

The changing consumer in the European Union: A “meta-analysis”

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Abstract

In a series of studies, the changing consumer in the nations of the European Union is described. In this paper these national findings are generalized to a European perspective, summarizing these generalizations in 32 propositions. Although large cross-sectional differences exist, some common trends are also clearly present. Examples are demographic and cultural developments such as the greying trend, smaller household sizes, internationalization, and environmental and health concern. The EU nations converge to a more similar macro-marketing environment and macro-marketing mix. Euro-marketing is the name of the game for the future.

Keywords: Consumer behaviour; Cross-cultural differences and similarities; European internal market; Macro-marketing environment; Macro-marketing mix

1. Introduction

The macro-marketing environment creates opportunities and threats for the marketing management of companies. This environment comprises the economic, demographic, and cultural developments. In this special issue of IJRM, the macro-marketing environments of the following nations of the European Union are discussed: *Belgium* (Gijsbrechts et al., 1995), *Denmark* (Nilsen and Solgaard, 1995), *Germany* (Grunert et al., 1995), *Greece* (Kouremenos and Avlonitis,

1995), *Ireland* (Lambkin and Bradley, 1995), *Italy* (Varaldo and Marbach, 1995), and *Portugal* (Farhangmehr and Veiga, 1995). In articles that were published earlier, the changing consumer in *The Netherlands* (Leeflang and van Raaij, 1993) and the *UK* (Saunders and Saker, 1994) were described. A description of the macro-marketing environment of two nations will follow: *France* (Filser, 1996) and *Spain* (Nueño and Bennett, 1996). The new EU nations since 1995, Austria, Finland and Sweden, are not yet included in this series. These papers will be published in the 1996 and 1997 volumes of IJRM.

From these national reports many general conclusions may be drawn. In this summary article we compare the main findings and conclusions of the nations of the European Union. There are striking similarities between these nations, as well

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as interesting differences, traced back to the history and geography of the nations. Even within nations there are large differences, as for instance between the north and the south of Italy. However, we postulate that there is more convergence than divergence between nations, also due to the EU policy to stimulate the development of the European nations into the same direction.

The following macro-marketing elements are discussed in the order that was followed in the “national” articles: the economic, demographic, cultural environment, changes in consumer behaviour, and the macro-marketing mix. Future trends and expectations are included in these categories. For many variables, propositions are stated and “tested” with the data of the EU nations, including additional data.

2. The economic environment

The economic environment can be described by data on household income, inflation, taxation, and employment, among other variables.

Proposition 1: *Household income becomes more unevenly distributed and may create a two-tier population of wealthy and poor consumers.*

Average income has gone up in most EU nations, but the income distribution got more uneven in most nations. Income polarization and a two-tier population is reported in Belgium, France, Italy, The Netherlands, and the UK. A lowering of the highest tax rates, e.g., in Denmark and The Netherlands, contributed to the uneven distribution of the wealthy and the poor. Well-to-do segments require relatively more luxury products and brands, whereas the poor need more cheaper discount and second-hand products.

Proposition 2: *Inflation was high during the first part of the eighties, but most nations got the inflation level under control during the second part of the eighties.*

Inflation took away much of the income increase in Belgium, Germany, Denmark, Greece,

Table 1
Unemployment levels in the European Union

	1988	1990	1992	1995
Belgium	10.2	7.8	9.2	13.1
Denmark	6.4	9.0	9.2	10.2
France	9.9	9.0	10.0	11.6
Germany	8.7	7.2	6.6	8.3
Greece	7.6	7.0	7.9	4.7
Ireland	17.3	14.5	17.6	14.4
Italy	10.9	9.9	11.2	12.0
The Netherlands	9.3	7.5	7.4	6.9
Portugal	5.7	4.6	4.2	6.9
Spain	19.3	16.2	18.4	22.7
United Kingdom	8.5	7.0	10.7	8.3

Sources: Nielsen, 1994; *The European*, July 14–20, 1995; *The Economist*, August 5–11, 1995.

The Netherlands, Portugal, and Spain. Greece had the highest inflation rate. Inflation rates were especially high during the first half of the eighties; after 1985 inflation became lower with 4.1 percent in 1993 for the EU. Factors such as (i) the increasing price competition in the single European market, (ii) cost reductions which are caused by abolishing intra-EU trade barriers, (iii) relatively small increases in labor costs, and (iv) the increasing cost consciousness in general, led to lower inflation rates (Leeflang and Pahud de Mortanges, 1993).

