TOP 5 European Social Aspects

As part of a blog series helping American companies enter the European market more effectively, we have recently shared the Top 5 Mistakes to Avoid. Now, we are continuing with a more in-depth STEER analysis of Europe. In this blog: The Top 5 European Social Aspects to consider.

1. Diversity in every way

From afar, Europe may seem like a single market with a single currency. However, relative to America the European history goes back a lot further and its impact still resonates today. **"Think global, act local" certainly fits this commercial landscape.**

- Europe has many definitions. One must be clear to cover the 37 countries on the European continent, the 28 countries part of the European Union, or the 19 countries with the Euro as currency. Only 4 non-EU countries use the Euro and 9 belong to the EU, but don't use the Euro.
- With over 24 languages in the EU, languages are a critical element of doing business. Southern Europe is not as fluent in English as a business language.
- Feudal animosity is still impacting stereotypical perspectives today and creates cultural barriers; Germans, French and English have political and national history to overcome in business. In some countries, it is more important to have a local office than to work from a central European location. Click Here for a short overview of the history of borders in Europe, which will give you an idea of how this might play out in relationships. In recent years, a nationalist political wave has been re-emerging. This is undermining the European identity and putting stress on the pro-European governments (Brexit).

2. Cultural impact on sales strategy

The cultural differences in Europe are as vast as its geography. We've used Hofstede's 4 dimensional identifiers to provide more clarity. **Select the right point of entry region, with the right team to match the cultural particulars.**

- **Power Distance:**
  In Southern and Eastern Europe, hierarchy is important. Most business decisions are taken top-down, therefore relational sales with CXO level counterparts are most efficient. In the North, most decisions are taken by majority vote. Hence, all stakeholders must be involved in the sales process to drive sales through the bottom-up decision process. Central Europe, like the U.S. and U.K., scores average on this dimension.
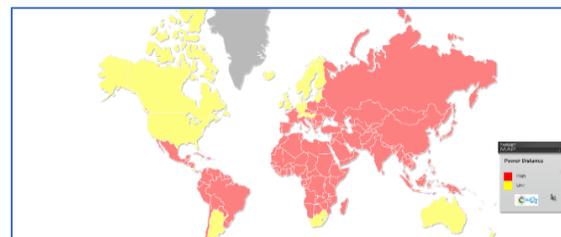
- **Individualism:**
  In the Anglo-Saxon culture, the needs of the individual far exceed the value of conformity to the group. No European country comes close to this ideal. The "family" or group relations weigh the most in Eastern and Southern Europe. Loyalty to existing (commercial) relationships therefore is much harder to break and could lead to longer sales cycles.
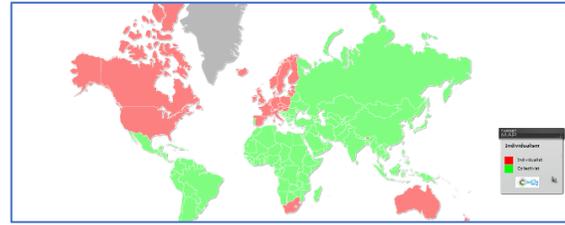

- **Masculinity:**
  The values of assertiveness and competition are less pronounced than in the US and UK, except for the German speaking countries and Italy, which will see higher competition from legacy players. The northern and central part of Europe are more social and modest, which leads to a higher sensitivity to CSR and environmental arguments.
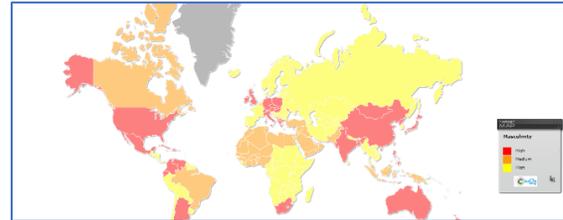
- **Uncertainty avoidance:**
  Southern and Eastern European countries are more risk averse than the U.S. Whereas, Central and Northern Europe are close or even more risk seeking. Therefore, the latter regions are more likely to be open to innovative products and startups. In the South and East, it will be key to use established references in the U.S. to reflect less risk and build trust in a proven solution.
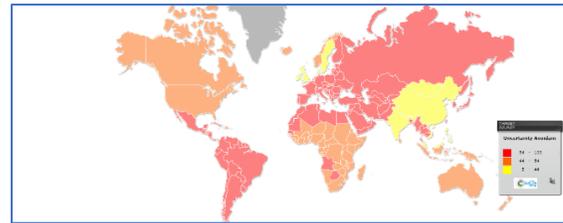
3. Population size and gender

The population in Europe is substantial with 750-850M inhabitants. The EU27 equals 510M. The five largest countries include Russia (144M), Germany (83M), Turkey (79M), France (67M) and the U.K. (65M). By 2050, three out of four people will live in cities, a massive demographic shift that will force governments to create more efficient and affordable solutions for the delivery of clean water, sanitation and other essential services.

