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***Consumer Behavior: An economical and  
marketing overview between the actual  
American and Czech consumer***

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**Declaration:**

I hereby declare that I am the sole author of the thesis entitled “Consumer Behavior: An economical and marketing overview between the actual American and Czech consumer“. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on .....

Signature

Jorge Lopez

### **Acknowledgement**

I hereby wish to express my appreciation and gratitude to the instructor of my thesis Bronislava Horejsi, *Consumer Behavior: An economical and marketing comparison analysis between the actual American and Czech consumer*

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Consumer Behavior is a key element for success in any business in any industry. The study and understanding of why individuals make certain choices or decisions has many psychological, social and economical factors that need to be taken into account in order to understand the target consumer and his preferences. We can't deny the importance of such analysis in the business world since this complicated web of interrelated buying attitudes can give us priority information about our product and our marketing strategy mix.

With the current marketing focus on the satisfaction of the customer by filling his needs and desires we can see the importance of why, where and how the user, payer, buyer takes his decision according to the gaining value that he sees in the purchase of a determined product or service. Consumer behavior is an evolving element that is affected by many different background facts like national culture, geography, history, etc. Every customer is different but we can find trends or similar purchase characteristics that can lead us to grouping, segmenting and adapting our efforts in order to attract certain buyers that share some specific needs, wants, desires and interests.

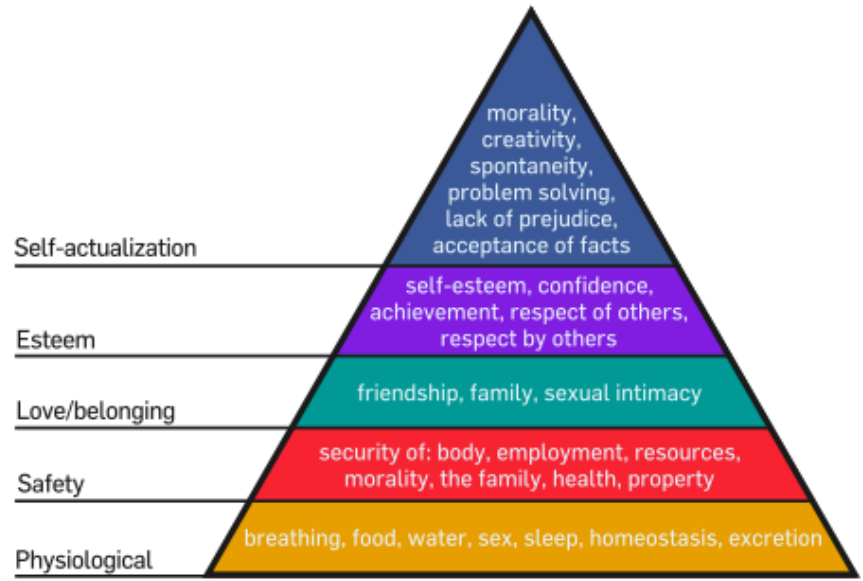
In order to market a product we should differentiate from the competition and find a profitable niche that can justify all the capital and work invested in the research, development, manufacture and marketing of the product. All the upstream and downstream activities must be customized according to the values, preferences and tastes that we see in our final customers. We need to forget all about the marketing techniques from the past and stop pushing production and selling since strategy, research and understanding can give us the competitive advantage that we require to have a healthy profitable organization.

There has been many studies surrounding this complex topic and many researchers, sociologists, psychologists, anthropologists, etc. conducted many models and try to divide and categorize the different elements that rule our buying behaviors and attitudes. These revealing studies had proven to be very successful in many organizations that took them into consideration before marketing their products or services. Within these researchers we find two that had contributed in a great magnitude to a better analysis and comprehension of the different buying tastes of different societies, communities and social groups.

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The Maslow's hierarchy of needs is an attempt to understand the basic motivations behind a particular behavior of an individual; it was first introduced by the psychologist Abraham Maslow in his 1943 paper "*A Theory of Human Motivation*". This psychological proposal is based on 5 levels of needs: physiological, safety, affiliation, esteem and self-actualization. This theory tells us that a customer makes choices by following its basic instincts at the beginning since he needs to survive by eating, taking shelter, breathing, etc. then he can move to security needs like employment or property; after he decides to satisfy his affiliation needs by socializing and creating relationships, then he can move to esteem that is a level where the individual wants to find respect, confidence and achievement. Then the final level is self-actualization where he finds his true potential and exploits it in order to be all that he can be. This tool is very useful to understand consumer behavior since we have to consider all of these motivations when a customer wants to buy a common good like water or fruit or he wants to buy a membership to an exclusive golf club. There are always different reasons for specific action and the duty of the marketer is to find these reasons and take advantage of them in pro of the organization and the customer; therefore this hierarchy of needs is a basic element to consider in this Thesis.

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The other very important study was conducted by the Dutch organizational sociologist Gerard Hendrik Hofstede and it was based on the National Culture and its impact in the different behaviors and attitudes of the members of a society or community. The interaction of this national culture and the organizational culture gave him some classifications and indexes that revealed the different patterns and trends that societies follow intrinsically and proved to be useful in understanding and dealing with cultural shocks, product adaptations, multinational strategies, etc. Hofstede divided National Culture in 5 main dimensions with different characteristics and classify each country within these parameters:

***“Power Distance Index (PDI)** that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the*

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<sup>1</sup> Simons, Janet. "Maslow's Hierarchy of Needs." The Search for Understanding. Web. 11 July

2010.<<http://honolulu.hawaii.edu/intranet/committees/FacDevCom/guidebk/teachtip/maslow.htm>>.



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*leaders. Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others'.*

***Individualism (IDV)*** on the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. The word 'collectivism' in this sense has no political meaning: it refers to the group, not to the state. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world.

***Masculinity (MAS)*** versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values.

***Uncertainty Avoidance Index (UAI)*** deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations.

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*Unstructured situations are novel, unknown, surprising, different from usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions.*

**Long-Term Orientation (LTO)** versus short-term orientation: this fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.C.; however, the dimension also applies to countries without a Confucian heritage".<sup>2</sup>

After mentioning these background facts and tools that will be decisive in the development of this thesis we can go back to the main topic: "*Consumer Behavior: An economical and marketing comparison analysis between the actual American and Czech consumer*" and observe the important and relevant aspects of the study of the American and Czech consumer behaviors since the differences and similarities can open the doors to new business opportunities specially in this globalized era where two of the major world traders in imports and exports of goods and services are USA and the European Union.

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<sup>2</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Explained." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_public.shtml](http://www.geert-hofstede.com/hofstede_czech_public.shtml)>.

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It's very interesting to have access to a Central Eastern European country like Czech Republic and conduct an everyday observation of the different motivations, aspirations and needs that support the Czech average consumer. We need to understand the reasons behind these choices and contrast them with the different cultural dimensions, country's history and geographic factors that will play a very important role when comparing the two markets: American and Czech.

The American culture is propagating through the globe and we can see trends in many countries that are very similar to the trends of the actual American average consumer. In this century we have been hit by many technological advances that helped us cross the boundaries of each country and that are making the world a smaller but more competitive place.

The American consumer lives in a different environment with different values, norms and codes of conduct than the Czech consumer therefore the results in many industries will show us the different objectives or purposes behind their purchase decisions. It's very important to understand how the macroeconomic measures, policies and regulations affect the way a country engages in business and consumption; the economical factor along with the demographics and level of development of the both countries will influence the kind of goods purchased and their quantities.

There is an 'Americanization' in some industries like clothing and fashion and we can see many American brands that are penetrating the Czech market but the real question is if the Czech consumer shares the same idea of fashion like the American consumer or this central European consumer prefers different quality of textiles or has a different way to dress and express their selves. This is just one example of the magnitude of the consumer behavior studies and as we can see is a very complex analysis with hundreds of factors that go from geographic location to GDP of the countries involved.

The main objectives of this thesis are to analyze process and understand the key drivers of the American consumer and the Czech consumer. The Hofstede dimensional analysis will be used

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to clarify some patterns in each national culture along with some of the macroeconomic indicators to have an idea of the economic position of each country and its influence.

In order to have a valid report we must go farther than the economic and cultural analysis since we need to identify the differences in the marketing mix for these two countries. We need to research the different marketing strategies, communication, distribution, promotion, pricing, selling techniques, etc. applied in each country.

Another main factor are the demographics of the population since the ethnicity, age, lifestyle, gender roles, family structure, social classes, etc influence the everyday shopping motivations of the different segments of the population.

There will be some trends that are similar but in order to be more specific we need to focus on a particular industry therefore I chose as the main practical example for my thesis the automotive industry and the preferences regarding it from the American consumer point of view and the Czech consumer point of view.

There are many differences in behavior towards a particular brand or type of commercial vehicle, its price, its model, its engine, its color, its benefits, etc. All of these factors are taking into consideration in the consumers' minds before they make any decision to buy a car; therefore they must be taken into account when we want to contrast the difference in appreciation of product values from the European perspective and the American perspective.

There are many social interests behind the purchase of a car since it's a medium to long life product that not only serves as a method of transportation but also satisfies some other less conspicuous stimulus like the social status, group affiliation, self-concept, etc. of the buyer.

It's a very interesting topic that can show some opportunities in the Czech market for American products and some opportunities in the American market for Czech products, therefore this study can serve as an introduction for any entrepreneur wishing to understand the psyches behind the both consumers, their stimulus drivers and how they cope with each environment along with their different economical and marketing situations.

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## **1. Consumer Behavior: Factors and Theory**

It's a fundamental marketing concept to understand how consumers feel, think and reason their purchase decisions. The study of consumers helps firms and organizations improve their marketing strategies by understanding how to persuade, convince, appeal and inform about their products/services to their potential consumers or clients.

One "official" definition of consumer behavior is "*The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.*" <sup>3</sup>

Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. In this way marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.

Behavior occurs either for the individual, or in the context of a group (e.g., friends influence what kinds of clothes a person wears) or an organization (people on the job make decisions as to which products the firm should use).

The impact of consumer behavior on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy.

There are 4 main applications for the study of Consumer Behavior:

- The most obvious is for marketing strategy. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to

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3 Novak, Jill. "What Is Consumer Behavior?" Marketing Teacher. Web. 11 Aug. 2010.  
<<http://marketingteacher.com/lesson-store/lesson-defining-consumer-behavior.html>>.

schedule snack advertisements late in the afternoon. By understanding that new products are usually initially adopted by a few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success and (2) it is important to please initial customers, since they will in turn influence many subsequent customers' brand choices.

- A second application is public policy. In the 1980s, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became pregnant while taking the drug. To get consumers' attention, the Federal Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.
- Social marketing involves getting ideas across to consumers rather than selling something. Marty Fishbein, a marketing professor, went on sabbatical to work for the Centers for Disease Control trying to reduce the incidence of transmission of diseases through illegal drug use. The best solution, obviously, would be if we could get illegal drug users to stop. This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped. As a result, using knowledge of consumer attitudes, Dr. Fishbein created a campaign that encouraged the cleaning of needles in bleach before sharing them, a goal that was believed to be more realistic.
- As a final benefit, studying consumer behavior should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size premium by buying the larger quantity. In other

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words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are really getting a bargain.<sup>4</sup>

### **1.1 Culture and Subculture: Essence of the Consumer Behavior**

Culture is part of the external influences that impact the consumer. That is, culture represents influences that are imposed on the consumer by other individuals.

Culture is “That complex whole which includes knowledge, belief, art, morals, custom, and any other capabilities and habits acquired by man person as a member of society.”<sup>5</sup> From this definition, we make the following observations:

- Culture, as a “complex whole,” is a system of interdependent components.
- Knowledge and beliefs are important parts. In the U.S., we know and believe that a person who is skilled and works hard will get ahead. In other countries, it may be believed that differences in outcome result more from luck. In Czech Republic the success of a person is measured in different parameters since the society is more collectivist and with a different level of ambition and greed.
- Other issues are relevant. Art, for example, may be reflected in the rather arbitrary practice of wearing ties in some countries and wearing turbans in others. Morality may be exhibited in the view in the United States that one should not be naked in public. In Czech Republic, on the other hand, there are is a lot of sexual freedom and we can see a lot of nudism in the magazines covers and advertisement without being perceived as

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4 Perner, Lars. "Consumer Behavior and Marketing Strategy." Intro to Consumer Behavior. Web. 17 Aug. 2010. <<http://www.jagsheth.net/docs/History%20of%20Consumer%20Behavior-A%20Marketing%20Perspective.pdf>>.

5 "Culture Definition." Texas A&M University - College Station, TX. Texas A&M University. Web. 13 Oct. 2010. <<http://www.tamu.edu/classes/cosc/choudhury/culture.html>>.

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improper. What some countries view as moral may in fact be highly immoral by the standards of another country. For example, the law that once banned interracial marriages in South Africa was named the “Immorality Act,” even though in most civilized countries this law, and any degree of explicit racial prejudice, would itself be considered highly immoral.

Culture has several important characteristics: (1) Culture is comprehensive. This means that all parts must fit together in some logical fashion. For example, bowing and a strong desire to avoid the loss of face are unified in their manifestation of the importance of respect. (2) Culture is learned rather than being something we are born with. We will consider the mechanics of learning later in the course. (3) Culture is manifested within boundaries of acceptable behavior. For example, in American society, one cannot show up to class naked, but wearing anything from a suit and tie to shorts and a T-shirt would usually be acceptable. Failure to behave within the prescribed norms may lead to sanctions, ranging from being hauled off by the police for indecent exposure to being laughed at by others for wearing a suit at the beach. (4) Conscious awareness of cultural standards is limited. One American spy was intercepted by the Germans during World War II simply because of the way he held his knife and fork while eating. (5) Cultures fall somewhere on a continuum between static and dynamic depending on how quickly they accept change. For example, Czech culture has changed a great deal since the 1989, while the culture of USA has changed much less in the recent times.<sup>6</sup>

**Dealing with culture.** Culture is a problematic issue for many marketers since it is inherently nebulous and often difficult to understand. One may violate the cultural norms of another country without being informed of this, and people from different cultures may feel uncomfortable in each other’s presence without knowing exactly why (for example, two speakers may unconsciously continue to attempt to adjust to reach an incompatible preferred interpersonal distance).

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6 Coney, Kenneth. "Consumer Behavior and Marketing Strategy." Building Marketing Strategy. Docstoc. Web. 12 Aug. 2010. <<http://www.docstoc.com/docs/9461642/consumer-behavior-and-marketing-strategy>>.



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**Warning about stereotyping.** When observing a culture, one must be careful not to over-generalize about traits that one sees. Research in social psychology has suggested a strong tendency for people to perceive an “outgroup” as more homogenous than an “ingroup,” even when they knew what members had been assigned to each group purely by chance. When there is often a “grain of truth” to some of the perceived differences, the temptation to over-generalize is often strong. Note that there are often significant individual differences within cultures.

**Cultural lessons.** For example, within the Muslim tradition, the dog is considered a “dirty” animal, so portraying it as “man’s best friend” in an advertisement is counter-productive. While in Czech Republic dogs are very respected and beloved by the majority of the population.

**Cultural characteristics as a continuum.** There is a tendency to stereotype cultures as being one way or another (e.g., individualistic rather than collectivistic). Note, however, countries fall on a continuum of cultural traits.

**High vs. Low context cultures:** In some cultures, “what you see is what you get”—the speaker is expected to make his or her points clear and limit ambiguity. This is the case in the U.S.—if you have something on your mind, you are expected to say it directly, subject to some reasonable standards of diplomacy. The nature of languages may exacerbate this phenomenon—while the German language is very precise, Chinese lacks many grammatical features, and the meaning of words may be somewhat less precise. English ranks somewhere in the middle of this continuum.

**Ethnocentrism and the self-reference criterion.** The self-reference criterion refers to the tendency of individuals, often unconsciously, to use the standards of one’s own culture to evaluate others. For example, Americans may perceive more traditional societies to be “backward” and “unmotivated” because they fail to adopt new technologies or social customs, seeking instead to preserve traditional values. In the 1960s, a supposedly well-read American psychology professor referred to India’s culture of “sick” because, despite severe food shortages, the Hindu religion did not allow the eating of cows. The psychologist expressed disgust that the cows were allowed to roam free in villages, although it turns out that they provided valuable functions by offering milk and fertilizing fields. Ethnocentrism is the tendency to view one’s

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culture to be superior to others. The important thing here is to consider how these biases may come in the way in dealing with members of other cultures.

**Language issues.** Language is an important element of culture. It should be realized that regional differences may be subtle. For example, one word may mean one thing in one Latin American country, but something off-color in another. It should also be kept in mind that much information is carried in non-verbal communication. In some cultures, we nod to signify “yes” and shake our heads to signify “no;” in other cultures, the practice is reversed.

There are often large variations in regional dialects of a given language. The differences between U.S., Australian, and British English are actually modest compared to differences between dialects of Spanish and German.

Idioms involve “figures of speech” that may not be used, literally translated, in other languages. For example, baseball is a predominantly North and South American sport, so the notion of “in the ball park” makes sense here, but the term does not carry the same meaning in cultures where the sport is less popular.<sup>7</sup>

## **1.2 Group Influences**

Humans are inherently social animals, and individuals greatly influence each other.

A useful framework of analysis of group influence on the individual is the so called reference group—the term comes about because an individual uses a relevant group as a standard of reference against which oneself is compared. Reference groups come in several different forms.

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<sup>7</sup> "Marketing Topic: Consumer Behavior." Cultural Influences on Consumer Behavior. Web. 5 Oct. 2010. <[http://www.swlearning.com/web\\_resources/consumer.htm](http://www.swlearning.com/web_resources/consumer.htm)>.

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The aspirational reference group refers to those others against whom one would like to compare oneself. For example, many firms use athletes as spokespeople, and these represent what many people would ideally like to be.

Associative reference groups include people who more realistically represent the individuals' current equals or near-equals—e.g., coworkers, neighbors, or members of churches, clubs, and organizations. Paco Underhill, a former anthropologist turned retail consultant and author of the book *Why We Buy* has performed research suggesting that among many teenagers, the process of clothes buying is a two stage process. In the first stage, the teenagers go on a "reconnaissance" mission with their friends to find out what is available and what is "cool." This is often a lengthy process. In the later phase, parents—who will need to pay for the purchases—are brought. This stage is typically much briefer.

Finally, the dissociative reference group includes people that the individual would not like to be like. For example, the store literally named The Gap came about because many younger people wanted to actively dissociate from parents and other older and "uncool" people. The Quality Paperback Book Club specifically suggests in its advertising that its members are "a breed apart" from conventional readers of popular books.

Reference groups come with various degrees of influence. Primary reference groups come with a great deal of influence—e.g., members of a fraternity/sorority. Secondary reference groups tend to have somewhat less influence—e.g., members of a boating club that one encounters only during week-ends are likely to have their influence limited to consumption during that time period.

Another typology divides reference groups into the informational kind (influence is based almost entirely on members' knowledge), normative (members influence what is perceived to be "right," "proper," "responsible," or "cool"), or identification. The difference between the latter two categories involves the individual's motivation for compliance. In case of the normative reference group, the individual tends to comply largely for utilitarian reasons—dressing according to company standards is likely to help your career, but there is no real motivation to

dress that way outside the job. In contrast, people comply with identification groups' standards for the sake of belonging—for example, a member of a religious group may wear a symbol even outside the house of worship because the religion is a part of the person's identity.<sup>8</sup>

## **2. Czech Consumer Overview: Introduction and Hoftsede Analysis**

Czech Republic as many other post-communist countries moved from a centralized economy to the free market by adopting dramatic changes in its transition period and it experienced great levels of development and growth in the last two decades. Today's globalization trends are pushing forward for more involvement in international trade and the abolition of national boundaries by the creation of global players or blocks. Since Czech Republic joined the EU we have seen an evolution in consumer patterns giving total freedom for the creation of new and more visible consumer behaviors among the central European population.

All of these behaviors suggest a convergence in the idea of a global consumer that transcends national boundaries and many organizations had used this approach by combining the different elements of income, media and technology to target their segments. However this approach uses the basic concepts of rationality and utility maximization giving small importance to the local sensitivity and cultural differences proving to be catastrophic in many industries.<sup>9</sup>

*"Coca-Cola's CEO was quoted in the Financial Times (27 March 2000) as stating that 'We kept standardizing our practices, while local sensitivity had become absolutely essential to success.' Coca-Cola's marketing chief stated that the firm's 'big successes have come from markets where*

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<sup>8</sup> "Marketing Presentation - Consumer Behaviour." Tutor2u. Web. 7 Oct. 2010.  
<<http://tutor2u.net/business/presentations/marketing/consumerbehaviour/default.html>>.