Proposition 3: *Although unemployment went down in the eighties, the level of unemployment is still too high in many EU nations.*

Employment went down in the beginning of the eighties, but returned to the 1980 level in the latter part of this decennium. Unemployment however remains a major element of the macro-marketing environment. In Table 1 unemployment figures of the EU nations are given. In most nations unemployment went down after 1988, but increased somewhat in 1991–1993. Exceptionally high unemployment levels exist in Ireland, Spain, and the south of Italy, while Greece and Portugal have the lowest (official) levels of unemployment.

Especially women entered the labor market and required (parttime) jobs. In Greece, Ireland and Spain relatively few women have yet entered

the labour market. In Spain women's share is 32 percent, in Denmark 46 percent, whereas the EU average is 39 percent. Especially worrying are the high levels of unemployment among the youth and the immigrants (minorities) in many EU nations.

Proposition 4: *The GDP of most EU nations gradually increases over time, except for the recession in the beginning of the nineties.*

In Table 2 the gross domestic product (GDP) of the EU nations is given (at current prices). Slow growth and even some decline of GDP can be observed between 1990 and 1993, and some acceleration of growth in 1993 and 1994. Germany after the reunification is a special case with a volatile rate of change in the GDP.

The first part of the eighties was a period with recessions in most EU nations. In Denmark, Greece and Italy, the informal economy grew considerably during this recession. The GDP may thus be understated and the unemployment be overstated in these nations. A consumer reaction to a recession is curtailment of expenses in various ways (Van Raaij and Eilander, 1983).

It is clear that the economic environment is close to the political environment. Many authors mention political programmes, such as in the eighties Mitterand's programme in France and Thatcher's in the UK. In Italy, the credibility of the state to solve economic problems, deteriorated considerably in recent years.

3. The demographic environment

Demographic shifts pertain to population growth, aging, number of households and household size, and minorities. In all nations the population grew with a EU average net growth of 3.6 percent. The highest growth rates were found in France, Germany, Luxembourg, The Netherlands, and the south of Italy. The German reunification in 1989 increased the number of inhabitants of the Federal Republic with 16 million inhabitants.

Proposition 5: *The age distribution of the population will gradually contain relatively more older ("greying") and less younger ("de-greening") persons.*

In all nations the population is "greying", while the proportion of young people decreases ("de-greening"). Germany has the strongest trends of greying and de-greening. The female proportion is large among the senior citizens. Ireland is the exception to this trend: Ireland has a considerably younger population than the other EU nations. The greying trend has enormous consequences for pension plans and social security. Marketing opportunities arise for health and recreational products and services for senior citizens.

Proposition 6: *Household size is gradually decreasing in all EU nations.*

Table 2
GDP of European nations, in million US\$ at current prices

	1980	1990	1992	1993	1994	1995
Belgium	119	192	218	217	224	250
Denmark	66	129	136	144	153	168
France	665	1190	1342	1311	1406	1553
Germany	813	1484	1743	1698	1848	2065
Greece	40	66	79	80	83	93
Ireland	19	42	48	51	55	61
Italy	454	1091	1241	1023	1093	1226
The Netherlands	169	279	320	326	341	384
Portugal	25	60	79	78	85	99
Spain	215	491	557	521	530	567
United Kingdom	538	978	1031	958	1021	1154

Source: Nielsen, 1994

Household size decreases over time in all nations, due to fewer children, young children leaving home, older people remaining single after divorce, more solitary survivors, and more people living on their own. The EU average household size is now 2.7 persons. The smallest households are found in Denmark (2.0) and the largest households in Spain (3.6). This trend is stronger in the north European countries, except Ireland, than in Greece, Spain and the south of Italy. It coincides with the trend of individualization. The consequences are that more but smaller households require more "brown" durables such as TV, telephone, and cassette recorder, and "white" durables such as washing machine, vacuum cleaner, food processor, and deep freezer.

Proposition 7: *The proportion of immigrants is growing. They form a considerable part of the population in most EU nations, mainly in the large cities.*

There is a strong trend of immigration from Northern Africa, Turkey, and former colonies in France, Greece, Italy, The Netherlands, Portugal, and the UK. Ireland and Portugal, however, have typical patterns with, for many years, a net emigration. The immigrant minorities are concentrated in the large cities. It is expected that their proportion may increase to more than 50 percent of the city population. They add to the cultural diversity of nations, and are mentioned as new target groups for marketing.

4. The cultural environment

The cultural environment is most likely to differ between EU nations, due to historical, geographical and language reasons. However, there are also striking similarities in the development of the EU nations. The aspects of culture are: education level, liberalization, concern for health and the environment, and consumer expectations.

Proposition 8: *The liberalization of women leads to more women with a job outside the home and more unemployment.*

The liberalization of women ("equal rights") and more tolerance for working women and new gender role patterns were prominent in all EU nations, the northern nations taking the lead in this.

