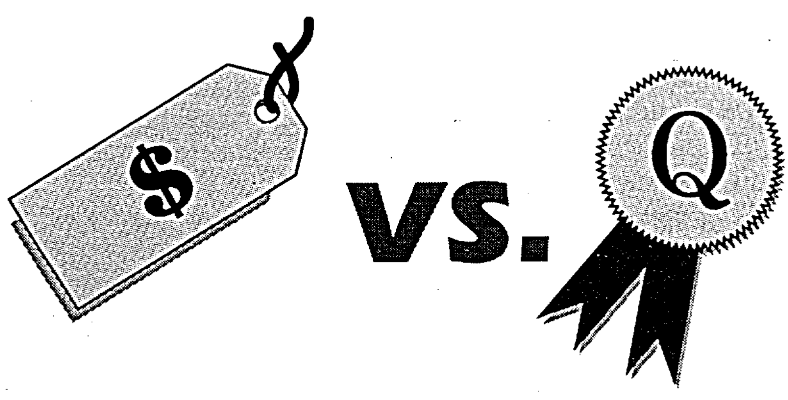
We have noted that many consumers in the EC tend to base their decisions on the quality of goods rather than their prices, but such preferences can vary from region to region. For instance, quality is first in the minds of the northern French, while low prices are the priority in the south. And a West German firm's products, which sell at the top end of the market in terms of quality throughout Europe, will often be regarded as only in the upper middle range in West Germany.

The dynamic areas of the EC, with their large numbers of small manufacturers, distributors, and retailers, are not easy markets to enter. But they can prove lucrative for companies that balance price and quality appropriately.

Many foreign subsidiaries in Europe are reassessing their pricing policies in light of 1992. At present, the prices charged for identical products can vary widely across the EC. In the Single Market, however, regions with fat margins will invite competition. The realignment of prices across Europe could cost companies their market shares.

The number of competitors will drop as fewer brands compete locally. The strongest players will be large Community-wide companies. At the same time, this concentration will create niches for flexible, innovative, and fast-moving producers of high quality goods.

Price versus Quality



How To Improve Your Product

You can prepare to compete in the EC market by improving the quality of your products and services:

- Set specific targets to meet the EC's safety, health and environmental requirements;
- Check that your consumer products meet the quality requirements of one or more retail outlets in your target markets;
- Achieve "ship to stock" status for all your products. Your products should have a reputation for quality that minimizes customer checks;
- Identify what changes in material quality and quantity will be needed to meet market demands;
- Decide if new inventory systems will be needed to meet new patterns in demand;
- Consider new sources of supply in changing circumstances;
- Set specific product improvement goals and timetables.