<sup>9</sup> De Mooij, Marieke. "Convergence and Divergence in Consumer Behavior: Implications for Global Advertising." *International Journal of Advertising* (2003):Web.

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*we read the consumer psyche every day and adjust the marketing model every day' (Byrnes 2000). ”<sup>10</sup>*

We must face reality and accept divergence as one more element to deal with when we launch any kind of business across domestic frontiers and that's the main reason why many sociologists and psychologists conducted many studies to try to predict some behaviors, attitudes and preferences closely related to the national cultures.

### Hofstede analysis: Czech Republic

Country	PDI	IDV	MAS	UAI	LTO
Czech Republic	57	58	57	74	13

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**Power Distance Index (PDI):** score 57. As we can see the PDI in Czech Republic is the middle of the scale and show us that the Czech society doesn't accept large differences among the socioeconomic positions of its members. We can see that is a society who values equality and prefers an average standard of living for the majority of its population. There is more openness between managers and subordinates and the levels of power and authority aren't unequally distributed. The Czech consumer doesn't care so much about the social status and doesn't like to differentiate from the rest with luxurious goods or exclusive brands since it prefers to be part of the group and maintain the harmony.

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<sup>10</sup> De Mooij, Marieke. "Convergence and Divergence in Consumer Behavior: Implications for Global Advertising." *International Journal of Advertising* (2003): 183-202. Web.

<sup>11</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Scores." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>. \*find the complete score table in the annex.

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**Individualism (IDV):** score 58. A very interesting score since it shows us that the Czech population prefers the feeling of affiliation over individual achievements. We can see a more sharing society where the unity and the group ideas and behavior are praised more than the individual objectives and performance. Czech society feels strong acting as a block and family unity is priceless. The Czech consumer wants to be accepted in this cohesive in-groups therefore they don't look for differentiation in the way they purchase; they are looking for acceptance and affiliation by following the group patterns/decisions.

**Masculinity (MAS):** score 57. Czech society prefers feminity in the sense of values such as caring for others and modesty. They don't praise the strong, decisive or assertive individual since they prefer to be more nurture and soft in the treatment to others. The Czech consumer doesn't want to appear powerful or strong in front of others since this "masculine" values can be seen as selfish and arrogant in a community that wants peace and harmony with no aggressive business techniques.

**Uncertainty Avoidance (UAI):** score 74. Czech society doesn't like risks and it prefers to control the outcomes of the businesses with more regulations and standards. We can see less tolerance for extreme ideas, thoughts and beliefs. Czech consumers prefer straight forward contracts with clear and defined terms and conditions with no place for interpretation since they don't like to be uncertain about the future.

**Long-Term Orientation:** score 13. Czech Republic adopts a short term orientation in its values since its population praises respect for tradition, fulfilling social obligations and protecting one's reputation. The society prefers short term goals and measure success in more immediate terms. They don't value perseverance or thrift since the closer outcomes are taken into consideration for evaluation and prognostication.<sup>12</sup>

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<sup>12</sup> "Czech Republic - Language, Culture, Customs and Etiquette." *Kwintessential*. Web. 08 June 2010.

<<http://www.kwintessential.co.uk/resources/global-etiquette/czech.html>>.

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As we can see the Czech consumer is a very complex individual and it has very big differences with the rest of the world since the particular feelings regarding the history and geographic location of this country make it a unique environment where we can see a mix of different values related to the national culture. The Czech population cares very much for the others and these collectivist trends can be found in a society that doesn't praise materialistic values in the same magnitude as the rest of the western world. Just to have an idea we can see that the world's averages in these dimensions are: PDI 55, IND 43, MAS 50, UAI 64, LTO 45.<sup>13</sup>

## **2.1 Czech Economic and Market background**

The Czech Republic is one of the most successful post-communist states. It enjoys an advantageous location in the center of Europe making it a great exporter with a well-qualified workforce and a low cost structure provider.

The most attractive sectors of Czech economy include: automotive, business process centers, construction, aerospace, electronics, high-tech engineering, medical devices, IT, business support services, R&D, life sciences and software development.

The Schengen agreement is fully implemented in this state which means that the foreign investments along with all of other trading activities have grown dramatically. Most of its economy is in private hands and there are still ongoing privatizations like the Prague airport and the energy industry.

There is a commitment to adopt the Euro as national currency and become part of the Euro zone however there are challenges that must be faced like the corruption rate which is the highest among the OECD developed countries.

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<sup>13</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Scores." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>. \*find the complete score table in the annex.

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<b>GDP (pp.):</b>	\$266.3 billion (2008)
<b>GDP Growth:</b>	3.9% (2008)
<b>GDP per capita (pp.):</b>	\$26,100 (2008)
<b>GDP by sector:</b>	Agriculture: 2.9% Industry: 38.7% Services: 58.7% (2008)
<b>Inflation:</b>	3.6% (2008)
<b>Labor Force:</b>	5,370,000 (2008) Unemployment: 6% (2008)
<b>Industrial production growth rate:</b>	7% (2008)
<b>Household income or consumption by percentage share: (1996)</b>	lowest 10%: 4.3%.highest 10%: 22.4%
<b>Public Debt:</b>	29,4% GDP (2008)
<b>Reserves:</b>	\$34.59 billion (2007)

A key factor to consider is the level of FDI in Czech republic since this indicator can give us an overview of how much multinational organizations are investing in the market and how profitable they can see their future. With a FDI level of \$86.75 billion (2007) we can assume that the Czech economy had expanded its production and labor productivity giving more stability to its workers, improving its R&D levels, growing in real income, increasing its exports and creating new industries and opportunities. All of these consequences affect the consumer behavior of the Czech citizens since their income, job stability and general economic environment are major factors in their purchase decisions by applying the common rules of the free market based on supply and demand. Czech Republic has a very efficient and cheap workforce along with encouraging foreign investment policies which makes it a very attractive destination for foreign investors and logistics centers. Some examples are: Honeywell, Panasonic, ExxonMobile, DHL, Olympus, LogicaCMG, EuropAssistance, Mercedes and specially the alliance TPCA (Toyota, Peugeot and Citroen) that positioned Czech Republic as one of the major players in the European automotive industry.<sup>14</sup>

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<sup>14</sup> Guidote, Maria B. "A Case Study on the Car Industry of the Czech Republic: Tracing FDI Trends in Central and Eastern Europe after the 1990s." *Socioeconomic Geography of the Central European Countries* (2008). *Core Fields of European Culture III*. Web. 7 June 2010.  
<[http://www.euroculture.upol.cz/.../Czech%20car%20industry\\_\(16\).doc](http://www.euroculture.upol.cz/.../Czech%20car%20industry_(16).doc)>.



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The GDP growth 3.9% (2008) along with the relative low level of inflation 3.6% (2008) can be attributed to the relative strengthening of the Czech crown, decline in goods prices, low production costs and increased efficiency. The financial crisis 2007-2010 didn't hurt Czech Republic in a considerable magnitude since the banking and government policies were very cautious after some bad experiences during the 1990's.<sup>15</sup>

### Trade figures: (2007)

<b>Exports:</b> \$122 billion (2007) Export goods: machinery and transport goods 52%, raw materials 9%, chemicals 5%, other 34% (2003).
<b>Imports:</b> \$116.6 billion Import goods: machinery and transport goods 46%, raw materials and fuels 16%, chemicals 10%, other 28% (2003)
<b>Current Account balance:</b> -\$4,533,000 (2007)
<b>Foreign Direct Investment:</b> \$86.75 billion (2007)
<b>Czech Investment Abroad:</b> \$6.058 billion (2007)
<b>External debt:</b> \$74.7 billion (2007)

<sup>16</sup>

In 2008 the foreign trade of Czech Republic reached EUR 99 billion in terms of exported goods and EUR 95.97 billion in terms of imports meaning that the balance of international trade had a surplus of EUR 2.78 billion.

One of the big problems of Czech Republic is its level of corruption which was recorded in 2008 at the level of 5.2 ranking it at the 45<sup>th</sup> position in the world's scale. Note that another very

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15 ""Czech Republic." U.S. Department of State. Bureau of European and Eurasian Affairs, 24 Aug. 2010. Web. 7 Oct. 2010. <<http://www.state.gov/r/pa/ei/bgn/3237.htm>>.

16 "Czech Republic Background." World Trade Organization. WTO. Web. 24 Sept. 2010. <<http://www.wto.org/index.htm>>.

important figure for our research is the salary level which was recorded at EUR 963 in 2009.

A part of this thesis is based in the Czech automotive industry which is one of the main pillars of its economy. The geographical location of this state provides a big advantage for the automobile market making it the largest producer and exporter of the region. Some key facts surrounding this sector are:

- *“More than 90% of the production is exported*
- *Sales of used cars are larger than sales of new cars within the domestic boundaries.*
- *Car and LCV’s dominate the market and they are expected to increase 21% from 2008 to 2011.*
- *Skoda is the main player with more than 50% of the industry’s production.*
- *By 2011 the passenger car stock is expected to reach 418.5 per 1000 people”.*<sup>17</sup>

The population of Czech Republic is approximately 10,4 million habitants (2008) which positions it in the 14<sup>th</sup> place in the European Union. The female population is larger than men by 5% and the major nationalities within the borders are: Czech 81.1%, Moravian 13.2%, Silesian 0.4%, Slovak 3.1%, German 0.5%, Gypsy 0.3%, Polish 0.6% and other 0.2%. In religion we have a large majority of atheists 67%, then Roman Catholic 26%, Protestant 2.1% and other 3.3%.<sup>18</sup>

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<sup>17</sup> MacNeill, Stewart, and Jean J. Chanaron. "Trends and Drivers of Change in European Automotive Industry: Mapping the Current Situation." *Automotive Technology and Management* 5.1 (2005). Inderscience Enterprises Ltd. Web. 7 June 2010. <[www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf](http://www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf)>.

<sup>18</sup> ""Czech Republic." U.S. Department of State. Bureau of European and Eurasian Affairs, 24 Aug. 2010. Web. 7 Oct. 2010. <<http://www.state.gov/r/pa/ei/bgn/3237.htm>>.

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The level of technology and communications in Czech Republic is very high since the internet penetration was 55% in 2007 and in 2006 SIM cards outnumbered the population by 22%.

<b>Area:</b> 78,866 sq km
<b>Population:</b> 10,4 million (2008)
<b>Capital city:</b> Prague (Praha)
<b>Language:</b> Czech
<b>Land boundaries:</b> Austria (362 km), Germany (815 km), Poland (615 km), Slovakia (197 km)

19

Czech Republic maintains a parliamentary democracy with a head of state being the president and developed political parties. In 2010 there were new parliamentary elections and the next presidential elections will be held in 2013.

## **2.2 Czech Consumption Trends: psychological perspectives, social motivations & consumer involvement**

According to a survey conducted on 2008 by the Mendel University of Agriculture and Forestry we can find very interesting trends among the population regarding their purchase decisions and behavior. The survey was completed using an electronic questioning system “RELA” gathering 731 survey results all around Czech Republic based on a 10 point scale. Marketing factors that were considered: habit and tradition, experience, recommendation of third parties, product characteristics, necessity of need, quality, brand, price, distribution, advertising and promotion.

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<sup>19</sup> "Czech Republic Background." World Trade Organization. *WTO. Web. 24 Sept. 2010.*  
<<http://www.wto.org/index.htm>>.

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In terms of food and non-alcoholic drinks which represent 13.1% of average household expenses the survey found that the most important factors influencing the decision making were: necessity of need (9.02), quality (8.06), experience (7.57) price (7.32) and product characteristics/attributes (7.07). For clothing and footwear which constitute 6.1% of household expenses: product quality (8.55), product characteristics/attributes (8.14), design (8.05), necessity of need (7.87) and price (7.63). For housing equipment which represents 6.6% of household expenses: quality (8.28), product characteristics/attributes (8.23), price (7.80), design (7.78) and necessity of need (7.30). For health/pharmaceutical products which represent 3.5% of household expenses: necessity of need (8.39), quality (8.30), characteristics/attributes (7.87), experience (7.68) and physicians recommendation (7.33). For transportation which represents 13.5% of household expenses: necessity of need (8.08), price (7.58), quality (7.33), characteristics/attributes (7.19) and previous experience (7.04). For postage and telecommunication which represents 2.8% of household expenses: necessity of need (7.29), price (6.96), quality (6.76), experience (6.59) and product characteristics/attributes (6.38). For recreation and culture which represents 9.4% of household expenses: quality (7.92), price (7.70), experience (7.39), recommendation of relatives and friends (7.05). For education which represents 1% of household expenses: quality (8.19), necessity of need (7.31), characteristics/attributes (7.27), experience (6.58) and price (6.48). For boarding and accommodation which represents 9% of household expenses: quality (8.02), necessity of need (7.71), experience (7.65), characteristics/attributes (7.49) and price (7.29). For other goods and services which represents 9.9% of household expenses: quality (7.50), price (7.27), characteristics/attributes (7.01), experience (6.72) and necessity of need (6.67).<sup>20</sup>

As we can see the major drivers for purchase decision making in the Czech consumer are the necessity of need, price, the quality of the product/service and its characteristics which isn't surprising at all since all of these factors are part of an efficient marketing mix that needs to consider them in order to create a successful strategy in the market.

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<sup>20</sup> Stavkova, J., L. Stejskal, and Z. Toufarova. "Factors Influencing Consumer Behavior." *Agriculture Journals* (2008). Faculty of Business and Economics, Mendel University of Agriculture and Forestry, 13 May 2008. Web. 7 June 2010. <[www.agriculturejournals.cz/publicFiles/01585.pdf](http://www.agriculturejournals.cz/publicFiles/01585.pdf)>.

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Based on household demand the most important sectors of the Czech economy are: automotive, construction (due to a favorable condition like higher wages, low inflation rate, low interest rates), IT and telecommunications, pharmaceutical and household consumer goods.

Household final consumption expenditure	2005	2006	2007
Household final consumption expenditure (Million USD, constant price 2000)	34,767	36,649	38,808
Household final consumption expenditure per capita (USD, constant price 2000)	3,397	3,569	3,755
Household final consumption expenditure (annual growth, %)	2.5	5.4	5.9
Household final consumption expenditure (% of GDP)	49.1	48.8	48.1

21

Czech consumers are traditionally price sensitive however with the household consumption rising we can deduct that the higher incomes and the healthy economy are encouraging more expenditures in goods and services in the last couple of years.

The average Czech consumer motivations to purchase can be related to his past, present and future. We have to remember that this post-communist state has many scars from those times therefore Czech society is very cautious in how, why and when to spend their resources in a capitalist system. There isn't an overconsumption and the status symbols of other societies aren't strong influences in the Czech lifestyle and we can see that in everyday consumption of this particular state. There isn't a need for luxury goods and the citizens normally live a pleasant and simple life enjoying their natural environment and outdoor activities. They are mostly interested

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<sup>21</sup> Brozek, Petr. "Czech Consumer Cooperatives in the Increasingly Globalized Economy." (2003). ICA. Web. 7 June 2010. <<http://www.ica.coop/ccw/activities/2003-cci-seminar-brozek.pdf>>.

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in function as a society that values nature, freedom and relationships. Public transport is one of the best in the world and there isn't a necessity for expensive SUV's or exclusive sports cars. They praise their core values like their brewery tradition and they spend a lot of their time sharing social moments and spending resources in these activities.

The teenagers in Czech society are strongly influenced by the American culture since the majority of young people tried to copy the same fashion and behavior tendencies of the typical American teenager. They have the same role models and we can see many American clothing brands penetrating aggressively the market like: Edd Hardy, GAP, FOX, Levis, Quicksilver, etc. Also the fast food industry is welcomed in this country despite the fact that the average Czech consumer prefers meat, potatoes and dumplings as a basic diet instead of hamburgers and french fries. The role of men and women are still influenced by the communist era however there is a liberalization of values and the independency and strength in the female gender is encouraged.

Since the high percentage of atheism in the country there is more freedom in taboos like sexual relations and drugs. However the family values are very important and respected. It's normal for a Czech student to go during the weekends to his/her hometown and spend time with their relatives. The education level is very high and mostly all the citizens have access to state schools and universities of good quality. Czech people see education as a goal in life and they praise the knowledge and hardworking since they are egalitarian. They don't pay attention to social classes what is more important is the behavior or wisdom of the person.

The Czech youth doesn't spend money in expensive clothes since they prefer services like travels and other goods like beer (largest consumption per capita in the world) or cigarettes since they don't care about design; they prefer quality of the textiles and characteristics or logos in their clothes. Their dress code is based on conformability more than elegance or appearance.

In terms of food the Czech consumer likes fresh ingredients at a reasonable price and there are many hypermarkets that have seen this as an opportunity like Liddle, Albert and Tesco. For transportation they don't want to spend large amounts of money and the purchase of an automobile is just for necessity not for self-expression or as a social class symbol. They prefer

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small compact size economic cars since they don't like to pollute and they don't see any value in luxury.<sup>22</sup>

A large amount of the average Czech consumer resources are spend in entertainment therefore there is a large number of casinos, bars, nightclubs, strip clubs, galleries, museums, etc. with a variety of prices and options to satisfy this increasing demand. For housing Czech people prefer small and cozy apartments. They don't need too much space in the city; however if they have the chance they like to have green areas in the suburbs for their pets or domestic crops.

Czech people spend a lot of time with their pets and it's a society that emphasizes care for the natural environment and animals. There are many organizations dedicated to produce and market pet supplies since this industry is growing every day. There are more than 90,000 dogs in the capital and the proud owners spend large amounts of money in toys, food and related products.

Also Recycling is a very important issue for Czech people and they press their citizens to follow the standards.

### **2.3 Czech Culture Overview: ethnicity, gender roles and family structure**

The Czechs are descended from Slavic tribes that occupied the regions of Bohemia, Moravia and Silesia since the 6<sup>th</sup> century. There is a strong influence of Celtic and Germanic mixtures since there were large scale migration waves during the 13<sup>th</sup> century. The "dark age" of the Czech nation was characterized by a germanization of the population and a political and social decline. After many changes and revolts in 1918 the independent state of Czechoslovakia was born however the German Nazi regime took control establishing the Protectorate of Bohemia and

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<sup>22</sup> "Culture of Czech Republic - Traditional, History, People, Women, Beliefs, Food, Customs, Family, Social, Dress, Marriage, Men, Life, Immigrants, Population, Rituals, History and Ethnic Relations." *Countries and Their Cultures*. Advameg. Web. 08 June 2010.  
<<http://www.everyculture.com/Cr-Ga/Czech-Republic.html>>.

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Moravia during 1939 supporting the germanization of this nation. In 1945 the Russian Liberation Army along with the Czech resistance expelled the Germans from Czechoslovakia. Following this there was a large movement of Czech settlers who arrived from Romania, Yugoslavia and Volhynia. By 1950, about 95 percent of all Czechoslovak citizens of German nationality had left. Czech and Slovaks shared a common state between 1918 and 1992 (exception of WWII period) until its peaceful separation into two states on January 1<sup>st</sup> 1993 pushed by the desire of the Czechs and Slovaks to develop their own ethnic identity through political independence.

The socioeconomic classes in Czech Republic had changed during its development since the different military, political and social events that had taken place through its history. After World War I when Czechoslovakia became a free country the largest socioeconomic class was the middle class. Poverty and unemployment prevailed in large cities; the wealthy class included some noble families who lost their titles in the birth of the Republic (1918) and business owners.

During the communist times the status of specialized people declined while manual labor wages increased. The new elite was integrated by the active members of the communist party and their privileges include: luxury accommodation, special access to health services, special treatment and transportation; without taking into consideration any ethnicity or noble background, the only characteristic that mattered was the political affiliation. These elites saw its end in 1989. After we have the current new elite class of business people with visible wealth, however it's a very small group that doesn't make a difference in the whole social stratification of the Czech society.<sup>23</sup>

In terms of gender roles women had made significant advancements towards equality of genders in employment opportunities and public life participation since World War II. However there is still a disproportion in the pay scale that locates a large amount of female workers in the lower

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<sup>23</sup> Taylor, Charles R., Greg Bonner, and Michael Dolezal. "Advertising in the Czech Republic: Czech Perceptions of Effective Advertising and Advertising Clutter." *New Directions in International Advertising Research* 12 (2002): 137-49. Elsevier Science Ltd., 2002. Web. 8 June 2010. <<http://www95.homepage.villanova.edu/ramond.taylor/taylorbonner.pdf>>.