Proposition 9: *In all EU nations there is an increase in environmental and health concern.*

A clear cultural trend is the concern for health and for the environment. Health concern includes fitness and body condition. Environmental concern is on the increase in all EU nations, except for Portugal.

Proposition 10: *Consumer expectations were pessimistic in the first part of the eighties, went up during the second part and the first part of the nineties.*

Consumer expectations show the confidence of consumers in the economic development of the nation and the consumer conditions in the nation (Table 3). The Index of Consumer Sentiment was generally low (pessimistic) in the first part of the eighties, but became more optimistic in the second part of the eighties and the early part of the nineties. Pessimistic expectations lead to less spending on durable and luxury products, less credit and more savings. Optimistic expectations

Table 3
Consumer expectations in February 1994 and 1995

	1994	1995
Belgium	-24	-6
Denmark	+4	+8
France	-21	-15
Germany	-28	-6
Greece	-14	-32
Ireland	-4	+5
Italy	-29	-16
The Netherlands	-12	+4
Portugal	-28	-22
Spain	-32	-18
United Kingdom	-10	-10

NB: The figures are the net result of positive (optimistic) and negative (pessimistic) evaluations.

Source: Eurostat, Luxembourg.

lead to more discretionary expenditure such as durables and holidays. Table 3 shows the net result of optimism and pessimism. There are substantial differences between nations, but there is a tendency towards less pessimism, except for Greece. The only "optimistic" nations in 1995 are Denmark, Ireland and The Netherlands.

Consumer expectations are related to life satisfaction (Commission of the European Communities, 1990). The Danes, Dutch and Irish score highest on life satisfaction with scores of 63, 40, and 41 percent very satisfied, respectively. Life satisfaction is low in East Germany, Greece, Italy, and Portugal, with 10, 15, 17 and 5 percent, respectively (Lambkin, 1993).

5. Changes in consumer behaviour

The macro-marketing environment causes changes in consumer behaviour and, consequently, changes in marketing policy.

Proposition 11: *The consumption of services increases at the expense of durable consumption.*

Although durable consumption increases, there is a shift away from durables and nondurables towards spending more on services, including energy, holidays, leisure, travel, and medical ex-

penses. Processed food and other time-saving products may be regarded as products with a built-in service component. Relatively low are the medical expenses in Denmark, Ireland and the UK, which reflects the impact of the National Health Service or similar institutions in these nations (Saunders and Saker, 1994).

In Table 4 consumption figures of the EU nations are compared. The data show substantial differences between categories and between nations. For almost all nations it can be concluded that the proportion of service expenditure increases and durable consumption decreases over time.

6. Europe's macro-marketing mix

In this section we describe trends in the composition of the macro-marketing mix of the EU nations: product, price, distribution, and advertising. We also consider trends in market research.

6.1. Product

Proposition 12: *There is an increase in the demand for and supply of health, green or ecological, fun, and convenience products.*

Table 4
Consumption of households in categories of goods and services in 1993

	FBT	RFP	T&C	Furn.	E&C	M&H	C&F	Misc.
Belgium	18.8	16.5	13.4	10.6	6.5	11.1	7.7	15.3
Denmark	21.5	28.2	15.3	6.6	10.0	2.1	5.4	11.0
France	19.1	19.1	16.5	7.9	7.5	9.4	6.4	14.1
Germany	21.5	20.7	17.1	9.2	10.3	3.9	8.1	9.2
Greece	37.9	11.6	14.3	8.2	5.6	3.8	8.7	9.9
Ireland	36.6	10.4	13.5	8.0	11.1	3.8	7.3	9.3
Italy	22.5	15.8	13.3	10.3	10.1	6.9	2.7	18.4
Portugal	41.1	15.0	19.5	8.9	0.1	3.7	11.6	-
Spain	21.8	12.6	15.4	6.6	6.5	3.8	8.9	24.4
The Netherlands	26.9	20.1	10.3	7.4	9.0	4.9	8.0	13.5
United Kingdom	21.5	18.5	17.9	6.7	9.7	1.4	6.2	18.0

Legenda:

FBT = Food, beverages and tobacco; RFP = Rent, fuel and power; T&C = Transport and communication; Furn. = Furniture; E&C = Entertainment and culture; M&H = Medical care and health expenses; C&F = Clothing and footwear; Misc. = Miscellaneous goods and services.

Source: Nielsen, 1994.

The growth of health products is apparent in all countries. European consumers are very concerned about the nutritional content of food. This is in line with the tendency towards increased health consciousness. Within the food budget, products such as red meat, oil, coffee, tea, tobacco, and alcoholic drinks are losing ground. Low calorie, light, diet products are gaining. Health consciousness is also reflected in an increasing demand for private medicine, private hospitals, products for bodycare and pharmaceutical products. Sport articles, sport and fitness centres also benefit from this trend.

