

Ten things you need to know about European businesses

Ian Marcousé provides the basis for good general knowledge about global companies

1 Airbus Industrie

The world's biggest producer of large passenger aircraft.

Example: until recently, British Airways bought all their planes from Boeing. Today, they buy from European Airbus. The planes are mainly made in Germany, France, the UK, Italy and Spain. When the Airbus project was announced, the idea of all these countries collaborating to build safe, efficient planes seemed unfeasible. Even after Brexit, the project is working well.

Advantage: the Airbus structure allows for specialisation. All the wings for the planes are made in the UK. This helps the UK feature as the world's second biggest producer in the global aerospace market.

Disadvantage: there have been rows about ownership and control over the years. The UK made a dreadful mistake by selling its shares in this hugely successful project.

2 ASML Holding

With a market value of over US\$300 billion, this Dutch semiconductor business is Europe's most valuable technology company.

Example: ASML produces the machinery and equipment used by all the world's most advanced semiconductor chip-makers, e.g. TSMC, Samsung and Intel.

Advantage: ASML is highly specialised with an unparalleled core competence in advanced production design.

Disadvantage: when the US demanded that western countries should starve China of chip-making technology, ASML found itself in the political frontline.

3 L'Oréal

With a stock market value of US\$250 billion, this is the world's largest cosmetics business.

Example: its two main brands, L'Oréal and Maybelline, are available in almost every country in the world. It is a true multinational company.

Advantage: L'Oréal's global reach makes it possible to afford to hire celebrities such as Kate Winslet and H.E.R. — who help keep the brands relevant to new, young buyers.

Disadvantage: L'Oréal has been accused of being a Western multinational pushing a Western notion of beauty onto women. Nowadays it is careful to avoid this.

4 LVMH

With a market capitalisation of over US\$500 billion, this is the world's most valuable producer of luxury goods. It is 48% owned by Frenchman Bernard Arnault, making him one of the world's wealthiest men.

Example: LVMH owns iconic brands such as Louis Vuitton, Christian Dior, Tiffany and dozens more well-known brands in fashion, champagne and spirits.

Advantage: the dominance of LVMH among brands of perfume, fashion and champagne gives the business a very strong negotiating position when discussing prices and display prominence with retailers.

Disadvantage: Bernard Arnault has done brilliantly over several decades, but historically, over-reliance on one dominant leader creates its own problems.

5 Mercedes-Benz

Commonly referred to as Mercedes, this is one of the world's iconic brands. The German business sells more than 2.3 million premium-priced cars a year.

Example: Mercedes cars are priced between £22,000 and £199,000. One of its biggest markets is China, where prices are even higher than in the UK.

Advantage: Mercedes has a reputation that goes back generations. Its image for quality is timeless — making it very difficult for a new brand to steal its position in the market.

Disadvantage: the Mercedes image is conservative as well as high quality, so the styling of the cars changes little over time. This may make it harder to attract new customers.

6 Nestlé

This Swiss multinational is a global giant in food and household goods. With over 250,000 employees and a market capitalisation of around £350 billion, it is present in 191 countries and has more than 2,000 brands.

Example: in bad weather Nestlé sells KitKats and Quality Street. In good weather it sells ice cream and bottled water.

Advantage: Nestlé is among the world's best-diversified companies, with sales stemming from 191 countries and 2,000 brands. Even a severe recession in Europe is unlikely to affect it much.

Disadvantage: diversification can be frustrating when a market switches to a new fad, trend or lifestyle, such as vegan food. Nestlé was slow to respond when this trend was new.

7 Roche

Roche is another Swiss colossus — one of the world's biggest drugs companies. Its market value is very similar to Nestlé.

Example: while Nestlé is reliant on branding and trademarks, Roche relies on scientific breakthroughs and patents.

Advantage: patent protection is perhaps the best way to ensure high profit margins, because it prevents direct competition.

Disadvantage: patents run out after 20 years, which can have a very severe impact on a business, as the price of the products slump when the credit period is over.

8 SAP

This software business is Germany's most valuable company. It employs more than 100,000 people and is one of Europe's few world-class software businesses.

Example: SAP produces software used by companies (to run stock control systems, for example).

Advantage: its focus on corporate or business-to-business service keeps it away from the vagaries of changing consumer taste.

Disadvantage: the business is huge, but it has plateaued in recent years — perhaps it should move into consumer markets.

9 Spotify

Spotify is not huge, but it is a rare example of an innovative European technology business that has conquered the world.

Example: its innovations in music streaming have since been copied (and overtaken) by Apple Music, but Spotify is still hugely influential and has a market value of over US\$20 billion.

Advantage: being first into a market sector is always impressive to consumers and investors alike.

Disadvantage: Spotify has often been criticised for paying tiny royalties to music artists, who say that the only way to make a living from music is live performances, not streamed music.

10 Volkswagen (VW)

Germany's VW is the world's second biggest car manufacturer, after Japan's Toyota.

Example: global VW sales in January to June 2022 were 3.9 million cars, compared with less than 0.2 million for Jaguar Land Rover and 0.6 million for Tesla (5.1 million for Toyota).

Advantage: VW's great strength is the spread of its brands — Volkswagen, Audi, Škoda, Porsche and Seat — plus super-luxury cars such as Bentley and Lamborghini.

Disadvantage: the Toyota badge is on nearly five times as many cars worldwide as VW — that is a disadvantage of spreading your portfolio over so many brands.

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