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levels. The equality concept between genders is recognized but women are still segregated from managerial positions and they have access mostly to the “traditional female” sectors: retail sales, elementary school, health care, social work, etc. The majority of husbands fully employed in Czech Republic don’t perform half of the household tasks however women have powerful voice when it comes to family budget spending and family activities. The latest trends suggest that women are gaining more power in politics and business in the Czech community.

The Czech family is typically nuclear consisting of husband, wife and children and/or stepchildren. Since there is a housing shortage sometimes the widowed mother of one of the spouses may be included under the same roof and traditionally she provides childcare while the husband or wife is working. This pattern can be seen in many societies where the husband and wife work for double income or in Latin families where the closeness and family relationships are very important. In the Moravian region, especially in the countryside is common to find households that include grandparents. For the Czech people family is a priority since it’s the center of their social structure, they respect their elders and this brings them a feeling of safety and security.

In the urban areas of Czech Republic we find that the kin group is limited to closest relatives since for the majority of the population only come in contact with the more distant uncles, aunts and cousins during special occasions. However in the Moravian countryside the villagers are eager to maintain these distant-family relationships.

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### **3. American Consumer Overview: Introduction and Hoftside Analysis**

The United States of America is a federal constitutional republic formed by 50 states and a federal district. It's located in North America and it possess the second largest economy in the world (GDP: USD14.256 trillion) behind the EU. The living standards are high and its population enjoys a capitalist economy based on freedom and democracy.

The American culture is a mix of many different influences from different tribes and races that inhabited this region. There have been many immigration waves towards this country making it a multicultural and diverse nation; however there is a strong link with Britain since it's the predominant influence in the attitudes, perception and behavior of the US citizens. This influence can be seen mainly in its official language and legal system. There are also other influences less powerful form other European countries like Germany, Ireland, Poland and Italy.<sup>24</sup>

The US consumer is mainly materialistic and his values are focused on individual success measured by the level of income and purchasing power that dictates his position or social status among the members of society.

The US economy has been in recession since December 2007. According to the OECD the American consumer spending grew to 9.7 trillion in 2007 (70% US GDP) causing a dramatic increase in mortgages and people borrowing against their houses since the real state had a growing trend of 14% in the past decade; which ultimately lead to the total collapse of the real estate market and the world economic financial crisis that we are still recovering from.

"The U.S. consumer is a voracious consumer of goods and services". "We are at the heart of the recession. That's why we're going to have to be at the heart of the recovery." said Scott Talbott, a senior vice president at the Financial Services Roundtable, which represents large financial institutions.

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<sup>24</sup> "USA." World Trade Organization. WTO. Web. 24 Sept. 2010. <<http://www.wto.org/index.htm>>

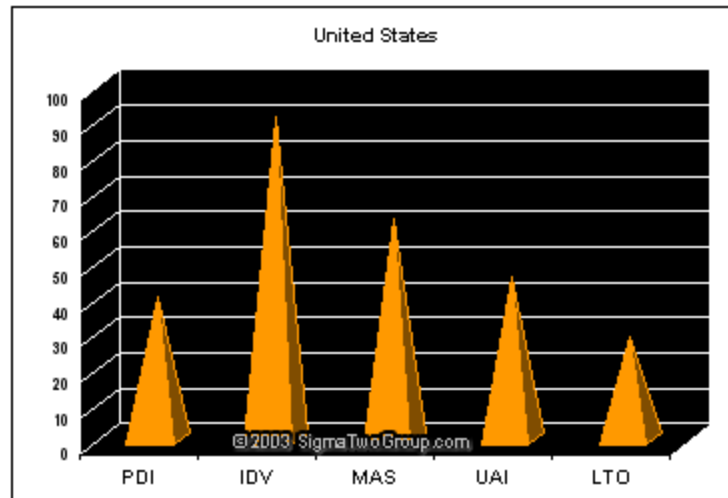
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As we can see the American influence in the world economy is great in magnitude since a crisis in the US financial markets can cause global effects that definitely can change the patterns of consumption of many different consumers from different countries in the world specially the ones that have a close trading relationship with USA.

### Hofstede analysis: USA

Country	PDI	IDV	MAS	UAI	LTO
United States of America	40	91	62	46	29

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<sup>25</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Scores." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>. \*find the complete score table in the annex.

<sup>26</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Scores." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>.

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**Power Distance Index (PDI):** score 40. As we can see the PDI in USA is located in the lower half of the scale which means that the American culture values equality and there is an average standard of living that his population expects and accepts as fair. There is a trend for decentralized decisions and the consumers enjoy more freedom to pursue their interest and preferences. We can see more participative manager styles since the input of every member of the organization is accepted and taken into consideration to promote involvement and loyalty towards the firm and its management body. In this index we can see a difference between Czech Republic 57 and USA 40 however the both societies don't support big differences between rich and poor which means that this difference comes from salaries hierarchy and employees management/treatment.

**Individualism (IDV):** score 91. The American culture values and praises any personal effort for success and they feel that the individual's performance is more important than the collective effort since they like to reward personal achievements. There is a strong sense of competition and every member of the society is targeting for the top which enable the companies to recruit high skill workers from high skill pools that keep improving its level everyday due to the constant specialization and preparation of its individuals. In terms of consumer behavior there is a trend to show personal differentiation which supports the purchase of many high tech, luxurious and unique products that not only serve their original purpose but also serve as a way of personal expression. There is a huge difference between USA 91 and Czech Republic 58 since the post-communist country prefers affiliation and group cohesiveness instead of competition and confrontation as a way to reach success. The average Czech consumer doesn't want to look, feel or behave different in society but the American consumer is constantly looking for ways to appear different, unique or special among his colleagues, friends or society in general. A clear example comes from the ethics and behavior regarding academic tasks like exams or tests; the Czech average student will try a group effort with his classmates to pass the exam by studying, preparing or cheating while the American average student will normally study alone, without help and is disgusted by the act of cheating or copying.

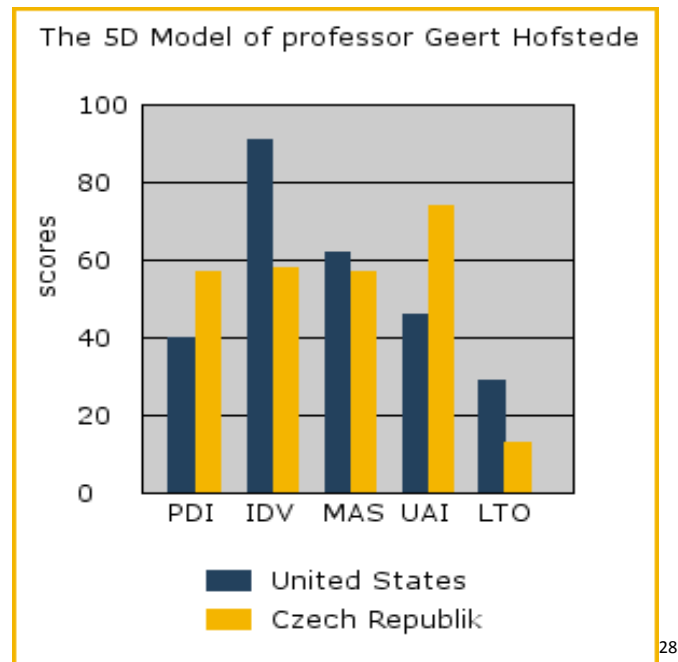
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**Masculinity (MAS):** score 62. The American society prefers masculine values like assertiveness and strength of character to rule their society. They praise the strong and they don't feel mercy for the weak or unqualified since they believe that in order to enjoy all the benefits of a full democracy there should also be a touch of aggressiveness and arrogance in the treatment of others. This society enjoys gender equality and they believe that some values like nurture, caring and friendship aren't the best trading policies for one of the biggest economies in the world. There isn't a big difference between US 62 and Czech Republic 57 in this parameter however the social care in Czech Republic is more noticeable which gives them a more "feminine" approach than the US.

**Uncertainty Avoidance (UAI):** score 46. The US society has more tolerance for uncertainty than the Czech 74 which means that the American average consumer is willing to take more risks in their purchases by accepting new products, new formulas, new brands, etc. It is a good environment for entrepreneurs since the regulations and contracts have less bureaucracy; the American citizen is willing to trust more and doesn't need very detailed contracts instead he prefers a trustworthy handshake and clear terms and conditions to rule the outcomes. The American society is characterized for tolerance in extreme ideas, thoughts and beliefs since it's the main pillar of its constitution.

**Long-Term Orientation:** score 29. USA adopts a short term orientation since their population respect tradition, want to protect their reputation and they like to fulfill any kind of obligation. The society doesn't value perseverance or thrift in the same magnitude; however they support loyalty and constant growth within the organizations. The difference between US 29 and Czech

Republic 13 is considerable and means that US society is more focused in the future than the Czech society that prefers more immediate results.<sup>27</sup>



<sup>27</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Explained." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>.

<sup>28</sup> Hofstede, Geert. "Geert Hofstede Cultural Dimensions Scores." *Geert Hofstede Cultural Dimensions*. Itim, 1987. Web. 05 June 2010. <[http://www.geert-hofstede.com/hofstede\\_czech\\_republic.shtml](http://www.geert-hofstede.com/hofstede_czech_republic.shtml)>.

### **3.1 US Economic and Market background**

The United States of America has a capitalist mixed economy with a well-developed infrastructure, abundant natural resources and a high manufacturing productivity. Its GDP of 14.256 trillion USD constitutes 24% of the gross world product and it is the largest national GDP in the world. USA is a main player in terms of trading since it is the largest importer of goods and the third largest exporter of goods in the world. His top trading partners are: Mexico, Japan, China, Germany and Canada. During 2007 the automotive industry was the key leading import and export sector.

The private sector plays a major part in the US economy with 55.3%, then federal activity 24.1% and finally local and government activity 20.6%. This postindustrial economy has a very successful service sector which accounts for 67.8% of its GDP, however there are many important manufacturing industries like: chemicals, oil, electricity, nuclear power, natural gas, corn, salt, sulfur, etc.<sup>29</sup>

In terms of employment the American labor force accounts for 155 million people (2009). 81% of them hold positions related to the service sector. Around 10% of workers belong to a labor union compared to 28% of unionized workers in Western Europe. USA has the highest labor productivity in the world with higher property and income tax rates than EU but lower consumption tax rates.<sup>30</sup>

In the Global Competitiveness Report 2009-2010 USA is ranked second due to the latest economic world crisis; however The US financial market is still the world's largest and most influential with major stock and commodities exchanges like AMEX, NASDAQ and NYSE.

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<sup>29</sup> "United States of America Background." World Trade Organization. WTO. Web. 13 Sept. 2010. <<http://www.wto.org/index.htm>>

<sup>30</sup> Lewis, Katherine. "World Economy Turns on U.S. Consumer Behavior." *America.gov - Engaging the World*. America.gov, 03 Dec. 2008. Web. 23 June 2010. <<http://www.america.gov/st/econ-english/2008/December/20081203154212berehellek0.2330286.html>>.

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<b>GDP (pp.):</b>	\$14.256 trillion (2009)
<b>GDP Growth:</b>	-2.4% (2009)
<b>GDP per capita (pp.):</b>	\$46,381 (2009)
<b>GDP by sector:</b>	Agriculture: 1.2% Industry: 21.9% Services: 76.9% (2009)
<b>Inflation:</b>	2.2% (2010)
<b>Labor Force:</b>	154.5 million (2008) Unemployment: 9.7% (2009)
<b>Industrial production growth rate:</b>	-5.5% (2009)
<b>Household income or consumption by percentage share: (2007)</b>	lowest 10%: 2%.highest 10%: 30%
<b>Public Debt:</b>	12.99 trillion, 84% of GDP (2010)
<b>Gross external debt:</b>	\$13.77 trillion (2008)

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Another key factor to consider in the US economy is the flexibility that the private organizations enjoy in this market-based environment since the government allows business and individuals to take most of its decisions regarding laid-offs, expansions, R&D, etc without interventions and without strong regulations. It's the largest and most technologically powerful nation in the world with a GDP per capita of \$46,481 USD.

In the last decade the economy of USA suffered strong shifts; in 2003 the war in Iraq required to allocate more resources to the military, then the oil prices between 2005 and 2008 completely rose inflation and unemployment which brought them to budget deficits, stagnation of family income and poor investment. Then the sub-prime mortgage crisis, the investment banks failures and the merchandise trade deficit (\$ 840 billion (2008)) created the deepest and longest downturn since the Great Depression. The answer to this problem came in the form of a \$700 billion USD Trouble Asset Relief program (TARP) that the US government established in October 2008. During January 2009 President Obama along with the US Congress passed a bill to inject an additional \$787 billion fiscal stimulus over the next 10 years.<sup>32</sup>

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<sup>31</sup> " USA background." World Trade Organization. WTO. Web. 24 Sept. 2010. <<http://www.wto.org/index.htm>>

<sup>32</sup> " USA background." World Trade Organization. WTO. Web. 24 Sept. 2010. <<http://www.wto.org/index.htm>>



### Trade figures: (2009)

<b>Exports:</b> \$1.057 trillion (2009) Export goods: agricultural products 9.2%, industrial supplies 26.8%, capital goods 49%, consumer goods 15% .
<b>Imports:</b> \$1.558 trillion (2009) Import goods: agricultural products 4.9%, industrial supplies 32.9%, capital goods 30.4%, consumer goods 31.8% .
<b>Current Account balance:</b> -\$380,100,000,000 (2009)
<b>Foreign Direct Investment:</b> \$2.398 trillion (2009)
<b>US Investment Abroad:</b> \$3.259 trillion (2009)
<b>External debt:</b> \$13.45 trillion (2009)

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USA is the world's largest trading nation. The largest importer and 3<sup>rd</sup> largest exporter worldwide, after EU and China. The US dollars are used as a standard unit of currency in international markets for commodities like gold and petroleum. Due to such importance in trading many large foreign economies like China, Japan and the EU have enormous dollar reserves. Almost two-thirds of currency reserves held around the world are held in US dollars, compared to around 25% for the next most popular currency, the Euro. Rising US national debt and the related rise of China have created some speculation to replace the dollar as the reserve currency.

In 2008, the total U.S. trade deficit was \$696 billion USD (\$1.8 trillion exports - \$2.5 trillion imports). The trade deficit with China was \$266.5 billion (\$304 million in 1983). The deficit on petroleum products was \$386.3 billion. The United States had a \$144.1 billion surplus on trade in services, and \$821.2 billion deficit on trade in goods (2008).<sup>34</sup>

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<sup>34</sup> Lewis, Katherine. "World Economy Turns on U.S. Consumer Behavior." America.gov - Engaging the World. America.gov, 03 Dec. 2008. Web. 23 June 2010.  
<<http://www.america.gov/st/econenglish/2008/December/20081203154212berehellek0.2330286.html>>.

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The United States relies on selling U.S. treasury bonds to people both inside and outside the country in order to fund the national debt, of course with a major percentage of foreign buyers.

USA is the fourth largest country in the world in terms of surface 9,826,675 sq km and the third most populous nation with 309,550,000 habitants including 11.2 million illegal immigrants. It has a diverse population with many racial and ethnic groups which can be divided in multiple subgroups; however the most predominant are: White Americans, African Americans, Asian Americans and Latinos.<sup>35</sup>

The population sex ratio is 0.97 males/females, the life expectancy is 75 years old approx, the median age is 36.7 years and the population growth rate is 0.977%. The main religions are: Protestant 41.3%, Roman Catholic 23.9%, Evangelicals 26.3%, Atheist 16.1% and other 4.7%

82% of Americans live in urban areas. Around 50% of them reside in cities with populations over 50,000. There is a strong trend to move towards urban areas; in 2008 nine cities had more than 1 million residents and 4 global cities had over 2 million (New York City, Los Angeles, Chicago and Houston). The metro areas of Dallas, Houston, Atlanta, and Phoenix all grew by more than a million people between 2000 and 2008.

<b>Area:</b> 9,826,675 sq km
<b>Population:</b> 309,550,000 (2008)
<b>Capital city:</b> Washington D.C.
<b>Language:</b> English
<b>Land boundaries:</b> Canada 8,893 km (including 2,477 km with Alaska), Mexico 3,141 km

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<sup>35</sup> "Culture of USA." *World Travel. Compare Infobase Ltd. Web. 23 May 2010.*  
<<http://travel.mapsofworld.com/usa/culture-of-usa.html>>.

<sup>36</sup> "Demographics of the United States." *Cultural Side. Web. 29 June 2010.*  
<[http://en.cultural.side/Demographics\\_of\\_the\\_United\\_States](http://en.cultural.side/Demographics_of_the_United_States)>.

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USA is a constitutional republic and a representative democracy where the citizens are subject to 3 levels of government: federal, state and local. The federal government is divided in 3 branches: legislative, judicial and executive. The president is part of the executive branch and he/she is the commander in chief of the military, appoints members of the cabinet, administers and enforces federal laws and policies.

### **3.2 US Consumption Trends: psychological perspectives, social motivations & consumer involvement**

*A stratified society is one marked by inequality, by differences among people that are regarded as being higher or lower...it is logically possible for a society to be stratified in a continuous gradation between high and low without any sharp lines...in reality...there is only a limited number of types of occupations... People in similar positions...grow similar in their thinking and lifestyle...they form a pattern, and this pattern creates social class.*

- Dennis Gilbert, *The American Class Structure*, 1998-

We can't deny the close relationship between consumer behavior and level of income, social class, education, ethnicity and political orientation since all of these layers affect every decision of every individual in a society.

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Some of the parameters affecting their decisions are:

**Wealth.** The average American consumer has more disposable income than his or her counterparts in most other countries. There is therefore money available, with easy credit historically fueling the fire, to risk on new things and new experiences. And the secondary market, from the flea auction to eBay, is well developed so the consumer does not necessarily lose everything if disappointed.

**Mobility.** American consumers relocate more than most. What they own, how they dress, what they do. In other words, their consumption behavior becomes an important signaling device to attract efficiently the right set of new friends and acquaintances. It's not so much a matter of keeping up with the Joneses; it's a matter of quickly identifying the Joneses like you.

**Immigration.** The prevalence of immigrants among America's successful entrepreneurs is well documented. But the same curiosity and openness to new things also characterizes consumer demand in the American melting pot.

**Independence.** The American frontier tradition and the sheer number of Americans promote an attention to individual differentiation that is less prevalent in more conformist and homogeneous societies. Among 300 million curious consumers, it is possible for almost any innovation to find a viable niche market.

**Recognition.** Americans are not overly concerned or burdened by history. Many live for today or for the next new thing. Early adopters and lead users of new products are listened to and applauded. Their opinions are sought on the Internet. They can accelerate adoption of a new product or kill it. The American maverick commands more influence than the European eccentric.

**Technology.** Americans understand that innovation is the key to growth and wealth in a global economy where knowledge travels at light speed over the Internet. America's economic strength

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is based on innovation. Proud parents take their children to science fairs, new electronic gizmos dominate Christmas gift sales, and senior citizens find renewed connectivity with far-flung families by going online. Americans know technology adds value to daily life.

These traits apply equally to consumers and entrepreneurs. They are of course the same people. Consumers can become problem-solving entrepreneurs and successful entrepreneurs such as Bill Gates and Michael Dell become well-respected role models for younger people.

Marketing, a distinctly American expertise, has of course encouraged consumers to be venturesome and to welcome innovation. Marketers research customer needs, design new products to solve customer problems, and motivate purchase through attractive pricing and heavy advertising, with the occasional dose of built-in obsolescence. An example is Intel's remarkably effective pull advertising campaign that had consumers clamoring to OEMs for PCs with the latest, fastest microprocessor.

The majority of Americans maintain that US is a classless society however many academics and scholars identified some significant differences in the population regarding level of income, religion, ethnicity, social status, political orientation, education and occupation that allowed them to divide the population in 5 to 6 different social classes. These differences affect the behavior, socialization, language and values of each division in a different way, especially in their purchase habits and decisions. This combination of parameters is a great cultural influence in the US consumer behavior since these factors should dictate the strategies and techniques behind each marketing effort.

There are different lifestyles, consumption patterns, perceptions and values associated with different social classes. In the early work of the sociologist-economist Thorstein Veblen we can identify some trends in each group; for example the top class in the social pyramid will engage in conspicuous consumption and conspicuous leisure with extremely expensive and unique goods like sport cars, fashion trips, high tech devices, etc. Then we have the upper middle class that values culture, health and education, they tend to engage in the consumption of “mass luxuries”

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like designer clothing/fashion and organic foods. Then the middle class that had initiated many contemporary trends like environmentalism, feminism and multiculturalism; they want to expand their horizons since they have access to a better education and treatment than the next class. Finally we have the last one that is the working class, normally the purchases are dictated by need since the income is low and the work is very physical, they maintain blue collar jobs in many large industries like steel, automotive and chemicals.