The increasing ecological concern of consumers explains the demand for "green" products.

In many countries there is a strong demand for luxury goods as well as an increasing demand for goods at discount prices. This polarization effect is also reflected in the retailing structure which shows an increase in discounters. Examples of luxury or fun goods are "gourmet," exotic and ethnic food (Denmark, Germany), expensive automobiles such as off-roaders and moderately priced two-seaters, other expensive brands (Porsche, Rolex, Cartier; the UK) as well as quality and prestige, international brands or Euro-brands (Greece, Portugal).

Ready-to-eat products and home delivery products are mentioned as examples of convenience products (Ireland, The Netherlands).

These trends also suggest that European consumers behave more similarly, buying more of the same products and the same (pan-European) brands.¹ The same brand names may increasingly be turning up in shopping baskets all across Europe, but national tastes are far from vanishing.²

Proposition 13: *Ecological concern and European legislation lead to an increase in recyclable and re-usable packaging, refillable products, a constrained use of PVC and packaging materials in general.*

Table 5

Market shares of private labels 1986-1992

	1986	1991	1992
Belgium	14.7	18.4	19.8
Germany	n.a.	6.3	6.8
France	14.3	n.a.	16.4
Ireland	n.a.	4.1	3.6
Italy	5	6.2	6.8
The Netherlands	19	15.8	16.3
Spain	5	7.2	7.7
United Kingdom	21	36.4	37.1

Source: Nielsen, 1994.

This trend is apparent in all EU countries. An increasing number of products will carry an eco-label to support claims of green alternatives. Furthermore there is a tendency for package sizes to become smaller.

Proposition 14: *There is an increase in the market share of private labels in nearly all EU countries. There are large differences in the share of private labels between countries.*

Table 5 shows the market share growth of private labels and the differences in these shares across countries.

The concentration of the retail trade and the consumer appreciation for strong manufacturer brands (A-brands) explain these differences.³ The data in Table 5 reveal that the differences in shares between EU countries are remarkable, but that these differences become smaller over time.

6.2. Price

Proposition 15: *During the last decade, prices of consumer goods have remained fairly stable in absolute terms in most EU nations.*

This proposition follows directly from the discussion on trends in economic variables. The

¹ The Wall Street Journal Europe, February 1, 1993.

² The Wall Street Journal Europe, November 3, 1993.

³ There is a positive correlation ($R^2 = 0.40$) between the shares of private labels in a number of EU-countries and the appreciation of A-brands. This appreciation is measured by data from the study of the Henley Centre (1992).

tendency to push for lower costs in many companies and the increased competition in Europe which are consequences of a single European market explain the moderate increases in prices (Leeflang and Pahud de Mortanges, 1993). However in some countries such as Greece, the general price level has been moving upwards much more rapidly than in the rest of the EU.

Proposition 16: *Price sensitivity and price consciousness increase among European consumers.*

This trend is mentioned in nearly all EU nations. The demand for discounted products has become stronger. Food products, cosmetics, but also books, furniture and clothing are bought by consumers who are increasingly price sensitive and price conscious. This trend can be partly explained by an increasing demand for more luxury products. By purchasing products at lower prices room is created in consumer budgets to acquire more luxury products. The increased price sensitivity and price consciousness is not restricted to low-income consumers. Curtailment of expenses for non-luxury products is also reflected in tendencies to buy less, to buy lower quality, to buy more private labels or to buy not at all (Van Raaij and Eilander, 1983).

6.3. Distribution

Proposition 17: *There is an increasing concentration in retail outlets in the EU nations, more specifically:*

17a: *A smaller number of outlets accounts for a growing proportion of revenue.*

17b: *There is a growing concentration within the retail chains.*

These trends are closely related to other trends such as:

17c: *An increasing cooperation between chains in different (mainly EU) countries.*

Table 6

Expectations about the future purchasing power of European retailers and the concentration of suppliers

	Purchasing power of retailers	Concentration of suppliers
Strong increase:	18%	73%
Increase:	66%	
Constant:	14%	25%
Decrease:	1%	2%
Strong decrease:	1%	

Source: Nielsen, 1994.

17d: *A decline of the percentage of consumer expenditures spent in retail outlets.*

Evidence for propositions 17a and 17b can be found in most EU nations. The expectation is that the trend toward concentration has not yet ended. The concentration has been caused by internal growth of retail organizations (increase in market share) and by external growth (mergers, takeovers, and franchising). Although there are indications that concentration ratios are levelling off in some countries (The Netherlands), the international cooperation among national companies will lead to an increase in the purchasing power of retailers in Europe. This is reflected in Table 6 which shows results from a survey of European retailers.

