- Wholesale and retail distribution is dependent on appropriate locations and knowledge of consumer demand, and as such, still regionally oriented. Although there are questions about the logic of cross-border concentration, there are an increasing number of successful examples. Expansion is a means of increasing buying power, leading to bigger discounts and higher profitability.

- In the financial services area, increasing competition between banks and near banks (including insurance companies) coupled with growing integration of capital markets will produce major changes. Some niche players and some major groups will finally survive. The changes, however, will be slow.

- In high-technology industries (i.e. research intensive and technology based) the driving force behind concentration is the search for critical mass to support escalating R&D costs. This implies the need for the broadest possible market base -- certainly one larger than that provided by Europe's individual national markets. Since many high-tech sectors -- telecommunications, power generation and defence electronics -- have been dominated to date by national champions insulated from competition, massive restructuring is inevitable and indeed already under way.

Mergers and acquisitions/corporate alliances

The restructuring process will often take the form of mergers and acquisitions, joint ventures and other forms of corporate alliances. Survey results show that 30 per cent of the manufacturing firms and 56 per cent of the service companies predicted that increased merger and acquisition activity would take place in their sectors as a result of the 1992 program. The percentages were even higher when firms were asked about their own company plans.

Of the three basic acquisition strategies -- horizontal, vertical or diversification -- firms surveyed overwhelmingly favoured the first strategy. Vertical integration strategies are relatively uncommon except in telecoms, metals and chemicals. Diversification goals were found to be significant for auto firms, chemical companies and building material suppliers. In financial and business services, no one merger and acquisition goal prevailed.

A striking feature of the survey results is the overwhelming predominance of cross-border (intra-European) merger and acquisition plans over purely national deals.

The advent of the Single Market has also triggered an explosion of cross-border corporate alliances. The survey results show that interest in alliances is as great as for mergers and acquisitions and is even greater in the auto sector and Electronic Data Processing (EDP). These alliances can take a number of forms, from equity joint ventures or cross-shareholdings to contractual relationships. The co-operation may range from R&D and equipment sourcing to joint production and cross-marketing.

Research and technology management

The role of R&D as a competitive factor was stressed frequently in the survey by large and small firms alike. Nearly 40 per cent of manufacturers indicated that they planned to increase R&D spending as a percentage of sales, and nearly 50 per cent cited the need to reduce product development times. Mechanical engineering firms put the greatest stress on both these objectives, while several other sectors such as autos, electrical/electronics, EDP, pharmaceuticals and telecoms, put high emphasis on faster product innovation.

High-technology firms in the EC stress the importance of spreading R&D costs over a broader market base. The lack of such a base is cited as a key competitive handicap against U.S. and Japanese rivals.