*It is impossible to understand people's behavior...without the concept of social stratification, because class position has a pervasive influence on almost everything...the clothes we wear...the television shows we watch...the colors we paint our homes in and the names we give our pets... Our position in the social hierarchy affects our health, happiness, and even how long we will live."*

- William Thompson, Joseph Hickey, *Society in Focus*, 2005-

Thanks to the work of Dennis Gilbert, William Thompson and Leonard Beeghley we are able to divide the American society in 4 main categories or social classes with some subgroups according to some quantitative attributes like income or wealth and other qualitative factors like education, culture, occupation, etc.

***"American Upper Class:*** *In this class we can find the "blue bloods" families such as the Astor or Roosevelt. There is a long tradition of extremely wealthy families in this group however there are new rich families that ascend to this position by the magnitude of their incomes more than for their tradition or name. It's very hard to identify an exact percentage of the population that belong to this specific class however income and wealth statistics can give us an idea. In 2005 1.5% of the American households had incomes exceeding \$250,000 USD, 2.6% had assets (excluding home equity) of more than 1 million dollars. Therefore we can assume that less than 5 percent of the American population belongs to this group. The richest group accounts for 1 % of the population and they own as much as the combined wealth of the bottom 90%.*

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*Many sociologists make a distinction between upper class (families of inherited wealth) and corporate elite (individuals with great economic power and corporate ownership). The corporate elite include top executives such as Chief Executive Officers, Chief Financial Officers, Marketing Directors, etc. they are financially the best compensated class in the United States. The median annual salary for a CEO is \$145,000 USD (exceeding the income of more than 90% of American households) plus stock options, bonuses and more benefits.*

*Another characteristic of the upper class is that they don't need to work to maintain their status since there is an inherited privilege surrounding their families and that tends to be passed from generation to generation. The upper class is integrated by: celebrities, top level executives, "blue bloods" families and politicians. Ivy League education is very common.*

Regarding the purchase decisions and trends the consumers in this class tend to spend large amounts of money in very unique, original and expensive leisure goods. They love to show their economic power with very elegant designer clothes, expensive cars, unique jewels and incredible trips. Normally they own a Bentley, Ferrari, Lamborghini, Bugatti, Mercedes Benz, Porsche, McLaren and/or Rolls-Royce, they wear the latest fashion hits from Prada, Armani, Hugo Boss, Dolce Gabbana, Gucci, Versace and/or Dior, they wear blood diamonds and their trips include very expensive and unique locations.

***American Upper middle class:*** *This class consists of highly educated professionals with advanced graduate degrees and household incomes that exceed the five figures. They value high education and they are members of professional organizations and academic networks. They play a very important part in the American society with movements such as the anti-smoking, organic food, pro fitness and environmentalism. The jobs or occupations related to this class require a very high level of education and skills therefore the individuals are very well compensated with a household income average of above \$100,000 USD. Normally lawyers, scientists, professors and physicians are considered to be part of this class. It is estimated that around 15% of the population belong to this group being the main barrier the attainment of high level education.*

The consumer behavior in this particular group is focused on quality of life and education. The individuals look for the best and healthier products in terms of environment, personal health and comfort. They spend large amounts of money in special goods such as organic food and they enjoy being affiliated to nonprofit or humanitarian associations. Their main purchases consist on

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expensive trips to remote locations, cultural events such as opera concerts and plays and expensive automobiles or SUV's: BMW, Mercedes Benz, Porsche, Toyota and Mitsubishi.

***American Middle class:*** 47% to 49% of the American population belongs to this class. The majority of sociologists consider a division between the two extremes within this group: the traditional middle class and the lower middle class.

*The traditional middle class is consisted by semiprofessionals, office staff, craftsmen, sales employees and assistants who often have college degrees but the jobs aren't high skilled neither well compensated. A typical middle class household double income can reach \$ 85,000 USD in average. The lower middle class is consisted by the less privileged population within the middle class. They don't hold advanced academic degrees however the bachelor's degree is quite popular. They are semiprofessionals with household incomes between \$35,000 USD and \$70,000 USD.*

The majority of the population is located in this group and their consumer behavior is dictated by the latest fashion and trends. Commonly they follow celebrity icons in terms of purchase decisions in order to fulfill their needs of affiliation, participation and socialization. They enjoy trips and they spend large amounts of money in commercial relatively cheap cars like: GM, Ford, Hyundai, and Mazda. They are a materialistic group and they enjoy apparel shopping during sales season especially popular brands like: GAP, Hollister, American Eagle, and Abercrombie and Fitch.

***American Working class:*** This class represents around 17% to 20% of all the American households. They constitute service workers, retail workers and unemployed. They normally have blue collar jobs, no higher education besides some high school, no job security and depend on social programs for their survival. 9% of Americans participate in the food stamps program and 3.9% of the American households in this group see hunger and food insecurity to be present in their everyday lives. They are quite often segregated from society; surrounded by social problems that arise from poverty like violence and criminal actions. The average income for this class is between \$10,000 USD and \$20,000 USD".<sup>37</sup>

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<sup>37</sup> "Social Class in the United States." Wikipedia, the Free Encyclopedia. Web. 20 May 2010.  
<[http://en.wikipedia.org/wiki/Social\\_class\\_in\\_the\\_United\\_States](http://en.wikipedia.org/wiki/Social_class_in_the_United_States)>.



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In this class the consumer consumption trends are based on goods with cheap price and moderate quality. They satisfy their basic needs of survival and security by buying only the most essential products. They have access to second hand cars and they prefer American brands like GM or Ford since the spare parts are cheaper and easier to find. They don't follow fashion trends and most of their money is spent in vices like drinking or smoking.

### **3.3 American culture: ethnicity, gender roles and family structure,**

United States has a very diverse ethnicity since it was the main destination for many immigration waves through history mostly from Europe: Britain, Ireland, Italy, Germany and Poland. It constitutes a multicultural nation where almost all of its citizens have ancestors that immigrated to this land within the past five centuries. The American culture is a western culture mainly influenced by Europeans, Africans, Latin Americans and Asians; however there are strong attributes from the British culture in the language and in the legal system.

Among this very diverse population there are 31 ancestry groups with more than one million members. The largest racial groups are White Americans and within it there are German Americans, Irish Americans and English Americans which constitute 3 of the country's four largest ancestry groups. The African Americans and the Asian Americans are the largest and second largest minorities in the states respectively. The American Indian or Alaskan Native ancestry group includes 4.9 million people and the native Hawaiian or Pacific Island ancestry includes 1.1 million. A major demographic trend is the constant growth of the Hispanic or Latino Americans which between 2000 and 2008 increased 32% due to immigration and fertility factors; now there are 49.6 million Americans of Hispanic descent.<sup>38</sup>

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<sup>38</sup> "Demographics of the United States." *Cultural Side*. Web. 29 June 2010.

<[http://en.cultural.side/Demographics\\_of\\_the\\_United\\_States](http://en.cultural.side/Demographics_of_the_United_States)>.

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<b>Race/Ethnicity (2008)</b>	
<b><i>White</i></b>	79.80%
<b><i>African American</i></b>	12.80%
<b><i>Asian American</i></b>	4.50%
<b><i>Native American and Alaska Native</i></b>	1.00%
<b><i>Native Hawaiian and Pacific Islander</i></b>	0.20%
<b><i>Multiracial</i></b>	1.70%
<b><i>Hispanic (of any race)</i></b>	15.40%

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The American society is a very masculine society since the different behaviors and attitudes belonging to a specific sex or gender are well defined; but in practical terms of gender roles USA is also one of the main supporters of equality among sexes and freedom of each individual to choose his/her path. Therefore the American society respects and praises equality among sexes and the American women have the same liberties, choices, opportunities, duties and benefits as any men. Of course all of this equality was gained by brave women who fought through history for these chances.

The traditional gender roles of male and female regarding activities and work have been challenged since 1970 in legal and social terms and the only exceptions that exist until now are in specific jobs or tasks that required extreme force like direct combat in warfare. In this case the women have access to serve in the military but not in direct warfare since it's forbidden by law; in other cases there are still some cultural inhibitions but women had made a great advance entering the labor force. For example in 1900 women were 18.3% and in 2000 they became

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<sup>39</sup> "USA Culture." *Virtual Americas*. Virtualtopia, 2010. Web. 23 June 2010.  
<<http://www.virtualamericas.net/usa/culture/>>.

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46.6%<sup>40</sup>. All of these facts changed the typical workplace and we can also see men taking traditionally feminine jobs like nurse, receptionist or homemaker.

The American woman is always striving for excellence and everyday there are less and less glass ceilings that she needs to break in order to get to top managerial positions. It's still true that the tendency for high hierarchy positions is to hire mostly males however under recent studies we have seen that many characteristics in women's behavior can actually make them better leaders and managers than men. Another characteristic of the American woman is that she always tries to show independence and strength; therefore the typical one income household where the husband works and the wife stays at home with the kids is just an illusion from the past. Now women want to take control and develop their careers as independent beings that also want a family; but to support them not to become their slaves. In sports we have seen great female athletes and the new trend is that women are improving their performance in high contact sports showing great perseverance and strength.

In today's household the typical American mother works for a double income but she also has the task of economic advisor and psychologist since its know that the great nurturing characteristics of this gender is one of the main pillars to support a family; therefore the wife/mother normally handles the household expenditures, takes important purchase decisions and advices the children. The household and childcare work is normally divided between spouses.

The typical American dream or American family is nuclear and it's integrated by the "trophy" wife, the husband and the children. Normally households don't have more than 3 children since they want to raise them with all the advantages like access to higher education, healthcare and comfort. Since the child is born a college fund is open and a big part of the household savings goes towards this fund. The "trophy" wife is the typical American women, strong and

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<sup>40</sup> "USA Culture." *Virtual Americas*. Virtualtopia, 2010. Web. 23 June 2010.

<<http://www.virtualamericas.net/usa/culture/>>.

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independent that takes care of the family and keeps it together, the husband normally brings the main income to the household and it is portrayed as the typical American men that likes football and beer on Sundays, enjoys barbeques with his family and likes outdoor activities. The children are normally raised until they are 18 years old or senior year of high school when finally they leave the household to go to college or to work. The American family is very straight in this point and they want to teach the young ones about responsibility, independence and maturity therefore it's a very critical point in the household chronology to send the kids away at this age. It's a time for changes and the typical American family feels a lot of pain to let the kids go but its part of the process. It's not common neither socially accepted to have a child living with his/her parents after college since the American society values independency and individuality.<sup>41</sup>

In purchase decisions the main voice of the household regarding vacations, household expenditures, transportation, educational services, etc is the mother; however when there is a large business investment the father is the one that has the final word. Many companies have seen this trend and their main advertising target are the wives or mothers in the household since they are the ones making the decision regarding the expenses especially in everyday products.

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<sup>41</sup> "USA Culture." *Virtual Americas*. Virtualtopia, 2010. Web. 23 June 2010.  
<<http://www.virtualamericas.net/usa/culture/>>.

#### **4. Automotive industry: Czech and American Consumers**

The main example for this thesis will be based on the different consumer preferences, purchase behaviors, perceptions and general environment of the automotive industry in USA and Czech Republic.

The purchase decisions and behavior of the Czech consumers regarding commercial automobiles are very different than the American ones. We can see that the Czech consumers prefer small economic compact cars since they are very conscious about the environment and the streets of their major cities (Prague and Brno) are not designed for big SUV's and/or sports cars in terms of practical purposes and parking. However Czech people enjoy outdoor activities and a small percentage of the population would prefer a 4 wheel drive car but the main constraints are the fuel efficiency and the cost behind this decision. There is a big market in the Central European countries for compact cars and that's why many global players in the automotive industry decided to outsource their assembly lines here; for example TPCA (strategic alliance Toyota, Peugeot and Citroen) in the Czech Republic. This strategic alliance is a complete success since the models C1, Peugeot 107 and Toyota Aygo perfectly suit the demand of the average Czech consumer that's doesn't consider his/her automobile as a symbol status therefore they don't need neither want big expensive cars with powerful engines. The Czech society doesn't appreciate differentiation between individuals since they prefer to maintain an equal social stratification position therefore we don't see any special or fancy automobiles in Prague but in Los Angeles is a completely different story.

The highways in Europe are very well maintained and the speed limits vary from 50km/h (built up areas) to 130km/h (expressways) which are very close to the parameters in USA however the level of accidents and road fatalities are very different between the both countries. For example the level of traffic mortality per 100,000 inhabitants in 2007 for USA was 39.0 and for Czech Republic 10.4, of course we have to consider that most of the Czech population uses public transportation while almost the majority of American middle class possess an automobile. These rates show us that the hunger for engine power and speed of the American drivers could be lethal but we can't neither forget that the poor design and cheap metal of the economic models in

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Czech Republic are major reasons for a relative moderate-high rate of mortality especially for a small country.

When it comes to transportation consumption the Czech households spend 13.5% of their income in these goods/services and the main reasons behind their purchase decisions (in order of importance) are: the necessity of need, price, quality and characteristics/attributes. As we can see the Czech consumer is very practical and by having one of the best public transportation networks in the world they don't really have a strong necessity for an automobile unless they have big family or they enjoy road trips. The second most important fact is price; the Czech consumer doesn't want to spend large amounts of money in a car since they have other interests and needs like their feelings towards group affiliation and social cohesiveness which stop them from buying pompous cars just to show off or to differentiate from the rest. The quality and characteristics of the car models are not so important for Czech people since they don't appreciate the special design or unique engineering of a particular model, they just want a functional practical way of transportation and nothing more.

In the case of the American society we have a complete different set of ideas regarding automobile purchasing. Since adolescence the typical dream for any American high school student is to have his/her first car and they can do it when they turn 16 years old (US legal driving age). It is quite typical to find many parents buying second hand cars for their adolescent children as a present for their sixteenth birthday or high school graduation. Between the favorites models for this particular niche in the market are the old powerful models of Ford Mustang, GM Corvette and 80's Cadillac. For the American consumer an automobile is an expression of individuality and status therefore the bigger and the more expensive is your car the bigger is your ego and the higher is your position in the social stratification of your community.

The superficiality of the American society plays a very important role since the majority of the American drivers want to have the latest technology and comfort in their vehicles making them a short life good since every year many giants of the industry like Mitsubishi, Toyota, BMW, Ford, Mercedes-Benz, etc change their current models with some new features or attributes

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directly targeting the American segment that doesn't need this attributes but want them; showing a compulsive buying behavior.

#### **4.1 Automotive industry economic and market background: Czech Republic**

##### **Transportation overview: Czech Republic**

<b>Overview</b> <a href="#">Return to top</a> <i>In Billion of USD</i>	<b>2006</b>	<b>2007</b>	<b>2008 est.</b>
Total market size (Import +Local Consumption)	16.4	18.0	18.8
Total local production (Export +Local Consumption)	31.1	34.2	34.8
Total export of transport equipment	22.1	24.2	24.5
Total import of transport equipment	11.3	13.0	10.3
Import from the U.S.	0.065	0.068	0.158

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The Czech Republic boasts one of the region's most prosperous and industrialized economies. The country's strategic location, well-developed infrastructure, and skilled labor force attracts strong flows of foreign direct investment (FDI). There is high demand for U.S. products and services, which are known for their good quality and advanced technology. Economic growth was a robust 6% from 2005-7, dropping to 4% in 2008.

In 2009, the Czech Republic felt the impact of the global economic slowdown with growth dropping to 1-2% or possibly even fall into a recession due to a lack of export orders to Western Europe with the automotive sector particularly hard hit.

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<sup>42</sup> "Transportation Figures." AIA. Automotive Industry Association. Web. 24 Aug. 2010. <<http://www.autosap.cz/default.asp>>.

Economic growth is largely based on inflows of FDI and growth in exports. Foreign investment is boosting productivity, creating new jobs and raising wages and domestic consumption. In addition to new manufacturing facilities, a growing number of American companies are establishing R&D and shared-services support centers. The Czech Republic has become a major hub for automotive and electronics manufacturing in Central Europe. There is intense competition from European companies which have close historical and economic ties to the market.

The automotive industry is one of the key sectors in the economy, accounting for approximately 7.43 percent of GDP and direct employment of 126,223 people in the workforce. The Czech Republic is emerging as one of the major markets in the region in terms of both sales and production. According to BMI, in 2009, the Czech Republic produced 870,512 completely built up (CBU) vehicles, down from 949,746 in 2008. Sales were also down slightly to 206,296 CBUs, from 215,419 in 2008.<sup>43</sup>

In 2009 the economy shrank 4.1% as the export-oriented economy suffered under collapsing global demand. The economy has begun to pick up again in 2010, but the situation is far from perfect with relatively stagnant consumer demand in Europe. This is likely to be exacerbated as many countries in Europe pursue a policy of fiscal retrenchment which will dampen any rising consumer demand. Luckily for the Czechs, however, their largest auto export market, Germany, shows little sign of cutting an already small deficit.

Despite these troubled times, Czech auto production has staged a remarkable comeback. Improved Q1 production was quickly followed by the fastest half-year growth in nine years. Total production stood at 559,000 units - which represents 18% growth year-on-year (y-o-y). This figure is overwhelmingly composed of the 557,000 passenger cars produced. This increased production was driven largely by Škoda Auto and Hyundai Motor, whose production grew 17%

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<sup>43</sup>"Automotive Economic Overview -- U.S. Commercial Service Czech Republic." *US Commercial Service*. US Commercial Service, 12 Aug. 2009. Web. 24 Oct. 2010. <<http://www.buyusa.gov/czechrepublic/en/117.html>>.



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and 84% respectively. The bulk of Škoda's increased production was driven by sales in China, which now represents the firm's largest market with 22% of all new Škodas sold in the country. Hyundai's production growth is particularly marked, with the firm now producing 92,000 units at its Czech plant. However, non-passenger vehicle production has continued to be disappointing, as light commercial vehicle (LCV) sales have fallen 54% to 5,903 units. This has been attributed to the continued imbalance between the VAT regimes for passenger cars and for LCVs.

The composition of the Czech car market has changed since 2008. Despite economic difficulties, higher-value models have gained market share. The share of sales comprised of small and mini cars has fallen from 50% in 2008 to 30% in 2010. This strategy has increased the market share of combi models to around a third. This shift is largely owing to the aggressive pricing strategy adopted in the Czech market, which is ensuring that otherwise anxious consumers are purchasing new high-end vehicles. While this strategy has squeezed margins on what are otherwise profitable models, this shift represents greater potential for future profits. Due to this, and many other broader economic factors, the Czech auto market is likely to see a promising growth in sales.<sup>44</sup>

BMI expects the Czech Republic to maintain its position as one of Europe's most important centers of auto production. Despite the somewhat volatile link between auto demand and broader economic confidence, the improving global situation is providing the industry with an opportunity to adjust to consumer preferences and expand into new and profitable areas. Despite rising costs, firms have demonstrated a long-term commitment to the Czech market and are increasingly demonstrating effective cooperation with local workforces pushing for higher wages

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<sup>44</sup> Beissmann, Tim. "EU Car Production Lowest since 1996, 2010 Looking 'very Challenging'." *Car Advice*. Web. 23 Aug. 2010. <<http://www.caradvice.com.au/60561/eu-car-production-lowest-since-1996-2010-looking-very-challenging/>>.

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In 2009 new vehicle sales in the Czech Republic fell nearly 12.5% year-on-year (y-o-y), down to 92,100 units, according to estimates from the country's Car Importers Association (CIA). The decline comes as a result of a 60% y-o-y fall in sales in the light commercial vehicle (LCV) segment, which accounted for close to 14% of total vehicle sales in June.