The increase in retailers' purchasing power coincides with a growing concentration of manufacturers. These developments may lead to a battle for power in present international distribution channels. This contest may become intense in markets which, from the supply as well as from the demand side, become more oligopolistic in nature.

There are many examples of cooperative agreements among European retailers. Supermarket chains like Ahold (The Netherlands), Argyl (UK), Allkauf (Germany) and Casino (France) formed ERA (European Retail Alliance), a consortium of firms working together at a European level in purchasing, promotion and product development. Vendex (The Netherlands), Rewe Centrale (Germany) and the UK-Inno-BM (Belgium) together founded Eurogroups for the purpose of

joint purchasing of grocery items. Other examples of firms using cooperative agreements are IGDS (Intergroup of Department Stores) and Tengelmann. Additional examples can be found in the travel (agency) industry. This kind of cooperation has also led to the development of European private labels. During the spring of 1991 more than 250 O'Lacy branded products were introduced in supermarkets in five European countries, which is consistent with proposition 17c.

Statistics to support proposition 17d are only available for Denmark (Nilsson and Solgaard, 1995) and The Netherlands (Leeflang and van Raaij, 1993). Given the change in expenditures from goods towards services, the increased expenditure on cars (and gas) and holiday activities and the growing importance of sales through direct marketing, the percentage of consumer expenditures spent in retail outlets will decline.

Proposition 18: *There is a sharp increase in the number and revenue of discount retail outlets (and organizations) in the EU nations.*

This discount trend is mentioned in nearly all EU nations. In Table 7 discounters' market share is given for some countries.

Many of these developments started in Germany. Aldi, the pioneer of heavy discounting in Europe has more than 3,500 stores in seven European countries. Two south-German companies, Lidl and Schwarz and Norma Lebensmittel, operate discount stores in France and both are planning to enter the British market. Lidl and Schwarz already has shops in Italy and Spain. Others are

joining the German conquest of European shopping carts. France's Carrefour and Promenades are opening discount stores in their own country as well as in Spain and the UK. Dansk Supermarket (Denmark) is expanding into Germany and the UK.⁴ Discounters are also penetrating in non-food retailing. Examples are Superdrug, which now sells luxury toiletries and cosmetics, Toys 'R' Us, and IKEA (Saunders and Saker, 1994).

Proposition 19: *There is an increasing internationalization of the retail trade in the EU.*

This proposition follows from the evidence given for propositions 17c and 18. The internationalization of the retail trade is reflected in European retail networks and national discounters which are active abroad. There is also a tremendous increase in international franchising and there are expansions of retailers opening new stores abroad. International franchising is likely to focus on consumer durables. Examples are Benetton, C&A, IKEA and Marks and Spencer. Crossing borders will be less of an issue, even if it means crossing the sea. New Look, a clothing chain operating in the south of England opened new stores in northwest France, instead of expanding to the north of England.

Proposition 20: *There is a shift from small and medium-size stores to supermarkets and hypermarkets. Differences in the market shares of these different types of outlets between countries are substantial.*

Although the variation in the number and size of super- and hypermarkets in the European countries is large, the number of small and medium-size stores has fallen dramatically. In some European countries (Belgium, France, Germany, The Netherlands, and the UK) restrictions have been placed on opening new hyperstores. This ban is designed to limit the growing number

Table 7
Market share of discounters in value

	1991	1992
Belgium	18.0	19.2
Denmark	12.0	n.a.
France	n.a.	2
Germany	22.8	24.5
Italy	0.4	0.65
The Netherlands	n.a.	10.7
Portugal	n.a.	1
Spain	5.4	5.5
United Kingdom	n.a.	8

⁴ The Wall Street Journal Europe, June 16, 1993.

Table 8

Market shares (in value) of different types of retail outlets in EU countries, 1991

	Hypermarkets	Large sms.	Small sms.	Superettes	Traditionals	Specialists
Belgium	16.3	37.8	28.4	8.7	7.1	1.7
Denmark	10.8	18.5	25.1	23.9	4.6	17.2
Germany	12.4	10.6	18.2	14.2	6.7	37.9
France	39.4	26.5	11.4	3.6	4.3	15.0
Greece	4.5	12.2	15.4	13.7	26.4	27.8
Ireland	18.8	26.7	14.1	14.5	13.8	12.1
Italy	3.9	19.9	20.1	14.2	38.5	3.3
The Netherlands	4.2	17.3	43.7	13.3	2.6	18.8
Portugal	15.6	8.2	7.1	10.2	33.3	25.6
Spain	16.9	6.6	8.8	13.2	30.7	23.7
United Kingdom	28.7	21.2	8.8	7.3	7.3	26.6
Europe	18.1	17.8	17.4	12.4	13.4	20.9

sms = supermarkets.

