Available online at www.sciencedirect.com

SCIENCE DIRECT®

Industrial Marketing Management 35 (2006) 415 – 430

INDUSTRIAL MARKETING MANAGEMENT

Strategic business marketing developments in the New Europe: Retrospect and prospect☆

Matti Aistrich*[,1], Massoud M. Saghafi[1], Don Sciglimpaglia[1]

San Diego State University, Department of Marketing, 5500 Campanile Drive, San Diego, CA 92182-8239, United States

Received 15 October 2004; received in revised form 23 February 2005; accepted 2 May 2005
Available online 1 July 2005

Abstract

The unification of Europe is causing considerable effects on industrial marketing strategy. Roughly ten years ago the *Industrial Marketing Management* journal published a study on the expected consequences of the European Union (EU) single market. In the current study, we investigate the actual results of the single market formation on industrial marketing in the EU and compare them to the expectations noted by industrial marketers a decade earlier. We find that the effects differ markedly from those anticipated and that they have important implications for business marketing practice in the EU.

Keywords: European Union; Marketing environment; Marketing mix; Marketing strategy; Longitudinal research

1. Introduction

The European Union common market formed in 1993 with 12 member nations. Since then, it has grown to 25 member states, a population of 450 million, and a GDP higher than that of the United States. Speculation on the eventual effects of the single market was rampant in the years prior to 1993, and many conflicting opinions were expressed by both practitioners and academics. An important undertaking in the business-to-business marketing domain was a study by Saghafi, Sciglimpaglia and Withers published in *Industrial Marketing Management* in 1995. Those authors surveyed executives of industrial firms regarding the expected impact of European unification on marketing. The results of that survey provided a first insight into the expected marketing implications of the internal EU market formation. Now that the European single market has existed for a decade and has expanded to an even larger entity, it is important to revisit this issue and to examine whether the early-90s expectations have been met. This article aims to update marketers' understanding of the European Union and its effects on industrial marketers through a fresh survey of executives. Furthermore, this work compares and contrasts executives' pre-formation expectations of the effects of the EU on industrial marketing and the current reality.

2. Literature review

The genesis of today's European Union, now heading toward full economic integration, began 45 years ago with the signing of the Treaty of Rome. In 1993, the EU officially became the first true "common market." It eliminated internal trade barriers for all productive resources (labor, capital, raw materials and technology), products, and services and adopted a common external trade policy. Formalization of the euro in January 2002 as the single EU currency for most of its members and delegation of the

☆ This study was partially funded by the Center for International Business Education and Research (CIBER) at San Diego State University and by the Institute for the Study of Business Markets (ISBM).
* Corresponding author.
E-mail addresses: matt.aistrich@sdsu.edu (M. Aistrich), msaghafi@mail.sdsu.edu (M.M. Saghafi), dsciglim@mail.sdsu.edu (D. Sciglimpaglia).
[1] Tel.: +1 619 594 5200; fax: +1 619 594 3272.

0019-8501/$ - see front matter © 2005 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2005.05.001

monetary policy to the European Central Bank has moved the EU much closer to becoming the largest economic union ever created.

The transition of 15 independent economies into a single market in the 1990s was not easy, and integration of ten new members in the coming years will be even more difficult and may require years of adjustments and sacrifices. Nevertheless, history has proven the economic benefits of a single market, particularly for lesser-developed EU members (Fairlamb & Rossant, 2002). Although academics, practitioners and policy makers across the world are generally upbeat regarding the successful integration of the EU, these views have not always been as positive (Boddewyn & Grosse, 1995). American skeptics had viewed the creation of the EU, its eastward expansion plan, and the launching of the euro as largely political rather than economic moves. As George Will (1997) stated, "... there has always been something surreptitious about the movement for European unity, a political objective shrouded in economic language ..." Such beliefs still linger even after the successful launch of the euro: "... changes like the euro and EU enlargement are seldom justified on economic grounds ... they are really political moon shots cleverly marketed as economic breakthroughs ..." (as quoted in Dowling, 2002).

Europeans have another explanation for the formation and expansion of the EU. Given the enormous economic power of the United States and its sheer market size, a unified European market could be more competitive than–and as attractive as–the American market. The Lisbon Summit of 2000 confirmed this belief when it set the ambitious goal of turning the EU into the most dynamic and competitive knowledge-based economy by 2010 (Norman, 2001).

Although much attention has been given to the dramatic rise of Asian economic power over the past decade, trans-Atlantic two-way trade between Europe and the United States, which is $1 billion per day, remains vital to both regions' prosperity. Given the volume of trade, both parties have accused the other side of being protectionist and anti-competitive. Prior to the single market formation, non-EU companies were concerned about the so-called "Fortress Europe" and, indeed, it took U.S. firms many years to somewhat level the playing field in the EU. However, if "Europe, Inc." has a worry these days, it is "Fortress America" where protectionism is evident in many sectors of the American economy, including, but not limited to, steel (30% tariff levied on imports), timber, and agricultural products ($190 billion farm subsidies program) (Rossant, 2002). A unified EU economy could withstand trade disputes with the United States, Japan and other international commercial powers that are emerging. For example, the EU was the first World Trade Organization (WTO) member to file a formal complaint against the US steel tariffs. The French, backed by the entire EU, have successfully challenged Microsoft's pricing strategy, claiming that the company's French versions sold in France are priced higher than French versions sold in Canada (The Wall Street Journal, 2000).

Finally, the introduction of the euro has turned out to be a major success. It has reduced exchange rate risks and transaction costs in member states and stimulated European mergers and acquisitions and cross-border deals. Intra-EMU trade grew nearly 10% in the late 1990's, while external exports rose by just 3% over the same period. As another example, the European chemicals industry has experienced savings largely as a result of reduction in the number of foreign exchange transactions (Blanco, 2001). The efficiency gains are shortly expected to spill over into other EU industries.

2.1. International marketing environments

International marketing theory suggests that a necessary condition for a successful standardized marketing strategy is uniformity of the marketing environment. This includes harmonization of legal–regulatory issues, economics, and cultural and technical conditions in the selected region and for the target segment. Of course, no two countries present identical environments nor is that required. What is necessary, however, is uniformity in those environmental conditions that influence marketing variables. Has there been a marked convergence across the European Union in these conditions since 1993?

2.1.1. Legal–regulatory environment

Although the legal environment remained a major obstacle for a Euro-marketing strategy in the early stages of the single market formation (Hildebrand, 1994), many marketing-related legal issues are moving towards harmonization. Indeed, the European Union has developed the most advanced regional set of rules on competition and a model of supranational governance in which regulatory decisions on competition rest with a 20-member EU Commission (McGowan, 1998).

LeClair (2000) provides a detailed analysis of the legal developments affecting industrial marketers in the EU and suggests that harmonization of product safety rules, labeling rules and product liability rules are now on the books. Rules on loyalty premiums and comparative and misleading advertising have also been completed. The regulations on contract pricing, price fixing and tying agreements and monopoly pricing have all been settled. Distribution and logistics rules including market allocation agreements, cooperative agreements, direct marketing, distance selling and e-commerce as well as the logistics regulation are also harmonized (LeClair, 2000; Xardel, 1997). Nevertheless, the complete legal harmony in practice may still be far from complete and marketers and lawyers should work together to ensure that legal and regulatory concerns are monitored and integrated into the everyday marketing decision-making process (LeClair, 2000; Reilly, 1995).