Passenger car sales contribute nearly 85% of the total new vehicles sold in the Republic. The government announced a cut in car VAT with effect from April 1 2009 in an attempt to boost sales on new purchases. The news could not have been better for consumers as the tax cut, along with sales incentives offered by car dealers meant that new cars were retailing at less than imported used cars. The result was a 7.9% y-o-y increase in new car sales, up to 79,228 units, in June. Meanwhile, sales of second-hand imports fell 41% y-o-y to 71,411 units. Demand for the latter was further hampered by the weakened koruna against the euro.<sup>45</sup>

However, commercial vehicle sales were hampered by slowing economic activity in the country. This contracted 3.4% in Q1 2009, according to estimates from the Czech Statistical Office, meaning the country had entered recession. Only 12,872 commercial vehicles, almost 7,700 fewer LCVs, were sold in June, which more than offset the increase in passenger car sales. The Czech economy is on track for a 3.1% contraction of real GDP in 2009, as the collapse of export demand and FDI inflows feeds through to a modest contraction of domestic demand. However, we reiterate that the economy continues to display resilience in the face of Europe-wide recession, principally thanks to the relatively stable financial system. This put the country in a strong position for economic recovery when global demand returns meanwhile, in July 2009, President Vaclav Klaus vetoed a planned scrappage scheme, after it was passed by the parliament. According to Klaus, as reported by Autocar, the scheme 'favors industry at the expense of other sectors of the economy and within that it gives preference to short-term interests of several strong players from the automotive industry.' Scrappage programmes have

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<sup>45</sup> "Economic Overview -- U.S. Commercial Service Czech Republic." *US Commercial Service*. US Commercial Service, 12 Aug. 2009. Web. 24 Oct. 2010. <<http://www.buyusa.gov/czechrepublic/en/117.html>>.

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been implemented in many European countries and have helped to boost new car sales. However, critics claim the scheme would have placed too great a drain on public resources on cities in the Czech Republic. If implemented, it would have allowed the public to trade in their own cars and receive EUR 1,000 towards a new one. It is estimated the package would have cost CZK40.00bn (EUR1.41bn) including the cost of other measures such as cuts in companies' social tax payments.<sup>46</sup>

The Czech Republic has one of the lowest risk levels of systemic economic crisis in Emerging Europe. However, it faces headwinds on several fronts. The economy is struggling to emerge from its worst recession since the transition to democracy, unemployment is surging and the government faces a fiscal headache in the coming year. The auto industry is expected to keep feeling pain as consumer and business spending remains hampered. However, conditions for the sector should improve as the economy rebounds.

Since the financial crisis, Czech carmakers have looked primarily to overseas markets for growth. New car sales for Škoda Auto, Toyota Peugeot Citroën Automobile (TPCA) and Hyundai Nosovice raised an impressive 11.3% y-o-y in 2009 to 1.125mn units, according to local newspaper *Hospodářské noviny* (HN). The car scrappage schemes launched in several European countries have helped offset the impact of the economic downturn on exports. Increased demand from overseas helped passenger car output rise 3% in 2009 to a record 970,000 units, according to just-auto.com.<sup>47</sup>

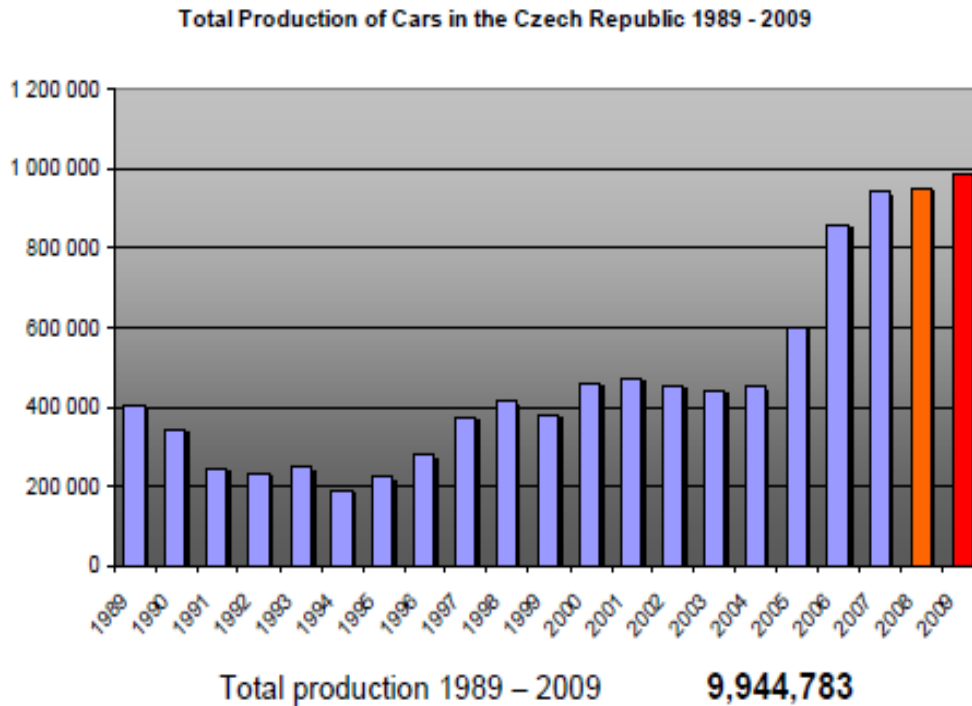
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<sup>46</sup> "Transportation, Information and Communication." *CSU Czech Statistical Office*. CSU. Web. 24 Sept. 2010. <[http://www.czso.cz/eng/redakce.nsf/i/transport\\_and\\_communications\\_ekon](http://www.czso.cz/eng/redakce.nsf/i/transport_and_communications_ekon)

<sup>47</sup> "Sales & Dealers Market Research Reports & Industry Analysis." *Market Research Reports*. Web. 12 Aug. 2010. <[http://www.reportbuyer.com/automotive/sales\\_dealers/index.html](http://www.reportbuyer.com/automotive/sales_dealers/index.html)>.

## 4.2 Czech Republic Automotive Market Sales and Performance

### PRODUCTION OF AUTOMOTIVE SECTOR IN THE CZECH REPUBLIC



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In terms of sales and production the top 5 CEE automotive markets are: Czech Republic, Hungary, Poland, Romania and Slovakia. Western Europe suffered over the last years a period of stagnation giving the chance to the new EU members to contribute more in the overall growth of the European Automotive market. Nevertheless with the world recession the ACEA (European Automobile trade association) reported that in 2008 the passenger car registrations suffered a major decline since 1993 of 7.9%.<sup>49</sup>

<sup>48</sup> Beissmann, Tim. "EU Car Production Lowest since 1996, 2010 Looking 'very Challenging'." *Car Advice*. Web. 23 Aug. 2010. <<http://www.caradvice.com.au/60561/eu-car-production-lowest-since-1996-2010-looking-very-challenging/>>.

<sup>49</sup> "Central and Eastern Europe Automotive Market." *Central and Eastern Europe Automotive Market*. Web. 29 July 2010. <<http://trade.gov/static/CEE%20Automotive%20Market%20Final2.pdf>>.

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The Czech automotive industry has dominated the national economy and represented roughly 20% of its GDP in 2008. It is likely to be a negative scenario in 2009. As in most of the world, the automotive industry has been hit hard by the global financial crisis and it was predicted that there will be a 20-30 percent fall in sales throughout the EU (the main export market) in 2009.

However, Czech output of motor vehicles reached a record level in 2008. Output of road vehicles grew by 0.81 percent to 947,372 units. Output of light utility and passenger cars, which made up the biggest share of total car production, grew by 0.89 percent to 939,600 units.

Nevertheless, in January-September 2008, car production grew by 9.5 percent and car producers had hoped that in early autumn that annual output would exceed one million units. While total passenger car sales in EU fell 7.8 percent, Czech car sales increased 8.4 percent in 2008.

In 2008, Czech car maker, Skoda Auto, saw a drop in its output of approximately 3 percent to 603,200 units. Still, the company increased sales by 7 percent to a record 674,530 cars in 2008.

Output at TPCA (Toyota-Peugeot-Citroen) increased by 5.1 percent to 324,289 cars. In November 2008, South Korean car maker, Hyundai, launched production at its plant in Nosovice, northern Moravia. Hyundai produced 12,050 cars at the plant by year-end 2008, while truck output fell by 14 percent to 2,726 units and motorbike production declined by 27 percent to 1,550 units. In contrast, output of buses increased slightly to 3,496 units.

At the same time the Western European demand contracted by 8.5% and the sales in the new EU members went down by 10.6%. In order to control this situation some incentive programmes were put into motion in 2009 across the Western European countries.<sup>50</sup>

There is hope in the future and according to the European Automobile Manufacturers Association (ACEA) the year 2010 presents a big challenge for this industry.

*“Passenger car sales are expected to go down, most notably in countries where fleet renewal schemes have ended. Commercial vehicle registrations in the EU are expected to be flat at best, after a drop of 32 percent in 2009,”*

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<sup>50</sup> "Central and Eastern Europe Automotive Market." *Central and Eastern Europe Automotive Market*. Web. 29 July 2010. <<http://trade.gov/static/CEE%20Automotive%20Market%20Final2.pdf>>.

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*“Given the dimension and length of the economic downturn, pressure on automotive employment is mounting.*

*“Manufacturers have and will continue to take numerous measures to cut costs as well as to keep their skilled workforce and maintain investments in R&D, to emerge from the crisis in a sustainable, competitive way.”<sup>51</sup>*

ACEA statement, February 2010

**Top CEE Markets: Forecast Vehicle Production (000s units)<sup>6</sup>**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Poland	882.1	725.6	754.6	770.6	635.6	605.8	586.2	637.7
Czech Republic	853.7	743.6	792.8	812.2	799.7	869.7	923.9	1,010.8
Slovakia	529.6	418.7	595.7	795.8	803.4	849.2	860.0	866.0
Hungary	341.4	250.9	252.0	240.2	269.3	288.8	324.3	341.9
Romania	245.8	233.1	285.6	379.9	469.8	507.5	554.7	569.1

Source: CSM Worldwide Automotive Forecasting

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As we can see the biggest player of the region is Czech republic and according to the CSM forecasts we can see that after 2010 the vehicle production will maintain a stable performance for a couple of years and a major increase in 2015. These predictions are not completely accurate and they also depend in some external factors like political stability and the population

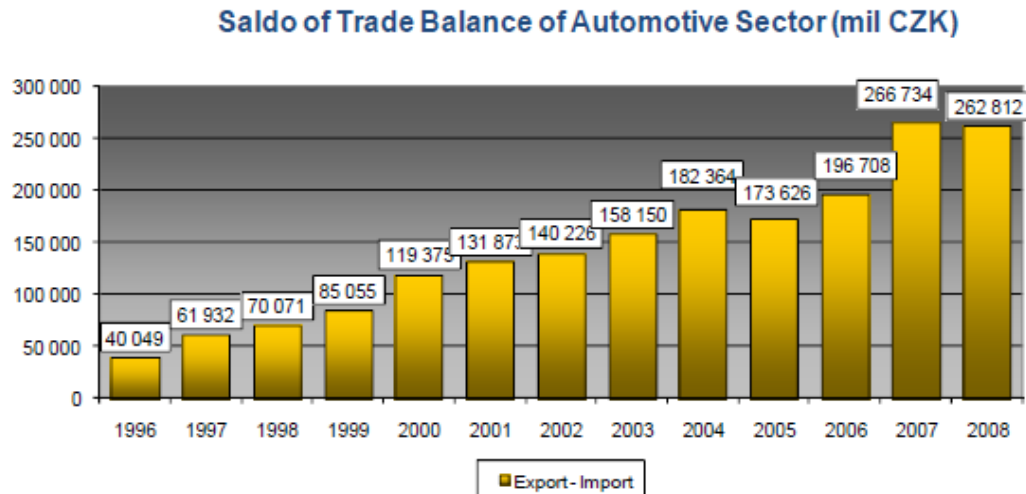
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<sup>51</sup> Beissmann, Tim. "EU Car Production Lowest since 1996, 2010 Looking 'very Challenging'." *Car Advice*. Web. 23 Aug. 2010. <<http://www.caradvice.com.au/60561/eu-car-production-lowest-since-1996-2010-looking-very-challenging/>>.

<sup>52</sup> "Automotive." *Global Foresight, Inc. 2006 Report on Industry Trends*. Source: Bureau of Labor Statistics. Web. 29 June 2010.

preferences. The Czech Republic as a market exports more than 90% of its vehicle production making it a titan in terms of high skilled workforce and a manufacture engine in the region. It suffered a decline of 4.1 % in his GDP during 2008 – 2009 caused by the global energy crisis affecting the oil prices all around the world.

## IMPACT OF THE AUTOMOTIVE SECTOR ON CZECH ECONOMY

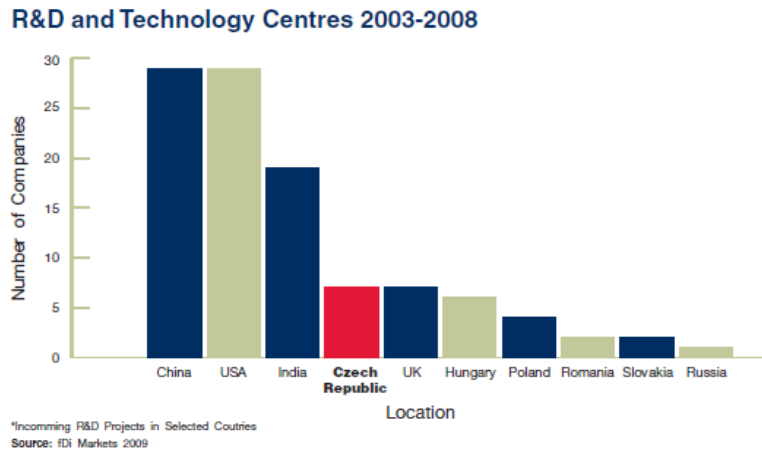


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In 2002-2004 according to the FDI Magazine Czech Republic secured the highest number of R&D projects related to the automobile industry than any other country in Europe and it became the fourth most attractive automotive R&D location. With all the advantages of a growing economy we can see that this country is the main host and outsource destination for many automobile manufacturers since the level of innovation, design and engineering capital is immense.

<sup>53</sup> Automotive Industry Reports (International Trade Administration). "Auto Industry Profiles-Business.gov. US Government. Web. 13 July 2010. <<http://www.business.gov/industries/automotive/profiles.html>>.

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As mentioned before the 3 main players in this industry are:

### ***Škoda Auto:***

In 1991 the Volkswagen group acquired 30 % of ownership and total management control of this Czech rooted company introducing new organization, quality control systems, cost cutting measures and innovative management practices. WV increased labor productivity without any investment during the first 2 years by giving the consumers what they wanted: their Skoda's favorite and improved models.

Czech people see Skoda as a symbol of Czech identity and they definitely support their domestic production therefore VW took advantage of this opportunity and in 1995 increased its shares to 70% until 2000 when they bought the remaining stock from the Czech government.

Skoda is one of the biggest Czech exporters and plays a central part in the Czech economy. It employs more than 28,000 professional workers and it delivered more than 630,000 cars in 2007 showing an incredible growth of 14.6%. It maintains a strong position in Western Europe and its

<sup>54</sup> Kopec, Pavol. "Market Brief: Motor Vehicle Manufacturing in Czech Republic." (2009). *Marketin CEE - Market Intelligence*. Marketin CEE, Sept. 2009. Web. <[www.marketincee.com](http://www.marketincee.com)>.



main target markets are: Germany, Poland, Italy, Slovakia and Great Britain. It possesses 3 plants in Czech Republic and they have plans to expand production to India, China and Ukraine.<sup>55</sup>

Skoda had won many awards with its practical models and innovative designs. For example the Skoda Fabia was announced car of the year 2008 in the small to midsize category and best value for money 2008 in Ukraine.

### ***Toyota Peugeot Citroën Automotive:***

In 2005 a joint venture between the Japanese Toyota Motor Corporation the French PSA Peugeot Citroën gave birth to TPCA manufacturing company in Kolin, Czech Republic. This greenfield investment of around EUR 1.3 billion is one of the biggest foreign investments in central Europe; The plant is one of the most modern facilities in the world and it is in charge of producing 3 basic fuel efficient models: Citroën C1, Peugeot 107 and Toyota Aygo.

This factory hosts more than 3,500 employees and it produces 320,000 cars per year. One of the main reasons for its success is the constant demand in Central Europe for economic compact models with high fuel efficiency and low maintenance costs. Almost 80% of the car components are produced domestically by TPCA making it the first Toyota plant that doesn't rely on Japanese supplies for its production.<sup>56</sup>

In 2010 TPCA was also affected by the technical problems of the Toyota's acceleration pedal, specially its model Aygo automatic. This event affected the level of consumer confidence and trust in Toyota worldwide; however in Czech Republic the sales of TPCA maintained stable.

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<sup>55</sup> MacNeill, Stewart, and Jean J. Chanaron. "Trends and Drivers of Change in European Automotive Industry: Mapping the Current Situation." *Automotive Technology and Management* 5.1 (2005). Inderscience Enterprises Ltd. Web. 7 June 2010. <[www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf](http://www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf)>.

<sup>56</sup> MacNeill, Stewart, and Jean J. Chanaron. "Trends and Drivers of Change in European Automotive Industry: Mapping the Current Situation." *Automotive Technology and Management* 5.1 (2005). Inderscience Enterprises Ltd. Web. 7 June 2010. <[www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf](http://www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf)>.

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### ***Hyundai Motor Manufacturing Czech***

Hyundai Motor Manufacturing Czech with EUR 1 billion investment constitutes one of the biggest FDI in Europe. Its plant is located in the region of Moravia-Silesia near to the town of Nosovice.

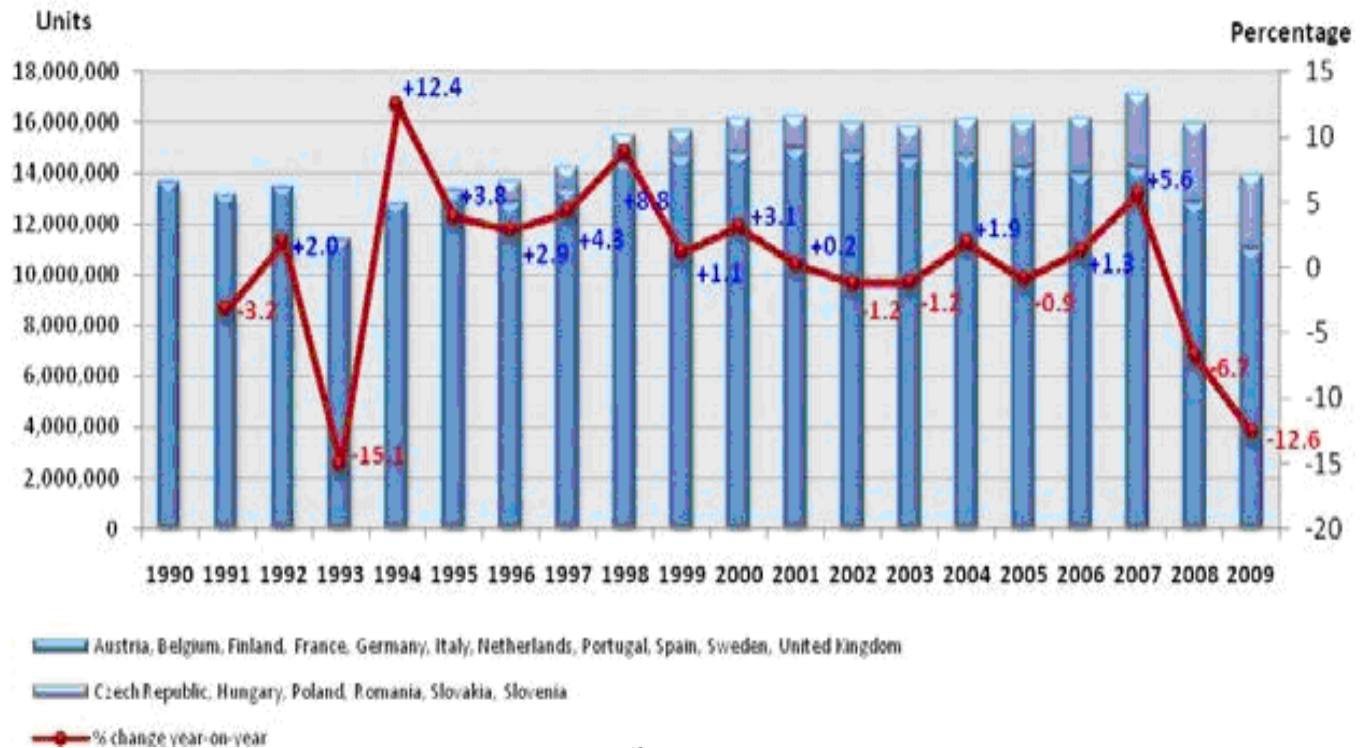
It started production in November 2008 and it produces around 300,000 cars per year. The Czech government invested a lot of resources in infrastructure and provided taxes breaks of over EUR 200 million to incentive this investment and to improve the employment situation in the region. The Nosovice plant hosts more than 2,000 employees but this number is expected to increase to 3,500 by 2011 when the plant will be at full capacity.<sup>57</sup>

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<sup>57</sup> "Central and Eastern Europe Automotive Market." *Central and Eastern Europe Automotive Market*. Web. 29 July 2010. <<http://trade.gov/static/CEE%20Automotive%20Market%20Final2.pdf>>.