Source: own computations based on Nielsen (1994) data.

of bankruptcies of small and medium-sized stores and to preserve traditional retail structures in towns and villages.

Table 8 shows the market shares of the different types of outlets in 1991. This table reveals that the distribution of the market shares differs remarkably between nations.

Proposition 21: *The total number of retail outlets increases slightly or remains stable. The number of food retail outlets decreases in most countries.*

In most of the EU nations this trend is discernible.⁵ The retail density, measured as the number of retail outlets per 10,000 inhabitants, differs markedly among the EU countries. The EU average (107) has a large variance caused by low densities in the northern countries: The Netherlands (80), UK (81), Germany (81), and France (97). And high densities in the southern countries: Italy (161), Portugal (165) and Greece (174).

Proposition 22: *The penetration of scanning devices among stores is increasing. Although there are still large differences among European coun-*

tries, variation in the percentage of all commodity volume sold through the scanning stores is decreasing.

Support for this proposition can be found in Table 9.

6.4. Direct marketing

Proposition 23: *In many European countries there is growth in direct-marketing expenditures.*

The expenditures on direct marketing differ markedly between European countries as is shown in Table 10. Furthermore we see large differences in the allocation of direct marketing expenditures to mailings, direct advertising and telemarketing. In some countries (Belgium and France) the growth in direct-marketing expenditure has levelled off (Gijbsbrechts et al., 1995; Filser, 1996).

A survey conducted by the European Direct Marketing Association among 200 companies in 13 European countries (EU members and non-members) showed that⁶:

- about half of the respondents believe their firms' use of direct-response marketing would

⁵ More information can be found in *Distributive Trades in EC-countries*, edition 1992, Zoetermeer/Stirling/Milano, 1992.

⁶ See: *Usage Trends in the European Direct Mail Market 1993*, a study performed by EDMA and PDMS, Brussels, Belgium.

Table 9
Developments of scanning in food stores

	Dec. 1987	Dec. 1990	Jan. 1994
Belgium:	15	31	83
Denmark	15	45	80
Germany	10	29	39
France	28	43	74
Ireland	4	19	39
Italy	7	17	56
The Netherlands	13	25	56
Spain	7	14	57
United Kingdom	17	39	76

Percentages of all commodity volume turnover (ACV).

Sources: Nielsen (1988), Foekens and Leeflang (1992), and Foekens (1995).

remain at the same level while about 40 percent of the respondents believe it would increase;

- the majority of respondents believes there will be an increase in the importance of direct-response marketing;
- most respondents believe they will use more personalized mail in the future.

These and other trends are almost universally expansionary.⁷

⁷ See: European Advertising Tripartite (1991), *Direct Marketing. An Economic Driving Force*. Brussels, Belgium.

Table 10
Expenditure on direct marketing 1993 (in million ECU)

	Mailings	Direct adv.	Telemarketing	Total	ECU/head
Belgium/Lux.	570	200	50	820	81
Denmark	670	100	90	850	164
Germany	5,730	3,540	1,720	10,990	136
Greece	20	100	10	130	13
France	4,010	750	780	5,540	96
Ireland	70	30	10	100	31
Italy	1,220	1,240	190	2,650	47
The Netherlands	1,380	460	1,100	2,940	193
Portugal	20	80	10	110	11
Spain	510	1,250	80	1,840	47
United Kingdom	1,390	1,940	770	4,100	70
Total	15,580	9,690	4,810	30,080	87

Source: FEDIMA/EDMA.

6.5. Advertising

Proposition 24a: *There is absolute and relative growth in advertising expenditures in all European countries.*

Proposition 24b: *Most southern European countries (and Ireland) demonstrate the highest degree of growth.*

Proposition 24c: *Advertising expenditures as a percentage of GDP in the European countries show some convergence over time.*

Support for these propositions can be found in Table 11. By expressing advertising expenditures as a percentage of GDP we see the growth in relative expenditures over time. This relative growth is largest for those countries in which the percentages are the lowest in 1985. These countries are situated mainly in southern Europe.

