fro. This timing phenomenon can be evident during the Superbowl, a football game with the highest rated commercials-an advertiser's dream. Advertisers have to be especially conscious of race/ethnicity issues in the United States due to the country being known as a "melting pot" of different cultures. This aspect brings up a different point that advertisers are starting to focus more on individual target audiences. This trend is directly related to the expansion of television channels in the American market. For example, there are BET (Black Entertainment Television), Spike for Men, and Lifetime. These channels now enable marketers to create more specialized advertising. Also, magazine advertising is very important to American consumers. As of recent, all major target audiences, with the exception of teenage males, have a specific magazine focused at their groups. These magazines are used to target groups with advertisements. Males are most definitely targeted by sex in the United States, however, nudity is not allowed.

Western European advertising is a lot less conservative than advertising in the United States. Europeans seem to be a little trendier and more comfortable with nudity and more explicit situations. For example, magazine ads can show partial nudity. These images are not necessarily considered vulgar, but more artistic. Also, television advertisements can also be a little racier as well as being more violent. Certain commercials or television shows that could be considered offensive in the United States are considered mostly the norm in Western Europe. Also with television advertising, the commercials tend to be longer. Thirty to sixty second ads are considered to be the relative norm. Western Europeans tend to have a more relaxed concept of time. Generally, they are able to have more patience watching television than a typical American. Also, advertisers are forbidden by law to advertise to children. This law makes it impossible for companies to take advantage of children and directs all toy advertising towards the parents. This presents a great advertising challenge, especially to a foreign country, in an industry that sells children's products.

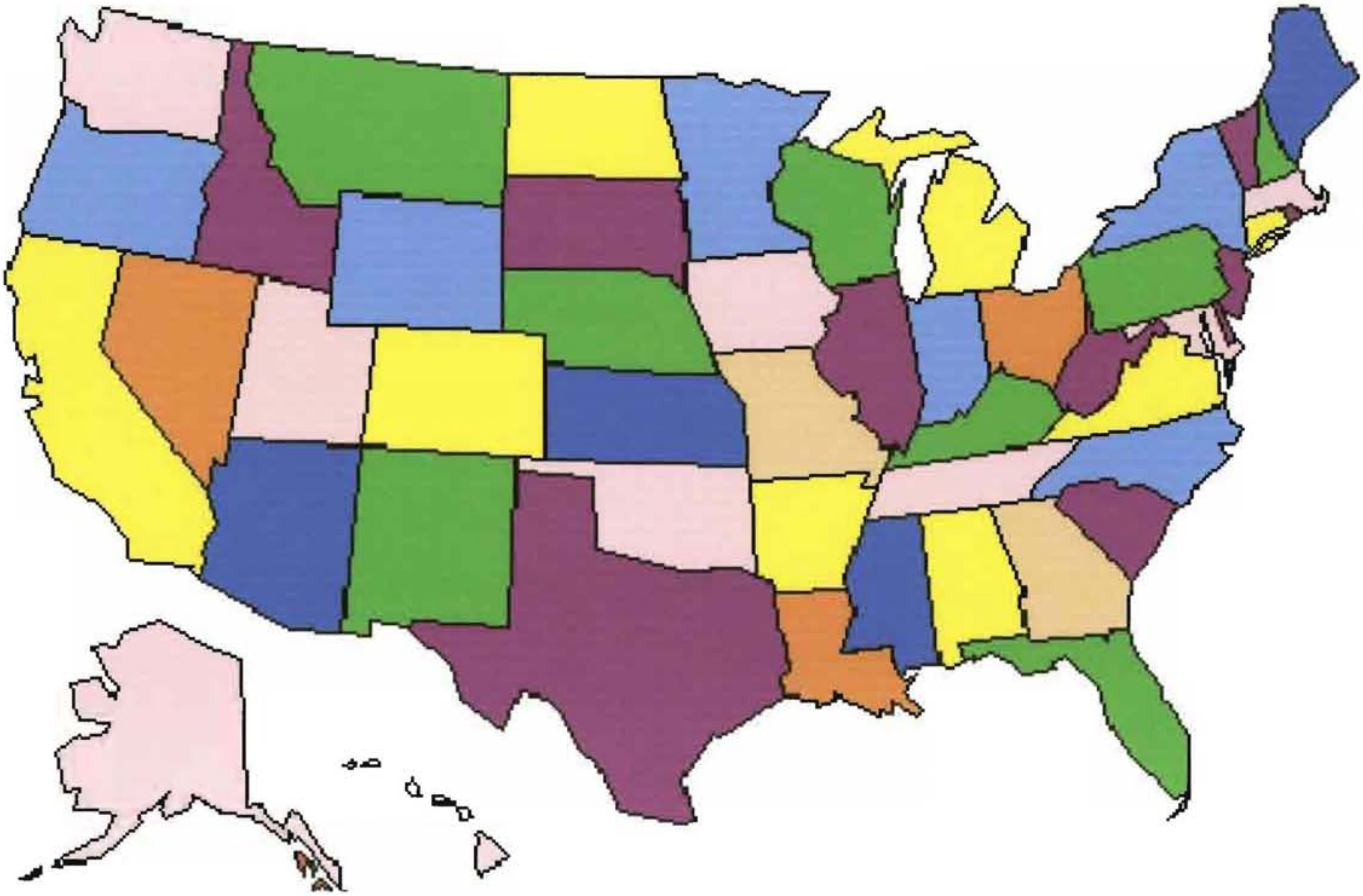
Conclusions

The U.S. and Western European markets can be considered somewhat similar in nature if compared to other markets throughout the world. As an American company growing and expanding, it would be a wise decision to begin looking to operate globally in Western Europe. This move is a good first step for a company that needs to enlarge their markets. Somewhat of a standardization strategy could be used in Western Europe with a little bit of adaptation and customization. A business decision needs to be made in the entry strategy to another market: licensing, franchising, strategic alliances, joint ventures, or wholly owned subsidiaries. A firm could take either an aggressive stance to the market and create a wholly owned subsidiary or a passive stance that would involve exporting products or creating franchising opportunities. The basic lesson learned here is that the world and its people are all different in their cultures, attitudes, languages, and wants, but every person on this planet can not live without products and services. The world needs global business and it is our job as marketers to figure out how to get the products to the people who need them.

MAP OF WESTERN EUROPE



MAP OF THE UNITED STATES



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