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## Passenger Car Production in Europe 1990-2009



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### *R&D centers:*

There are also many important supplying firms and R&D centers that constitute the most important part of the Czech car industry by achieving higher revenues than the actual car producers and maintaining a 56% of the sectors production. The majority of these firms are Czech however there are many foreign companies enjoying the high technical level of the Czech labor force, its healthy economy and the constant support of the government towards FDI.

<sup>58</sup> Janosec, Jiri. "Automotive Sector in the Czech Republic." *UNIDO*. Unido.ORG. Web. 15 July 2010. <<http://automotiveforecasting.com/gpo/global-summary.pdf>>.

## Selected Technology and R&D Centres



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Czech Republic offers a great environment for potential foreign investment since its strategic position in Central Europe, its developed transport communications infrastructure, its highly educated and low wage workforce, its highly developed technical base, its governments support and a new generation of competent local managers.

### 4.3 Automotive industry economic and market background: United States of America

More than one million Americans are employed in manufacturing motor vehicles, equipment and parts. But the industry has changed dramatically since the U.S. “Big Three” motor vehicle corporations (General Motors, Ford and Chrysler) produced the overwhelming majority of cars and light trucks sold in the United States. By 2003, most passenger cars sold in the U.S. market

<sup>59</sup> Graphic from Automotive Industry in the Czech Republic, Czech Invest, [www.czechinvest.org](http://www.czechinvest.org).

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were either imported or manufactured by foreign-based producers at new North American plants (so-called “transplant” facilities). The Big Three now dominate only in light trucks, and are being challenged there by the foreign brands.

The Big Three have shed about 600,000 U.S. jobs since 1980, while about one-quarter of Americans employed in automotive manufacturing (nearly 300,000) work for foreign-owned companies — and that excludes Chrysler, which was acquired by Daimler Benz of Germany in 1998. These changes have had major effects on the structure and location of the U.S. motor vehicle industry.

In recent years, the recurring troubles of the American Big 3 automakers have been coming to a head. General Motors (GM), Ford, and Chrysler face a host of problems. Legacy costs inherited from past manufacturing heydays in the form of costly pension and health care plans for retired employees add up to hundreds of billions of dollars. Unappealing gas-guzzler product lines that are a step behind current auto buying trends aren't driving strong earnings, either; instead, the Big 3 are trying to pad flagging normal sales rates with price incentives. Finally, continuing tussles with the United Auto Workers and large capital investments in SUV and truck manufacturing equipment make it hard to cut costs and downsize to profitability. Meanwhile, Asian and European competitors are rapidly outstripping these traditional auto manufacturing powerhouses.

The global financial collapse of 2009 -2010 affected the automotive industry worldwide primarily in the European and Asian markets however the major impact was in the American automobile manufacturing industry. The first hit came from the 2003 -2008 energy crisis which increased dramatically the prices of the automotive fuels decreasing the sales and purchases of SUV's and pickup trucks which aren't fuel efficient. This kind of cars are very attractive in the American market since its average consumer prefers large sized cars with very high horsepower engines that normally consume large quantities of fuel therefore the American “big tree” automakers General Motors, Ford and Chrysler suffered a large decrease in sales when they

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didn't have enough fuel efficient models to offer to its customers. By 2008 the situation became critical and the prices of raw materials start to increase.

The American car companies implemented creative marketing strategies to convince the reluctant consumers and they start with an aggressive discount policy in all of their lineups. However this strategy proved to be irresponsible since the alarming rise in the oil prices. North American consumers start to change their behavior in the presence of the more efficient and environmental friendly Japanese and European models.

The most dramatic cases during this crisis were the bailouts of General Motors and Chrysler which declared bankruptcy after a poor management and marketing strategy causing them to become a burden for the also very affected American economy. The main plan was to clean and restructure the managerial direction of these giants in order to preserve the country's harmony and employment level. However everything turned to the worst and after many mergers, acquisitions, credits, bailouts and bankruptcies we are still in a crisis that started since the oil crisis in 2008.<sup>60</sup>

In Q1 2009 the Auto Industry sales results continued to trend significantly below previously expected levels, dropping nearly 1.4M units for the quarter, or a 38.4% decline from the prior year. Monthly sales in January, February, and March were catastrophic, with each month posting results not seen in decades. Of the YTD sales volume decline, trucks accounted for 50.9% of the decline. Thus, indicating that U.S. consumer demand for trucks remains steady relative to cars.

The first three months of 2009 failed to produce the stabilization many had hoped for, with volumes plummeting to about 2.2 million units for the quarter. The first quarter actually resulted in further deterioration in momentum – as its yoy % change decline (-38.4%) was much worse

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<sup>60</sup> Motor Vehicle Quickfacts." *International Trade Administration*. US Department of Commerce. Web. 16 June 2010. <[http://trade.gov/mas/manufacturing/OAAI/auto\\_reports\\_index.asp](http://trade.gov/mas/manufacturing/OAAI/auto_reports_index.asp)>.

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than the first, second, third and fourth quarters of 2008 (i.e., since the start of the recession), which were -7.9%, -12.0%, -18.4%, and -34.8%, respectively.

### U.S. Sales

	Jan.-09	Feb.-09	Mar.-09	YTD 2009	YTD 2008	Unit Diff.	% Chg.
Cars	319,978	346,376	453,828	1,120,182	1,792,706	(672,524)	-37.5%
Light Trucks	335,324	341,868	402,309	1,079,501	1,777,066	(697,565)	-39.3%
Total Sales	655,302	688,244	856,137	2,199,683	3,569,772	(1,370,089)	-38.4%

Source: J.D. Power and Associates

2009 sales levels are significantly depressed compared to 2007 (16.1M units) and 2008 (13.2M units) results. However, there was a small uptick in sales in March, partly from new incentive offerings, sales programs (if new-vehicle buyers lose their jobs) and new models in the market. In March, four new models reached dealer showrooms, including two new hybrids: the Ford Fusion Hybrid and Honda Insight Hybrid, as well as the conventionally powered Kia Soul and Nissan 370Z.

Monthly top-line sales continued to post significant year-over-year declines in January, February, and March, of -37.1%, -41.4%, and -36.9%, respectively. In each of the three months of the first quarter, sales remained below 900,000 units, which now represents six consecutive months of this level of depressed sales.

Over the last five years, March sales have historically increased 21% over February's results. As a glimmer of hope that the industry might be turning around, last month's sales were 24% above the prior month's results. In addition, the industry seasonally adjusted annualized selling rate (SAAR) reached 9.9M units in March. Despite the 15.0M March SAAR last year, this year's monthly SAAR was better than the 9.1M units sales pace in February and 9.6M unit rate in January.

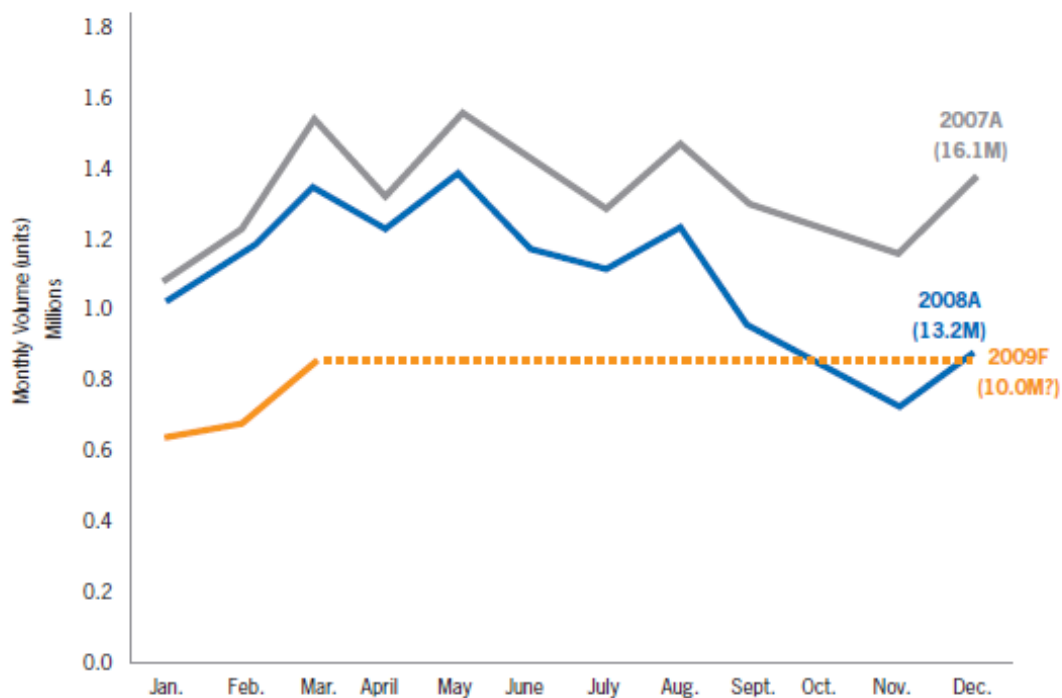
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Retail sales (non-fleet) increased slightly (200,000 units) over February to a 7.9M unit selling rate in March, but were down more than 2.0M units compared to the prior year.

Fleet sales returned to the 2M unit rate, increasing 600,000 units from February, but down 1.0M units from March 2008, according to J.D. Power and Associates.

Automakers would be forced to revert back to heavy incentives and extended sales promotions in order to soften the significant sales decline. Over the last several months, the OEMs have aggressively pursued the use of incentives, as the average incentive across the industry reached almost \$3,200 per vehicle. Despite increased actions from the OEMs to spur vehicle demand, sales results continue to surprise on the downside. For the last six months, the recession has continued to more aggressively chip away at consumer confidence levels.

**U.S. Sales Results by Month**



Source: Grant Thornton Analytics and J.D. Power and Associates



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#### **4.4 USA Automotive Market Sales and Performance**

America's love affair with the automobile could be sputtering to an end. About 14 million cars were taken out of action last year, 4 million more than rolled off the assembly lines and onto the roads. It was the first time since World War II that more cars were scrapped than sold, reducing the size of the US car fleet from a high of 250 million to 246 million.

Sales fell 21.2 per cent from 2008 and the total sales volume was the lowest since 1982. Many consumers held off buying a new car because of fears of losing their job.

The Obama Administration's efforts to spur demand by offering motorists up to \$US4500 (\$4890) on trade-ins of older cars and pick-up trucks took 700,000 older models off the road last year. But that did not affect the total number of vehicles on the road because consumers could take advantage of the scheme only if they replaced their old clunkers with new, more efficient vehicles.

Americans might finally have decided that with cars, enough is enough. The country now has 246 million licensed cars for 209 million licensed drivers.

A younger generation - unsure about finding a job after high school or college - was also far less likely to see car ownership as a rite of passage. The number of teenagers with licenses peaked at 12 million in 1978 but was now less than 10 million.

New car sales peaked at 17.4 million in 2000 and in 2009 were the lowest since 1982 according to the industry data publisher Autodata based in Woodcliff Lake, New Jersey.

2009 marked several milestones when sales in China surpassed the U.S. Honda reached to third position in U.S. sales and Toyota retained its lead at the number two. Amazingly Korean car manufacturers now sell nearly as many cars as all German manufacturers sell in the U.S.

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It was bad news across the board for 2009 with total light vehicle sales declining 21.2% to 10.43 million from 13.24 million, passenger car sales dropping 19% to 5.49 million from 6.79 million and light truck sales falling 23.6% to 4.935 million from 6.457 million.

### ***“The big Three”:***

General Motors, Ford and Chrysler are known as the “big three” or “Detroit three”. They are the largest automakers in USA and Canada and for a while the largest in the world. Ford used to be ranked as second in the world for over 50 years but in 2007 Toyota took the second place in American sales showing us a change in the American consumer behavior. In 2008 Toyota also stole the first place from GM in sales and production.

### ***General Motors:***

*“In 2009 GM experienced a dramatic restructuring which included a 50 billion USD in federal support and a drop in its market share from 29.1 % in 1999 to a historic low 19.9%. Its production declined a total of 47.8% in relation to 2008. Despite all the efforts to bring some efficiency by productivity improvements, manufacturing rationalizations and reductions in labor benefits GM suffered plant closures, leadership changes and decline in brands and dealerships. During the 2008 energy crisis GM’s situation was chaotic and after a series of federal loans and government support the company just continued losing money.*

*For the first three months of 2009, GM lost \$6 billion. First quarter revenues worldwide were down 47 percent compared to the same period in 2008, primarily due to GM’s decision to produce 903,000 fewer vehicles globally. GM did not report any full-year financial data or sales data for 2009 other than sales of 1.8 million vehicles in China by GM and its joint ventures (an increase of 66.9 percent). In mid-November 2009, GM reported it lost \$1.15 billion since emerging from bankruptcy on July 10.*

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*The automaker's North American operations lost \$651 million, while its international operations had a \$238 million profit. The United States is GM's largest market, followed by China, Brazil, Germany, the United Kingdom, Canada, and Italy. As of October 7, 2009, GM has reduced its U.S. workforce from approximately 29,700 salaried at the end of 2008 to approximately 24,300. Hourly employment declined from 62,000 to 49,200 people in the same time period".<sup>61</sup>*

## **Chrysler**

*"During its history, Chrysler has experienced several cycles of booms and busts. 2009 saw Chrysler's sales fall 36 percent and its market share falling from a high of 14 percent in 1988 to 8.9 percent in 2009. Chrysler was saved from bankruptcy by the US Government in 1979. Chrysler paid back the loan early and went on to several years of success. By the mid-1990's Chrysler was seen as a strong and growing company (with large cash reserves) causing it to become an acquisition target for Daimler-Benz. Chrysler was owned by Daimler-Benz from 1998 to 2007, when it was purchased by Cerberus Capital Management.*

*Chrysler had several profitable years under DaimlerChrysler management. However, losses began to mount before the sale to Cerberus and have reportedly continued up to the present. Chrysler earned nearly \$2 billion in both 2004 and 2005, but lost approximately \$1.5 billion in 2006 and 2007. Chrysler disclosed a loss of \$8 billion in 2008. While owned by Daimler, Chrysler employment declined from 123,000 to approximately 69,000 (a 45 percent decline). Under Cerberus management, employment was cut further to 56,600.*

*Since 2007 when Chrysler separated from DaimlerChrysler, Chrysler reduced capacity by 1.2 million units, which represents over 30 percent of its total capacity. Chrysler reduced fixed costs by \$2.2 billion, and by the end of 2008, furloughed over 32,000 employees (including 8,000 white collar workers).*

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<sup>61</sup> Office of Transportation and Machinery. "Motor Vehicle Industry Assessment, 2010." *International Trade Administrator*. Department of Commerce USA. Web. 24 July 2010.  
<[http://trade.gov/mas/manufacturing/OAAI/auto\\_reports\\_index.asp](http://trade.gov/mas/manufacturing/OAAI/auto_reports_index.asp)>.

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*On December 19, 2008, Chrysler received \$4 billion of the \$17.4 billion in emergency loans from the \$700 billion TARP. As conditions for its loan, Chrysler submitted plans to demonstrate its viability. The President's Automotive Task Force determined that Chrysler's plan (February 2009) was insufficient and that the company would have to enter Chapter 11 bankruptcy. The government provided Chrysler with additional capital to continue operations until it concluded negotiations with debt holders and reached terms for its merger with Fiat in March 2009. On March 30, 2009, the Obama Administration approved a framework for Chrysler to achieve viability by partnering with the international car company Fiat. The alliance would also retain Chrysler's existing factory footprint and continue producing Chrysler cars in U.S. factories. The alliance would create the sixth-largest global automaker, spreading R&D and design development costs over higher volumes.*

*On June, the Chrysler-Fiat alliance became official. Fiat CEO Sergio Marchionne became CEO of the renamed Chrysler Group LLC. A Chrysler alliance with Fiat has several positive features. It provides Chrysler with access to competitive, fuel-efficient vehicle platforms, powertrains, and components. Fiat would also provide distribution capabilities in growth markets, as well as substantial cost savings. The partnership also allows both firms to take advantage of each other's distribution networks and to optimize their current manufacturing facilities and global supplier base.*

*In sales, Chrysler will be looking to recover market share it has lost over the last two years. Chrysler is targeting 13 percent market share for the United States compared with its current 8.9 percent. Given the projected growth of the U.S. market, this would more than double its domestic market sales from 950,000 units to nearly 2 million units, with total sales rising from 1.3 million to 2.8 million. This includes all brands. Chrysler is basing its short-term goals on projected U.S. industry sales of 11 million units in 2010. Under this plan, improving sales outside of North America will be key for Chrysler's efforts to reduce its dependence on one region and achieve*

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*profitability. Chrysler is projecting to increase its foreign sales from the 144000 units in 2009, to 500,000 by 2014.*"<sup>62</sup>

### **Ford**

*"On January 2010, Ford announced it posted a full year profit of \$2.7 billion, or 86 cents a share. This was a \$17.5 billion improvement from 2008. Pre-tax operating profits for 2009 were \$454 million; an improvement of \$7.3 billion compared to 2008. Ford posted a profit in the second, third and fourth quarter of 2009. Ford forecasts that it will again be profitable in 2010 and for the foreseeable near term as long as the automotive industry continues to improve worldwide. Ford had not recorded a full year profit since 2005.*

*Ford reduced automotive structural costs in 2009 by \$5.1 billion, exceeding its own goal of \$4 billion. The company gained market share in North and South America and Europe. At year's end, Ford had \$25.5 billion in cash, but \$34.3 billion in automotive debt.*

*Revenue in 2009 amounted to \$118.3 billion, down from \$138.1 billion in 2008. However, due to the cost savings, fewer one-time write-downs, and a profit from Ford Credit, Ford was able to post a profit. Share prices for Ford increased from a low of \$1.50 on February 20, 2009, to \$10.00 as of December 31, 2009.*

*Ford posted a 33 percent total increase in U.S. vehicle sales in December 2009 over December, 2008; with car sales up 42 percent, crossover sales up 51 percent, sport utility up 33 percent,*

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<sup>62</sup> Office of Transportation and Machinery. "Motor Vehicle Industry Assessment, 2010." *International Trade Administrator*. Department of Commerce USA. Web. 24 July 2010.  
<[http://trade.gov/mas/manufacturing/OAAI/auto\\_reports\\_index.asp](http://trade.gov/mas/manufacturing/OAAI/auto_reports_index.asp)>.

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*and pickups and vans up 18 percent. If this trend continues into 2010, Ford will again increase its U.S. market share of vehicle sales.*<sup>63</sup>

*While GM and Chrysler received U.S. financial assistance in 2008-2009, Ford possessed sufficient credit lines and cash so that it did not require any form of US Government direct financial assistance. However, Ford did receive a guaranteed line of credit from the USG of \$9.0 billion (not used to date).*

*Ford also received a \$5.9 billion loan from the USG in September to transform many of its factories into more efficient operations. The funds came from the U.S. Department of Energy's Advanced Technology Manufacturing program for vehicles.*

*Ford gained 1.1 percent of U.S market share in 2009 compared with 2008 (its first gain in share since 1995). Auto analysts have determined most of this increase in share came primarily at the expense of the other two U.S. companies. Ford advertising has emphasized that while GM and Chrysler had to receive financial aid from the U.S. Government; Ford has been a much more stable company and has needed no assistance from the U.S. Government. Auto analysts have agreed that the advertising strategy has benefited Ford, and along with other factors, has helped Ford increase sales of vehicles in the United States and Canada.*<sup>64</sup>

Because of Toyota's recent safety problems, which have caused millions of recalls during late 2009 and early 2010, and Ford's widely accepted new products; Ford hopes to continue to increase its U.S. market share in 2010 by bringing more current Toyota owners into its showrooms and selling more vehicles. Based on sales through February, this appears to be happening.

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<sup>63</sup> Office of Transportation and Machinery. "Motor Vehicle Industry Assessment, 2010." *International Trade Administrator*. Department of Commerce USA. Web. 24 July 2010.  
<[http://trade.gov/mas/manufacturing/OAAI/auto\\_reports\\_index.asp](http://trade.gov/mas/manufacturing/OAAI/auto_reports_index.asp)>.