Proposition 25: *The media share of print advertising decreases whereas the share of television advertising increases in most EU countries. In Ireland and Italy we observe opposite trends.*

In the eighties, commercial television and satellite broadcasting became important factors in media selection, competing with traditional

Table 11
Advertising expenditures as a percentage of GDP: 1985–1992

	1985	1991	1992	Growth 1985–1992	
Belgium	0.47	0.58	0.61	+	29.8%
Denmark	0.72	0.77	n.a.	+	6.9
Germany	0.87	0.95	0.98	+	12.6
France	0.57	0.73	0.70	+	22.8
Greece	0.28	0.68	0.94	+	235.7
Ireland	0.67	1.04	1.07	+	59.7
Italy	0.47	0.60	0.62	+	31.9
The Netherlands	0.78	0.93	0.93	+	19.2
Portugal	0.28	0.74	0.83	+	196.4
Spain	0.76	1.50	1.75	+	130.3
United Kingdom	1.11	1.10	1.10	–	0.9

Source: EAT Statistics Symposium.

media such as newspapers and magazines. In the articles on Belgium, Italy, The Netherlands, Portugal and the UK, commercial television was explicitly mentioned. The Berlusconi media imperialism in Italy is a well-known example.

Table 12 shows the development of advertising media shares over some recent years. These data are consistent with proposition 25. For an explanation of the factors which explain the remarkable trends in Ireland and Italy, see Lambkin and Bradley (1995), and Valardo and Marbach (1995), respectively.

6.6. Other promotional instruments

Proposition 26: *There is a growth in expenditures for sponsoring.*

Proposition 27: *Below-the-line promotional activities have been growing in popularity and are taking an increasing proportion of the promotion budget.*

All over Europe, manufacturers and retailers are showing impressive creativity, studying and

Table 12
Development of media shares

	1989				1991				1992			
	Print	TV	Radio	Other	Print	TV	Radio	Other	Print	TV	Radio	Other
Belgium	59.4	24.4	0.8	15.4	55.6	26.4	4.1	13.9	55.4	27.3	6.6	10.7
Denmark	87.9	8.1	1.4	2.5	79.2	16.1	1.6	3.1	n.a.	n.a.	n.a.	n.a.
Germany	78.1	12.5	4.6	4.9	73.4	17.4	4.5	4.7	74.0	17.6	4.0	4.4
France	56.2	24.7	6.8	12.3	53.7	27.2	6.5	12.6	51.3	29.3	6.9	12.6
Greece	45.1	40.8	7.3	6.8	40.3	52.0	3.7	4.0	33.7	58.7	4.0	3.7
Ireland	54.1	28.9	10.0	6.9	68.7	19.7	7.3	4.3	68.6	20.4	6.8	4.2
Italy	42.0	54.3	0.9	2.8	47.4	47.5	1.4	3.7	48.9	46.6	1.3	3.4
The Netherlands	76.0	10.3	2.0	11.7	75.5	13.4	2.3	8.8	68.8	15.7	2.9	12.5
Portugal	37.5	48.2	8.9	5.4	44.2	41.3	6.4	8.1	42.6	42.6	7.3	7.5
Spain	52.8	30.1	11.1	5.9	52.6	29.9	10.9	6.6	49.6	37.0	8.4	5.0
United Kingdom	63.7	30.3	2.1	4.1	62.3	31.6	2.2	3.9	61.5	32.4	2.0	4.1

Source: The Advertising Association / EAT Statistics Symposium.

developing a wide range of (new) promotional plans. In many nations we observe that sales promotion expenditures are larger than advertising expenditures. Gijsbrechts et al (1995) state that the 60/40 ratio of sales promotion to advertising confirms the more general European observation of a reversion of the 40/60 ratio that was considered to be a rule of thumb in the early seventies.

Proposition 28: *Temporary price cuts and special displays are the most frequent sales-promotion tools.*

This proposition is based on a large Nielsen study in 1993, entitled *Europe Retail Trends 1993*. The Nielsen report suggests that a very large proportion of the global promotion budget is dedicated to promotional prices. This is an especially effective instrument for retailers in countries in which competition is fierce and the market is highly saturated. However, the growth of discount stores and the mentioned polarization in consumer expenditures force retailers towards "everyday low prices" tactics. Manufacturers fear strong price promotions that may threaten brand positioning, image building efforts and consumer loyalty.

6.7. Market research

The EU countries account for approximately 40 percent of the worldwide expenditures of market research. Europe dominates the market re-

search world, not only in size but to a large extent in terms of the creativity and innovative nature of European research products. This is especially true of ad-hoc, customized problem-solving research. This differs quite markedly from the American approach which tends to favour the creation of homogeneous research products which are sold to multiple clients for certain similar types of problems (Goodyear, 1994).

The market within Europe is dominated by Germany, France and the United Kingdom which account for almost two-thirds of the European market research revenues.

Proposition 29: *There is a modest growth in market research expenditures.*

Proposition 30: *The per capita expenditures on market research differ markedly between countries.*

Evidence for these propositions can be obtained from Table 13. Some convergence between nations can be observed in these data.