The gender ratio across Europe is balanced, 48-52% males. The representation of women in the economic fabric shows vast differences, even in Europe, where on average women hold only 16-18% of board positions and non-executive directors of large listed companies. The differences between Northern Europe (up to 40% women) and Southern Europe (up to 20%) are huge.
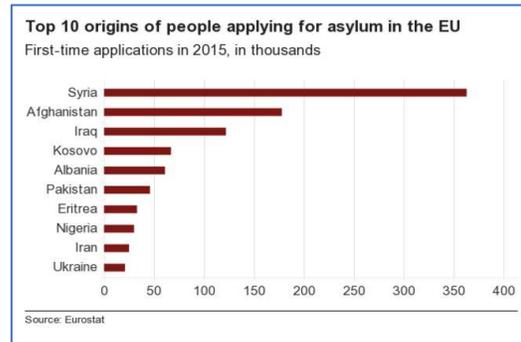
4. Demographics and growth rate

The European birth rate has been declining to 1.4 since WWII, versus the replacement level of 2.1. Together with the higher life expectancy (77.8 years), this results in the aging of its population with 16.4% over 65 years old. The ratio of retirees to workers in Europe will double from four workers per retiree to two workers per retiree, by 2050. The median age in Europe will increase from 37.7 years in 2003 to 52.3 years by 2050, while the median age of Americans will rise to only 35.4 years old. Only 39% of Europeans between the ages of 55 to 65 work. If these predictions would come through Europe's

economic output could radically decrease over the next four decades. However, considering the quality of life and healthcare, spend among senior citizens is expected to rise. This provides an opportunity for adapted solutions for the senior market.

5. Immigration:
The lower birth rate has also resulted in labor shortages, which requires (and would continue to require) migrants to settle in Europe. On 1 January 2017, the population of the European Union (EU) was estimated at 511.8 million, compared with 510.3 million on 1 January 2016. During the year 2016, as many births as deaths were recorded in the EU (5.1 million), meaning that the natural change of the EU population was neutral. The population change (positive, with 1.5 million more inhabitants) was therefore due to net migration.

In 2017, there were 728,470 applications for international protection in the EU. This figure represents a decrease of 44% compared to 2016, when there were almost 1.3 million applications. Although Germany and France have accepted the largest amount of asylum seekers, the Nordics have accepted the highest % per capita. The increased influx of immigrants from the Middles East and Africa, on top of the economic malaise in Europe, has also fueled the success of right-wing politics.

Top 10 origins of people applying for asylum in the EU
First-time applications in 2015, in thousands

Source: Eurostat

CONCLUSION
The social diversity in the region is vast and few all-encompassing conclusions can be drawn. However, 4 cultural sub-regions can be identified to simplify tactical implementations:
1) **Anglo-Saxon** (U.K., Ireland) represents a competitive, assertive and risk-taking environment with easy access to decision makers using challenger sales
2) **Southern Europe** is a risk-avoiding environment posing more difficult access to high-level decision makers and sales is based on local relationships
3) **Western and Northern Europe** shows easy access to decision buying GROUPS eager to innovate and deciding on a wider range financial and social arguments
4) **Eastern Europe**: Is a very hierarchical business environment less open to innovation, but embracing consensus and loyalty, requiring a family "godfather" approach.

The approach on technology, sales and marketing should be based on the specific market aspects. The above may indicate the focus on high-tech introductions in Northern Europe, driven by a process led sales force. The South & East of Europe is more risk averse and more likely respond to better to established market leadership products sold through an executive relationship-based sales.

GR&AT Management is an executive management firm which focuses on strategic innovation, sales and marketing. Specifically, American companies entering the European market. We engage early on from analysis to strategy and budgeting up to the hands-on, in-market implementation. Alternatively, we also consult, advise and mentor executives and executive teams, offer group awareness and training,

support in select development phases and deliver thought-provoking public speaking engagements.