<sup>64</sup> Office of Transportation and Machinery. "Motor Vehicle Industry Assessment, 2010." *International Trade Administrator*. Department of Commerce USA. Web. 24 July 2010.  
<[http://trade.gov/mas/manufacturing/OAAI/auto\\_reports\\_index.asp](http://trade.gov/mas/manufacturing/OAAI/auto_reports_index.asp)>.

In addition, Ford car and truck models were named vehicles of the year by Motor Trend magazine, and auto analysts have given very good reviews to new models that will be introduced during 2010, further increasing the sales and the residual values of Ford products. Also, a leading consumer magazine and independent surveys have given Ford very high marks in both safety and reliability.<sup>65</sup>

In 2009, U.S. light vehicle sales fell to their lowest level since 1982, reaching only 10.4 million units. Sales peaked in the year 2000 at 17.3 million units, and averaged 16.4 million units from 2000 to 2008. Sales in 2009 were 21 percent below 2008's sales level, which in turn were 18 percent below 2007's levels. These extremely low sales levels caused major distress for nearly all the automakers operating in the United States and directly contributed to the near downfall of the Detroit 3.<sup>66</sup>

The market position of the Detroit 3 continued to deteriorate in 2009, with their market share falling to only 44.1 percent. While their market share has been in decline for decades, as recently as the year 2000 the three companies still commanded two thirds of the market. All three companies lost market share in 2009, with GM ending the year at 19.9 percent of the market, Ford at 15.3 percent and Chrysler at 8.9 percent. Ford's market position actually shows an improvement over 2008 when its market share was only 14.2 percent (Ford's first annual increase since 1995). However, given the decline in the market, Ford's sales were down almost 15 percent for the year.

Collectively, Detroit 3 sales were down 26.6 percent in 2009, falling from 6.2 million vehicles to only 4.6 million vehicles in 2008. This sales level matches more closely to sales levels in the 1950's (in 1958 when the U.S. population was only 57 percent as large as it is today, U.S. car makers sold 4.7 million passenger cars). Projecting the average fall of Detroit 3 market share and

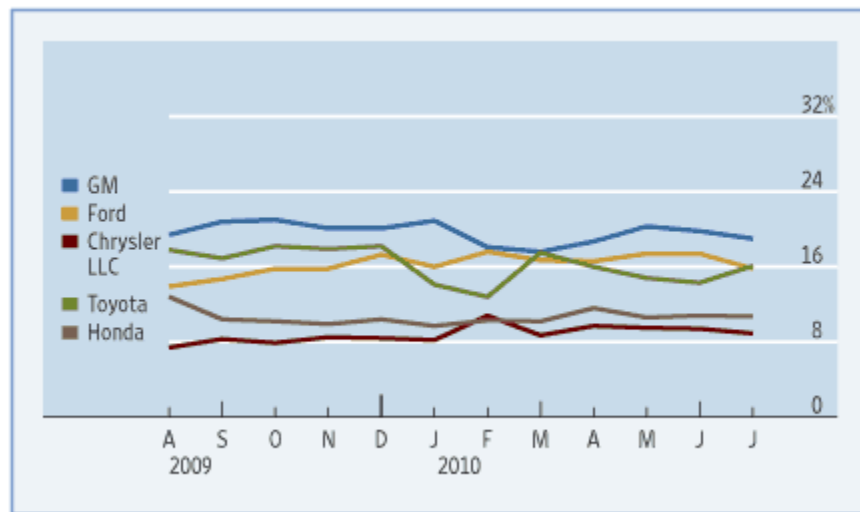
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<sup>65</sup> Automotive Industry Reports (International Trade Administration). " *Auto Industry Profiles-Business.gov*. US Government. Web. 13 July 2010. <<http://www.business.gov/industries/automotive/profiles.html>>.

<sup>66</sup> Automotive Industry Reports (International Trade Administration). " *Auto Industry Profiles-Business.gov*. US Government. Web. 13 July 2010. <<http://www.business.gov/industries/automotive/profiles.html>>.

the increase in Japanese manufacturer market share since 1986, the Japanese automakers would pass the Detroit 3 in 2011. Following the trend of the past five years only, the Japanese car companies would pass the Detroit 3 in 2010. However, following these simple trend lines ignores the downsizing of GM and Chrysler, the market share gains of Ford and the quality problems Toyota began to encounter in early 2010. While it is hard to predict with any certainty what any particular year's market share numbers will be, it seems certain that the Detroit 3 will not return to their former dominant position in the U.S. market in the near future.<sup>67</sup>

### US Market Share 2009-2010



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### Trends and Sales:

<sup>67</sup> Automotive Industry Reports (International Trade Administration). "Auto Industry Profiles-Business.gov. US Government. Web. 13 July 2010. <<http://www.business.gov/industries/automotive/profiles.html>>.

<sup>68</sup> "Auto Sales - Markets Data Center." *Business News & Financial News - The Wall Street Journal*. Web. 20 July 2010. <[http://online.wsj.com/mdc/public/page/2\\_3022-autosales.html#autosalesE](http://online.wsj.com/mdc/public/page/2_3022-autosales.html#autosalesE)>.



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As automakers push to meet new federal fuel economy standards, many analysts predict that the shift from trucks to cars and from big trucks to small trucks (e.g. CUVs) will accelerate. Some estimation predict that the 2010 market might be composed of as much as 60 percent to 65 percent small cars and CUVs. In 2009, these segments accounted for 40 percent of the market. By its count, almost half of all models introduced in the next three years will be small cars.

While recent history would indicate that this would favor foreign manufacturers, recent passenger car advances from the Detroit 3, and the promise of Fiat product coming to the U.S. market for Chrysler will make the U.S. companies stronger contenders.

There are currently thirteen manufacturers producing cars and light trucks in the United States – BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Kia, Mazda, Mercedes, Mitsubishi, Nissan, Subaru, and Toyota. In November 2009, Kia opened Kia Motors Manufacturing Georgia (KMMG), its first U.S. plant that will be able to produce up to 300,000 vehicles at full capacity.

In February 2010, GM stated that it was already considering reopening some plants. GM Vice Chairman Bob Lutz stated that they have a shortage of the SRX, Equinox, Terrain, Enclave, Traverse, Acadia, and LaCrosse models. GM may add capacity to meet demand and maintain market share.

In addition, vehicle inventory was slashed in 2009 with production levels lower than sales. Should sales levels improve, automakers will be faced with the decision of whether to increase capacity once again and face the dilemma of potentially flooding the market.<sup>69</sup>

## **2009 Car Sales Statistics**

### **Toyota**

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<sup>69</sup> Jacobe, Dennis. "Surging Prices Changing U.S. Consumer Behavior." *Gallup.Com - Daily News, Polls, Public Opinion*. Gallup, 18 July 2008. Web. 23 June 2010. <<http://www.gallup.com/poll/108892/surging-prices-changing-us-consumer-behavior.aspx>>.

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Toyota's market share of twenty-six percent includes Toyota, Lexus, and Scion models. Highs for Toyota were a two percent increase in the Corolla and a sixteen percent increase in the Sequoia. Lows were the Tundra which dropped a whopping sixty-five percent. Both Lexus and Scion with higher price tags showed poor sales performances for 2008. As we can see the current consumer's preferences are based on fuel and cost efficiency no longer on horsepower neither luxury.

### **Chrysler**

Chrysler's market share of thirty-five percent includes Chrysler, Dodge, and Jeep models. The Chrysler Corporation's market share was due to high orders and sales of the Dodge Viper, which was up by one-hundred forty-two percent, and the Crossfire at one-hundred- twenty-eight percent; the Crossfire was discontinued for model year 2009 despite its increase in sales. Every division of Chrysler suffered a loss in sales, which experts attribute to the introduction of the Dodge Durango hybrid along with the Chrysler Aspen hybrid, only to be released and discontinued immediately. In all, Chrysler, Dodge, and Jeep saw a loss in all models other than the Viper and Crossfire of twenty-nine percent, except the Dodge Ram models which saw a rise of twelve percent. Only the people's classics like the Dodge Ram, Viper and Crossfire which are cultural icons of strength and rough lifestyle were able to maintain/increase their sales levels.

### **General Motors**

General Motor's forty-five percent share includes the Cadillac, Buick, Pontiac, Saturn, Chevrolet, Hummer, and Saab lines. Surprisingly, Hummer sales rose sixty-five percent even with high gas prices. The Chevy Malibu was a hit with an increase in sales of eighty-two percent, and lows were the Chevy Aveo with a loss of fifty percent, and the Tahoe with a seventy-seven percent loss. General Motors pick-up trucks did better in the truck market with an increase of eight percent.

### **Ford**

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Ford's thirty percent share includes the Ford, Mercury, Lincoln, Mazda, and Volvo market. Highs for Ford were the Mazda5 minivan which rose a whopping two-hundred-forty percent and the Ford Fusion rising three percent. At the bottom for Ford were the Taurus losing fifty-three percent, and the Edge which had a decrease of fifty-eight percent in sales. Ford's F-series trucks rose seven percent and the Lincoln Town-Car had an eleven percent increase in sales, most likely due to the fleet market. In this case Ford is enjoying loyalty from the typical American consumer who sees the F series as a powerful work truck and rely on the quality and confidence deposited in the brand.

### **Nissan**





















Nissan's thirty percent market share includes Nissan and Infiniti lines. The Nissan Maxima was up by thirty-three percent and the Versa rose three percent in sales for 2008. The entire Infiniti market showed a loss of twenty-nine percent in sales. The Maxima is an efficient model which can offer conformability at a reasonable price therefore the American consumer who love big spaces and technology can take advantage of it.

### **Honda**

Honda's twenty-eight percent market share includes both the Honda and Acura model lines. The Honda Fit showed an increase of twenty-eight percent and lows were the Accord losing thirty-eight percent; however, Acura's TL saw a boost of twenty-two percent. While the Honda Odyssey minivan is one of the most popular on the market today, it realized a loss in sales of three percent.

### ***Top 20 Vehicles Sales US market (Aug 2010)***

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	Jul 2010	% Chg from Jul '09	YTD 2010	% Chg from YTD 2009
Ford F - Series PU	50,449	38.9	290,794	 34.7
Toyota Camry / Solara	35,058	3.2	189,297	 2.8
Chevrolet Silverado PU	34,664	25.5	201,446	 13.4
Toyota Corolla / Matrix	27,345	-7.6	167,846	 11.0
Honda Civic	23,231	-22.7	156,832	 5.6
Honda Accord	23,032	-22.6	170,701	 6.1
Chevrolet Malibu	20,458	33.4	128,775	 41.3
Dodge Ram PU	20,138	13.6	105,007	-6.4 
Honda CR-V	20,058	4.7	106,928	 9.0
Nissan Altima	18,275	-5.1	130,390	 12.7
Hyundai Elantra	18,215	33.8	75,779	 41.6
Hyundai Sonata	17,836	33.3	107,085	 45.0
Ford Fusion	17,406	-1.2	128,581	 25.1
Toyota RAV4	15,979	0.4	96,979	 24.1
Ford Focus	15,417	-29.4	105,200	 15.4
Ford Escape	14,689	-27.4	113,669	 17.6
Chevrolet Impala	14,565	-0.6	104,056	 11.5
Toyota Prius	14,102	-26.4	80,141	 7.0
GMC Sierra PU	11,910	13.8	67,518	 11.5
Nissan Rogue	10,963	61.9	53,313	 21.0

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## 5. Conclusions

<sup>70</sup> "Auto Sales - Markets Data Center." *Business News & Financial News - The Wall Street Journal*. Web. 20 July 2010. <[http://online.wsj.com/mdc/public/page/2\\_3022-autosales.html#autosalesE](http://online.wsj.com/mdc/public/page/2_3022-autosales.html#autosalesE)>.

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Consumer Behavior and its understanding are a source of competitive advantage in the current global business environment. We can't deny all the psychological, physical and sociological factors behind every purchase decision. The economic background and the history of each region are also main regulators in these consumer trends or preferences.

It is certain that the different realities of each continent, region or country make their population a unique market where the marketing strategy mix could be adapted and used in a very cautious and informed way since it will determine our failure or success.

There are many approaches in order to analyze certain segment or population in the business market. In this thesis the main approaches were based on the studies of Abraham Maslow and Gerard Hofstede along with some economic and demographic factors that gave us a profile overview of the 2 different consumers selected: The American consumer and the Czech consumer.

It is very difficult to generalize or stereotype a culture based on their purchasing habits or preferences however there are many similarities that create trends among the different segments of the American and Czech societies; which are significant enough to be mentioned and analyzed in order to build and design a different strategy in each country.

The Hofstede's dimensions had proved to be very valuable and useful parameters to understand and had quick overview of the differences and similarities among countries. We had: Power Distance Index (PDI) , Individualism (IND), Masculinity (MAS), Uncertainty Avoidance Index (UAI) and Long Term Orientation (LTO) as the main dimensions used in this study.

The Czech population showed to be a society that enjoys and praises the equality among its members and prefers an average standard of life for the majority of its population instead of big gaps or differences among social classes. It constitutes a more sharing society where the unity of the group and the need for social affiliation are the main drivers of their conduct. Czech People

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prefer modesty and care instead of assertiveness and strength since they believe in a more feminine society where peace and harmony should be rewarded.

In terms of business the Czech people prefer more control over the outcomes of the business therefore they pay a lot of attention to the different regulations, standards and contracts when they engage in business since they don't like uncertainty and they like to measure success in the short term.

The American society is quite different since their values are more focus on consumption and personal success rather than needs of belonging or acceptance. The PDI in USA shows a society which accepts an average standard of living as fair and the differences between classes are accepted as valid since the American population praises and understands the importance of awarding the best achievers or performers. The management styles in USA are more participative and we can see more confident subordinates enjoying freedom in terms of collaboration and job empowerment.

The individual is of key importance for the American society since they prefer the strong and assertive high achievers. They enjoy competition and the difference with Czech society is quite noticeable. The American society rewards the strong and punishes the weak since they have the conviction that any individual is able to succeed with hard work and persistence.

In terms of uncertainty the Americans are more relaxed since a strong sincere handshake is more respected than a long contract covering all the points of the transaction. They value long term qualities like loyalty and perseverance.

The economic background of these 2 countries is completely different and affects the attitudes, perceptions and behaviors of their populations in a great extent. However, the current of globalization, the creation of big economic and trading blocks and the last financial crisis had changed many of the buying trends in different regions causing many unexpected shifts in all the continents.

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The Czech economy is based on its strategic location in Central Europe, its high skilled labor, its high level infrastructure and its constant support towards foreign investment. Being part of the European Union, Czech Republic maintains a strong GDP of USD 266.3 billion with a 3.9% growth rate making it a formidable destination for manufacturing centers, outsourcing services and R&D investments. Some examples are: Honeywell, Panasonic, ExxonMobile, DHL, Olympus, LogicaCMG, EuropAssistance, Mercedes and specially the alliance TPCA (Toyota, Peugeot and Citroen) that positioned Czech Republic as one of the major players in the European automotive industry.<sup>71</sup>

The most attractive sectors of the Czech economy include: automotive, business process centers, construction, aerospace, electronics, high-tech engineering, medical services, IT, business support services, R&D, life sciences and software development.<sup>72</sup>

The United States of America has a capitalist mixed economy with a well-developed infrastructure, abundant natural resources and a high manufacturing productivity. Its GDP of 14.256 trillion USD constitutes 24% of the gross world product and it is the largest national GDP in the world. USA is a main player in terms of trading since it is the largest importer of goods and the third largest exporter of goods in the world. His top trading partners are: Mexico, Japan, China, Germany and Canada. During 2007 the automotive industry was the key leading import and export sector.

The private sector plays a major part in the US economy with 55.3%, then federal activity 24.1% and finally local and government activity 20.6%. This postindustrial economy has a very successful service sector which accounts for 67.8% of its GDP, however there are many

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<sup>71</sup> Guidote, Maria B. "A Case Study on the Car Industry of the Czech Republic: Tracing FDI Trends in Central and Eastern Europe after the 1990s." *Socioeconomic Geography of the Central European Countries* (2008). *Core Fields of European Culture III*. Web. 7 June 2010.  
<[http://www.euroculture.upol.cz/.../Czech%20car%20industry\\_\(16\).doc](http://www.euroculture.upol.cz/.../Czech%20car%20industry_(16).doc)>.

<sup>72</sup> "Central and Eastern Europe Automotive Market." *Central and Eastern Europe Automotive Market*. Web. 29 July 2010. <<http://trade.gov/static/CEE%20Automotive%20Market%20Final2.pdf>>.

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important manufacturing industries like: chemicals, oil, electricity, nuclear power, natural gas, corn, salt, sulfur, etc.<sup>73</sup>

In the last decade the economy of USA suffered strong shifts; in 2003 the war in Iraq required to allocate more resources to the military, then the oil prices between 2005 and 2008 completely rose inflation and unemployment which brought them to budget deficits, stagnation of family income and poor investment. Then the sub-prime mortgage crisis, the investment banks failures and the merchandise trade deficit (\$ 840 billion (2008)) created the deepest and longest downturn since the Great Depression<sup>74</sup>. This incidents affected in a great manner the purchasing power and behavior of the Americans changing their lifestyle and preferences.

All of these background facts and more were taken into consideration in this thesis in order to analyze the differences and similarities of their respective consumers in an efficient manner. The key example that was used was the automotive industry since it plays a major role in the economies of the both countries and it can give us a clear idea of the main characteristics and attitudes behind the decision or choice to acquire a vehicle and which type.

The purchase decisions and behavior of the Czech consumers regarding commercial automobiles are very different than the American ones. We can see that the Czech consumers prefer small economic compact cars since they are very conscious about the environment and the streets of their major cities (Prague and Brno) are not designed for big SUV's and/or sports cars in terms of practical purposes and parking. However Czech people enjoy outdoor activities and a small percentage of the population would prefer a 4 wheel drive car but the main constraints are the fuel efficiency and the cost behind this decision. There is a big market in the Central European countries for compact cars and that's why many global players in the automotive industry decided to outsource their assembly lines here; for example TPCA (strategic alliance Toyota,

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<sup>73</sup> "USA Background." World Trade Organization. WTO. Web. 24 Sept. 2010. <<http://www.wto.org/index.htm>>.

<sup>74</sup> Beissmann, Tim. "EU Car Production Lowest since 1996, 2010 Looking 'very Challenging'." *Car Advice*. Web. 23 Aug. 2010. <<http://www.caradvice.com.au/60561/eu-car-production-lowest-since-1996-2010-looking-very-challenging/>>.



Peugeot and Citroen) in the Czech Republic. This strategic alliance is a complete success since the models C1, Peugeot 107 and Toyota Aygo perfectly suit the demand of the average Czech consumer that's doesn't consider his/her automobile as a symbol status therefore they don't need neither want big expensive cars with powerful engines. The Czech society doesn't appreciate differentiation between individuals since they prefer to maintain an equal social stratification position therefore we don't see any special or fancy automobiles in Prague but in Los Angeles is a complete different story.

When it comes to transportation consumption the Czech households spend 13.5% of their income in these goods/services and the main reasons behind their purchase decisions (in order of importance) are: the necessity of need, price, quality and characteristics/attributes. As we can see the Czech consumer is very practical and by having one of the best public transportation networks in the world they don't really have a strong necessity for an automobile unless they have big family or they enjoy road trips. The second most important fact is price; the Czech consumer doesn't want to spend large amounts of money in a car since they have other interests and needs like their feelings towards group affiliation and social cohesiveness which stop them from buying pompous cars just to show off or to differentiate from the rest. The quality and characteristics of the car models are not so important for Czech people since they don't appreciate the special design or unique engineering of a particular model, they just want a functional practical way of transportation and nothing more.<sup>75</sup>

In the case of the American society we have a complete different set of ideas regarding automobile purchasing. Since adolescence the typical dream for any American high school student is to have his/her first car and they can do it when they turn 16 years old (US legal driving age). It is quite typical to find many parents buying second hand cars for their adolescent children as a present for their sixteenth birthday or high school graduation. Between the favorites models for this particular niche in the market are the old powerful models of Ford Mustang, GM

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<sup>75</sup> Stavkova, J., L. Stejskal, and Z. Toufarova. "Factors Influencing Consumer Behavior." *Agriculture Journals* (2008). Faculty of Business and Economics, Mendel University of Agriculture and Forestry, 13 May 2008. Web. 7 June 2010. <[www.agriculturejournals.cz/publicFiles/01585.pdf](http://www.agriculturejournals.cz/publicFiles/01585.pdf)>.

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Corvette and 80's Cadillac. For the American consumer an automobile is an expression of individuality and status therefore the bigger and the more expensive is your car the bigger is your ego and the higher is your position in the social stratification of your community.