7. Summarizing conclusions

Proposition 31: *The EU nations converge to a more similar macro-marketing environment and macro-marketing mix.*

This "meta-analysis" demonstrates that there are substantial differences in the macro-market-

Table 13
European market research markets

	Turnover (mill. ECU)			Turnover (per head)		
	1988	1990	1993	1988	1990	1993
Belgium	53	71	74	5.3	7.1	7.4
Denmark	26	27	36	5.1	5.3	7.1
Germany	375	490	703	7.0	6.1	8.8
Greece	10	14	25	1.0	1.4	2.5
France	323	540	604	5.7	9.5	10.6
Ireland	11	25	15	3.1	7.1	4.3
Italy	207	254	261	3.6	4.4	4.5
The Netherlands	116	123	154	7.7	8.2	10.9
Portugal	8	16	25	0.8	1.6	2.5
Spain	41	136	177	1.1	3.5	4.5
United Kingdom	452	539	599	7.8	9.3	9.8

Sources: ESOMAR, 1989, 1993, 1994.

ing environments between the EU nations. The household incomes/GDP per head are unevenly distributed and the levels of unemployment differ remarkably between nations. However, there are also similar trends and developments in environmental variables and consumer behaviour. Examples are the demographic trends and some cultural developments. Regarding consumer behaviour we concluded that the proportion of service expenditure increases and durable consumption decreases over time.

There are substantial differences in the macro-marketing mix. Examples are the differences in distribution structures, media shares and the level of advertising, sales promotions, direct marketing, and market research expenditures. There are tendencies indicating that the differences become smaller. More specifically, we observe that the type of products and brands, the share of private labels, retail concentration, the size and type of retail outlets, scanning, advertising expenditure and promotions, (satellite) media, direct marketing expenditure and market research converge between countries over time.

The EU nations are not in the same stage of development. In the sixties, the retailing structure in Norway was ten years behind a more developed country like Sweden (Arndt, 1972). The south of Italy is about eight years behind the north of Italy. In general, the northern European nations take the lead in this development. Southern European nations (Greece, Italy, Spain and Portugal) and Ireland lag some years behind. But this lag is not constant. The southern European nations catch up and thus to contribute to the convergence.

8. Future

The market integration in Europe demonstrates the commitment of countries to put aside political and other differences in favour of the competitive and economic advantages of manufacturing and selling in larger markets.⁸ The

Association of South-East Asian countries (ASEAN), the North American Free Trade Association (NAFTA) are other examples of recent "regional" market integration. The EU, ASEAN, NAFTA and Japan have replaced the old-world economic order dominated by one superpower, the USA. These superpowers are highly independent economically. Their dependence and cooperation will continue to be a feature of the macro-marketing environment for the years to come.

Within this framework, Europe as a single market has a special place. The boundaries, currently defined by the 15 members, contain a sprawling block of 360 million spending consumers, and may well expand to include at least 25 countries and 700 million consumers in the future. This enlarged Europe includes the Central and East European countries and Euro Russia.⁹ It is expected that the EU is forging links with some of the "remaining" EFTA countries such as Iceland, Norway and Switzerland and Central Europe's strongest economies: Czech Republic, Slovakia, Hungary and Poland.

Poland, Hungary, the Czech Republic, Slovakia and Slovenia are the perceived economic leading nations of Central Europe. Many European companies may be active in these countries in the near future. The opportunities for trade are particularly good in what was East Germany and in the Czech Republic and Slovakia. They are likely to be the most attractive countries for retailing, even more so than Hungary and Poland.¹⁰

There is no question that the changes in the European marketplace will have more effect on the supply side than on the demand side. On the supply side we will face an increasing competition caused by many member country companies wishing to market their products outside of their home territory. Many of these companies have small home markets and have to export their products and services in order to survive. In many markets sales tend to polarize between a small number of leading brands and a large number of

⁸ See: Bradley, 1995, p. 157.

⁹ See: Kaynak and Ghauri, 1994a.

¹⁰ See: Tietz, 1994.

relatively small specialized brands. The new market leaders are highly likely to be giant Euro-brands supplied by multinational corporations. The other survivors would most likely be small market share, high price, high-added-value "niche" products supplied by producers with specific advantages or local knowledge and contacts. Suppliers not falling into these categories, which implicitly select a "stuck-in-the-middle" strategy, will likely be squeezed out.¹¹

Thus, the challenge will be to market products and services throughout Europe (Lambkin, 1993). This does not mean that all products will be mass marketed all over Europe. It means that differentiated targeting will take place to consumers in a selection of nations and regions. Thus Lyons tea may be marketed also in France, Kronenbourg beer in the UK, and Mamma Mia pasta in Germany. This brings us to the last proposition of this paper.

Proposition 32: *Euromarketing is the name of the game for the future.*

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¹¹ See: Leeflang and Pahud de Mortanges, 1993; Kaynak and Ghauri, 1994b.

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