The superficiality of the American society plays a very important role since the majority of the American drivers want to have the latest technology and comfort in their vehicles making them a short life good since every year many giants of the industry like Mitsubishi, Toyota, BMW, Ford, Mercedes-Benz, etc. change their current models with some new features or attributes directly targeting the American segment that doesn't need this attributes but want them by showing a compulsive buying behavior.<sup>76</sup>

In terms of other goods we can see similar trends since the Czech consumer is more practical and less superficial than the American one. The Czech consumer prefers to spend money on trips or in entertainment rather than extravagant expensive goods. The US consumer is mainly materialistic and his values are focused on individual success measured by the level of income and purchasing power that dictates his position or social status among the members of society.

In conclusion there are many differences in both sides regarding the lifestyle and stratification of the society. The priorities order for the both cultures is completely different since the both countries have different historical and economic backgrounds. However there are some exceptions in terms of the latest changes or shifts caused by the last financial crisis since we can see a slowdown in the materialistic behavior of the American consumer and a some "americanization" in the Czech consumer.

We can see that many industries are using the favorable environment of each country trying to find efficiencies in manufacturing and marketing of their products which is the main duty of a conscious business strategy.

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<sup>76</sup> Jacobo, Dennis. "Surging Prices Changing U.S. Consumer Behavior." *Gallup.Com - Daily News, Polls, Public Opinion*. Gallup, 18 July 2008. Web. 23 June 2010. <<http://www.gallup.com/poll/108892/surging-prices-changing-us-consumer-behavior.aspx>>.

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Through constant research and study of the market we will be able to understand the consumer trends in different countries and use them in pro of our business therefore the immense importance of an appropriate strategic marketing mix. Also the economic efficiencies found in each country will dictate the health and profits of our organization. We can only achieved this by understanding the needs of our customers and bringing them added value through the different features and benefits of our products therefore the consumer behavior study is a tool that will mark the difference between our firm and our competitors.

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## Annexes:

### Hofstede Scores

PDI	Power Distance Index
IDV	Individualism
MAS	Masculinity
UAI	Uncertainty Avoidance Index
LTO	Long-Term Orientation

Click on the Country's name for more details

Country	PDI	IDV	MAS	UAI	LTO
<a href="#">Arab World **</a>	80	38	52	68	
<a href="#">Argentina</a>	49	46	56	86	
<a href="#">Australia</a>	36	90	61	51	31
<a href="#">Austria</a>	11	55	79	70	
<a href="#">Austria</a>	11	55	79	70	
<a href="#">Bangladesh *</a>	80	20	55	60	40
<a href="#">Belgium</a>	65	75	54	94	
<a href="#">Brazil</a>	69	38	49	76	65
<a href="#">Bulgaria *</a>	70	30	40	85	
<a href="#">Canada</a>	39	80	52	48	23
<a href="#">Chile</a>	63	23	28	86	
<a href="#">China *</a>	80	20	66	30	118
<a href="#">Colombia</a>	67	13	64	80	

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<b>Costa Rica</b>	35	15	21	86	
<b>Czech Republic *</b>	57	58	57	74	13
<b>Denmark</b>	18	74	16	23	
<b>East Africa **</b>	64	27	41	52	25
<b>Ecuador</b>	78	8	63	67	
<b>El Salvador</b>	66	19	40	94	
<b>Estonia *</b>	40	60	30	60	
<b>Finland</b>	33	63	26	59	
<b>France</b>	68	71	43	86	
<b>Germany</b>	35	67	66	65	31
<b>Greece</b>	60	35	57	112	
<b>Guatemala</b>	95	6	37	101	
<b>Hong Kong</b>	68	25	57	29	96
<b>Hungary *</b>	46	80	88	82	50
<b>India</b>	77	48	56	40	61
<b>Indonesia</b>	78	14	46	48	
<b>Iran</b>	58	41	43	59	
<b>Ireland</b>	28	70	68	35	
<b>Israel</b>	13	54	47	81	
<b>Italy</b>	50	76	70	75	

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<b>Jamaica</b>	45	39	68	13	
<b>Japan</b>	54	46	95	92	80
<b>Luxembourg *</b>	40	60	50	70	
<b>Malaysia</b>	104	26	50	36	
<b>Malta *</b>	56	59	47	96	
<b>Mexico</b>	81	30	69	82	
<b>Morocco *</b>	70	46	53	68	
<b>Netherlands</b>	38	80	14	53	44
<b>New Zealand</b>	22	79	58	49	30
<b>Norway</b>	31	69	8	50	20
<b>Pakistan</b>	55	14	50	70	0
<b>Panama</b>	95	11	44	86	
<b>Peru</b>	64	16	42	87	
<b>Philippines</b>	94	32	64	44	19
<b>Poland *</b>	68	60	64	93	32
<b>Portugal</b>	63	27	31	104	
<b>Romania *</b>	90	30	42	90	
<b>Russia *</b>	93	39	36	95	
<b>Singapore</b>	74	20	48	8	48

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<b>Slovakia *</b>	104	52	110	51	38
<b>South Africa</b>	49	65	63	49	
<b>South Korea</b>	60	18	39	85	75
<b>Spain</b>	57	51	42	86	
<b>Surinam *</b>	85	47	37	92	
<b>Sweden</b>	31	71	5	29	33
<b>Switzerland</b>	34	68	70	58	
<b>Taiwan</b>	58	17	45	69	87
<b>Thailand</b>	64	20	34	64	56
<b>Trinidad *</b>	47	16	58	55	
<b>Turkey</b>	66	37	45	85	
<b>United Kingdom</b>	35	89	66	35	25
<b>United States</b>	40	91	62	46	29
<b>Uruguay</b>	61	36	38	100	
<b>Venezuela</b>	81	12	73	76	
<b>Vietnam *</b>	70	20	40	30	80
<b>West Africa</b>	77	20	46	54	16

#### Major economic indicators Czech Republic

	2006	2007	2008	2009f	2010f
GDP (EUR bn)	113.5	127.2	148.6	137.0	150.6
Population (mn)	10.3	10.3	10.4	10.5	10.5
GDP per capita (EUR)	11,050	12,318	14,245	13,063	14,279
GDP (constant prices y-o-y %)	6.8	6.0	3.2	-1.8	1.6
Eksport, wartości realne, r-d-r (%)	15.8	14.9	6.9	-7.8	5.7
Imports, real, y-o-y (%)	14.2	14.2	4.6	-7.3	5.5
CPI (average, y-o-y %)	2.5	2.8	6.3	1.7	1.7
Central bank reference rate	2.50	3.50	2.25	1.50	2.50

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Monthly wage, nominal (EUR)	713	781	944	877	963
Unemployment rate (%)	8.1	6.6	5.5	7.6	8.2
Net FDI (EUR bn)	4.4	7.6	7.3	4.8	9.2
FDI % GDP	3.8	6.0	4.9	3.5	6.1
FX reserves (EUR bn)	23.9	23.7	26.6	28.0	29.0
Exchange rate to USD AVG	22.56	20.25	16.96	21.05	19.77
Exchange rate to EUR AVG	28.34	27.76	24.94	27.30	26.00

Last update: Q2 2009

Academic Class Models					
<a href="#">Dennis Gilbert, 2002</a>		William Thompson & Joseph Hickey, 2005		<a href="#">Leonard Beeghly, 2004</a>	
Class	Typical characteristics	Class	Typical characteristics	Class	Typical characteristics
<b>Capitalist class (1%)</b>	Top-level executives, high-rung politicians, heirs. Ivy League education common.	<b>Upper class 1%</b>	Top-level executives, celebrities, heirs; income of \$500,000+ common. Ivy league education common.	<b>The super-rich (0.9%)</b>	Multi-millionaires whose incomes commonly exceed \$350,000; includes celebrities and powerful executives/politicians. Ivy League education common.
<b>Upper middle</b>	Highly educated (often with graduate	<b>Upper middle</b>	Highly educated (often with graduate	<b>The Rich (5%)</b>	Households with net worth of \$1 million or more; largely in the form of home equity. Generally have

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class <sup>III</sup> (15%)	degrees), most commonly salaried, professionals and middle management with large work autonomy	class <sup>III</sup> (15%)	degrees) professionals & managers with household incomes varying from the high 5-figure range to commonly above \$100,000		college degrees.
<b>Lower middle class (30%)</b>	Semi-professionals and craftsmen with a roughly average standard of living. Most have some college education and are white collar.	<b>Lower middle class (32%)</b>	Semi-professionals and craftsman with some work autonomy; household incomes commonly range from \$35,000 to \$75,000. Typically, some college education.	<b>Middle class (plurality/majority?; ca. 46%)</b>	College educated workers with incomes considerably above-average incomes and compensation; a man making \$57,000 and a woman making \$40,000 may be typical.
<b>Working class (30%)</b>	Clerical and most blue collar workers whose work is highly routinized. Standard of living varies depending on number of income earners, but is commonly just adequate. High school education.	<b>Working class (32%)</b>	Clerical, pink and blue collar workers with often low job security; common household incomes range from \$16,000 to \$30,000. High school education.	<b>Working class (ca. 40% - 45%)</b>	Blue collar workers and those whose jobs are highly routinized with low economic security; a man making \$40,000 and a woman making \$26,000 may be typical. High school education.
<b>Working poor (13%)</b>	Service, low-rung clerical and some blue collar workers. High economic insecurity and risk of poverty. Some high school education.		Those who occupy poorly-paid positions or rely on government transfers. Some high school education.	<b>The poor (ca. 12%)</b>	Those living below the poverty line with limited to no participation in the labor force; a household income of \$18,000 may be typical. Some high school education.
<b>Underclass (12%)</b>	Those with limited or no participation in the labor force. Reliant on government transfers. Some high school education.	<b>Lower class (ca. 14% - 20%)</b>			

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References: Gilbert, D. (2002) *The American Class Structure: In An Age of Growing Inequality*. Belmont, CA: Wadsworth;  
Thompson, W. & Hickey, J. (2005). *Society in Focus*. Boston, MA: Pearson, Allyn & Bacon; Beeghley, L. (2004). *The Structure of Social Stratification in the United States*. Boston, MA: Pearson, Allyn & Bacon.

<sup>1</sup> The upper middle class may also be referred to as "Professional class" Ehrenreich, B. (1989). *The Inner Life of the Middle Class*. NY, NY: Harper-Colins.

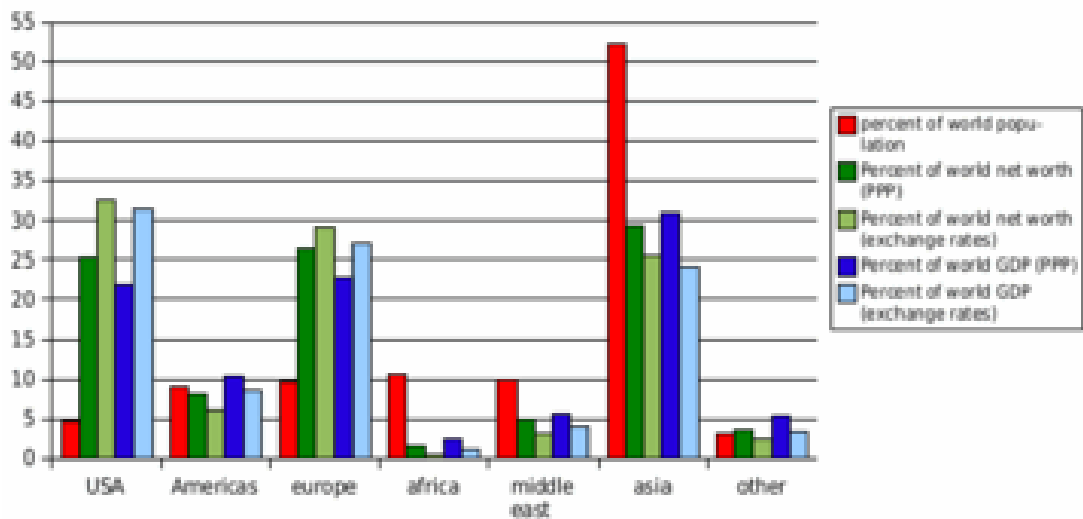
#### Czech Republic Consumer Confidence



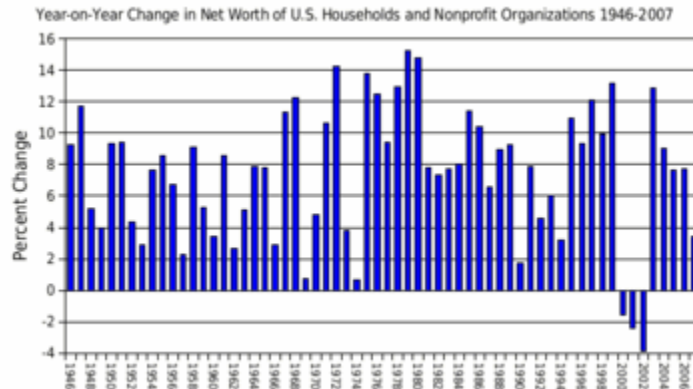
source: Czech Statistical Office

www.tradingeconomics.com

#### USA Compared to the Rest of the World in the Year 2000







## CSM Global Light Vehicle Production Summary

by Region (000s)

Updated: July 2010

	2009	2010	2011	2012	2013	2014	2015	2016
Europe	16,260.6	17,526.8	17,949.3	19,063.2	20,572.2	21,666.8	22,386.6	22,729.4
Greater China	11,341.7	13,664.4	14,850.5	16,732.1	18,251.1	19,483.9	20,327.9	21,208.9
Japan/Korea	10,915.5	12,764.3	12,547.2	12,822.7	13,463.0	13,505.4	13,415.3	13,211.4
Middle East/Africa	1,775.4	1,921.2	2,054.0	2,261.8	2,436.2	2,609.4	2,655.8	2,698.6
North America	8,581.7	11,631.5	12,532.1	13,540.2	14,575.9	15,241.4	15,647.6	15,745.9
South America	3,665.8	4,046.7	4,250.4	4,638.4	5,093.7	5,359.6	5,572.3	5,761.8
South Asia	4,917.5	6,611.8	7,408.8	8,223.4	8,932.6	9,405.2	9,919.9	10,384.2
<b>Grand Total</b>	<b>57,458.2</b>	<b>68,166.7</b>	<b>71,592.2</b>	<b>77,281.9</b>	<b>83,324.7</b>	<b>87,271.8</b>	<b>89,925.4</b>	<b>91,740.1</b>

## CSM Global Medium/Heavy Vehicle Production Summary

by Region (000s)

Updated: 2Q 2010

	2009	2010	2011	2012	2013	2014	2015	2016
Europe	372.1	403.0	510.5	705.5	765.7	730.5	775.7	775.9
Greater China	1,664.5	1,867.9	2,072.1	2,189.9	2,385.3	2,415.9	2,520.4	2,475.6
Japan/Korea	317.7	365.7	430.4	511.0	539.7	521.2	548.1	569.0
Middle East/Africa	3.6	4.3	4.4	4.6	4.7	4.7	4.8	4.9
North America	304.6	337.7	469.2	571.0	557.9	526.9	549.4	570.1
South America	188.5	230.1	245.6	251.0	276.9	288.9	298.7	306.9
South Asia	312.5	421.3	473.5	522.5	532.8	584.2	626.6	620.7
<b>Grand Total</b>	<b>3,163.5</b>	<b>3,630.0</b>	<b>4,205.7</b>	<b>4,755.4</b>	<b>5,062.9</b>	<b>5,072.3</b>	<b>5,323.8</b>	<b>5,323.0</b>

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## ECONOMICS AND INFRASTRUCTURE CZ

	2006	2007	2008	2009
GDP per capita in CZK, current prices	313,868	342,494	353,701	345,727
GDP, % y/y, constant prices	6.8	6.1	2.5	-4.2
Industry, PPI, % y/y	11.2	9.0	0.5	
ILO general unemployment rate, %, avg.	7.1	5.3	4.4	6.7
Average monthly gross wages, CZK	20,158	21,621	23,430	24,242
Inflation rate, %, y/y	2.5	2.8	6.3	1.0
External trade balance (goods), mil. CZK, current prices	39.8	87.9	67.2	152
Electricity, final consumption, million kWh	55,541	55,923	56,523	
Housing construction (dwellings completed, total)	30,190	41,649	38,380	38,473
Mobile telephones per 100 inhabitants	124.0	122.0	132.0	
Households connected directly to internet, %	26.7	32.0	41.7	49.2
Passengers transported by rail, mil. persons	183	184	177	<sup>1)</sup> 165
Highways, total length, km	633	657	691	
Proportion of environmental investments in GDP	0.7	0.6	.	.

## POPULATION

		2005	2006	2007	2008	2009
Mid-period population		10,234,092	##### #	##### #	##### #	##### #
Life expectancy	Males	72.88	73.45	73.67	73.96	74.19
	Females	79.10	79.67	79.90	80.13	80.13
Marriages (per 1 000 inhabitants)		5.1	5.1	5.5	5.0	4.6
Divorces (per 1 000 inhabitants)		3.1	3.1	3.0	3.0	2.8
Live births (per 1 000 inhabitants)		10.0	10.3	11.1	11.5	11.3
Abortions (per 1 000 inhabitants)		3.9	3.9	4.0	4.0	3.9
Abortions (per 100 births)		39.0	37.7	35.6	34.6	34.2
Deaths (per 1 000 inhabitants)		10.5	10.2	10.1	10.1	10.2
Natural increase (per 1 000 inhabitants)		-0.6	0.1	1.0	1.4	1.0
Total increase (per 1 000 inhabitants)		3.0	3.5	9.1	8.3	3.7
Infant mortality		3.4	3.3	3.1	2.8	2.9

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Total fertility rate	1.282	1.328	1.438	1.497	1.492
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## PUBLIC SPENDING, SOCIAL SPHERE, CULTURE, LIVING STANDARD

	2006	2007	2008	2009
State budget, revenue-expenditure balance, mld. CZK	-97.6	-66.4	-19.4	-192.4
Pensions paid: 31 December, CZK thousand	3,355	3,397	3,438	
Population per physician (excl. stomatologists)	272	272	273	
Persons with university or higher professional school education, %	10.8	11.0	11.7	
<b>Consumer durables per 100 households</b>				
refrigerator	.	.	.	.
refrigerator	105.7	106.4	106.1	106.4
freezer	95.0	96.5	97.4	97.7
automatic washing machine	91.9	93.4	94.6	96.2
CD recorder	51.5	57.0	61.0	69.5
bicycle	148.3	150.8	150.8	148.5
passenger car	70.8	72.6	73.3	74.5
holiday house	11.9	12.1	11.8	11.3
personal computer	48.6	55.6	63.9	71.8

**Tab. 2 Silniční doprava<sup>1)</sup>**

**Tab. 2 Road transport<sup>1)</sup>**

Rok	Motocykly	Osobní automobily	Mikrobusy a autobusy
Years	Motorcycles	Passenger cars	Minibuses, buses and coaches
	1	2	3

2005	794,000	3,958,708	20,134
2006	822,703	4,108,610	20,331
2007	860,131	4,280,081	20,416
2008	892,796	4,423,370	20,375
2009	903,346	4,435,052	19,943

## PRODUCTION AND SALES - CZECH MAKES IN January to September 2010

	Production	Domestic Sales	Export
<b>PRODUCTION and SALES TOTAL:</b>	<b>807 608</b>	<b>48 517</b>	<b>915 021</b>
January to September 2010 / January to September 2009	+ 12,88%	+ 9,51%	+ 15,77%
<i>Cars (M1) + LCVs (N1)</i>	+ 12,99%	+ 10,72%	+ 15,84%
<i>Trucks (N2, N3)</i>	+ 18,08%	- 51,54%	+ 113,24%
<i>Buses (M2, M3)</i>	- 17,09%	- 28,21%	- 22,56%
<i>Motorcycles (L) under 50 ccm</i>	- 32,20%	- 20,00%	- 44,83%
<i>Motorcycles (L) over 50 ccm</i>	+ 10,08%	- 50,91%	+ 19,88%
<i>Trailers (O3, O4)</i>	- 25,08%	- 29,79%	- 41,96%
<i>Semitrailers (O3, O4)</i>	+ 17,84%	+ 9,36%	+ 12,14%

<sup>77</sup> "Transportation, Information and Communication." CSU Czech Statistical Office. CSU. Web. 24 Sept. 2010.  
<[http://www.czso.cz/eng/redakce.nsf/i/transport\\_and\\_communications\\_ekon](http://www.czso.cz/eng/redakce.nsf/i/transport_and_communications_ekon)