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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The average age has been more or less constant since 2010 despite a slight upward trend. It reached 38.6 years in 2022. Around 15.6% of the population is under 13 years old, 67% ages between 13 to 64 years old and 17.4% is over 65 years old. The population growth rate is 0.6%. The average size of a household is 2.51 people, with 28.5% of households living alone, 35% of people living in two and 15% of households of 3 people (Census Bureau, 2021). The percentage of women out of the total population in the US is 50.5%. About 83.1% of the population lives in urban areas (Data Reportal, 2022). The most populated areas are in the eastern half of the United States (Great Lakes, Northeast, East and Southeast) and in the western states. The least populated populations are mountain areas, deserts and boreal forests in the extreme north. In 2020, the main cities by population are New York City, Los Angeles, Chicago, Houston, Phoenix, Philadelphia and San Antonio. The level of education is high with 91.1% of adults aged 25 to 64 having completed secondary education, 50.1% of the population 25 to 64 years old who had attained a tertiary degree. The main occupations are administrative and trade jobs, followed by health, management, business, finance, transportation and construction.

Purchasing Power

The GDP per capita PPP in the United States is 63,206.5 USD in 2020. According to the Bureau of Labor Statistics (BLS), the mean wage for workers in the United States in May 2021 was \$58,260 per year. Purchasing power has decreased recently, due to the impact of the Covid-19 pandemic. In the United States, the average household net-adjusted disposable income per capita is USD 51,147 a year, much higher than the OECD average of USD 30,490 a year, and the highest figure in the OECD. The personal consumption expenditure grew by 6.6% in March 2022 compared to a year before, according to the Bureau of Economic Analysis. The Gini index on income inequality has stabilized at 0.41 since 2016. Overall, women earn just 83.8% the amount their male counterparts make, according to data from the Bureau of Labor Statistics for the first quarter of 2022. Wages in the east of the country are higher, while the south has the lowest wages. Asian-born households have the highest median wage, ahead of the non-Hispanic white population, the Hispanic population and the Afro-American population.

Consumer Behaviour

The United States is a very developed consumer society. While the population had a fairly high level of confidence in the past, the financial crisis first and the Coronavirus crisis later has pushed consumers to move towards lower-priced products. US consumers are more likely to pay attention to promotions and compare prices. The most popular supermarkets are Walmart and Sam's Club (more than a fifth of market share), followed by Kroger, Albertsons, Costco etc. Americans are generally willing to travel to major shopping centres. Most US consumers shop and buy on various channels, making the whole buying process long and complicated. For retailers, omni-channel selling - both online and offline - is key to success. Online shopping increased sharply during the Covid-19 pandemic and remained dynamic in 2022. During the peak pandemic, the second quarter of 2020, consumers spent \$200.72 billion online with US retailers, up 44.4% from \$138.96 billion in the same quarter of the previous year, according to the Department of Commerce. Retail e-commerce sales for the first

quarter of 2022 was \$250 billion, an increase of 2.4% from the fourth quarter of 2021 (Census Bureau). The Conference Board's index - index of consumer confidence - decreased by 0.3% in April 2022 to 119.2, following a 0.1% increase in March. The index is nonetheless up 0.9% over the six-month period from October 2021 to April 2022 (Conference Board).

Generally, consumers are open to international companies and brands. According to McKinsey's August 2020 report, the COVID-19 crisis has caused a surge in new activity, with an astonishing 75% of US consumers experiencing new purchasing behaviour in response to economic pressures, shop closures and changing priorities. Overall, 36% of consumers have tried a new product brand and 25% have incorporated a new private-label brand. Among consumers who have tried different brands, 73% intend to continue to incorporate the new brands into their routines. Gen Z and high income consumers are more inclined to change brands. Social networks have a large impact on consumers, 34% of Generation Z make purchases through social media every single day. Moreover, social media creates opportunities for virtually every type of brand to engage with their customers: food and foodservice brands have the highest overall social media following, with clothing and footwear companies in second place. When buying online, almost 80% of US consumers indicated that they preferred using a debit or credit card. Some 71% of consumers are worried about big data and 34% do not trust tech companies with regard to personal data.

Among consumer trends in the United States 'Made in America' is an important issue. Some 70% of Americans consider it significant to buy American products. Also, responsible consumption is increasingly attracting consumers who want sustainable, transparent, clean products. Some 48% of consumers say they want to change their habits to reduce their impact on the environment. Young people are even more concerned about the subject and are willing to pay more to reduce their footprint. The second-hand market is constantly growing and buying and selling websites are multiplying. The \$35 billion secondhand apparel market will more than double to \$82 billion by 2026 according to the ThredUp report. The collaborative economy is highly developed in the United States, especially in large cities. The trends that emerged during the pandemic persisted in 2021 and are expected to continue in 2022. Consumers want to save money, to eat healthier products and to make socially responsible choices (McKinsey, 2022).

Consumer Recourse to Credit

In the United States, the use of credit and debit cards is widespread. With card payments, around 70% is made by debit card, while credit cards are used in the remaining 30%. However, the amount of purchases made with credit cards is higher. Household debt has increased significantly in recent years and exceeds the pre-crisis level. In the second half of 2018, outstanding debt reached \$ 13.29 trillion. More and more Americans are in debt (about 73% of the population). On average, an American has \$ 137,000 in debt, and 38,000 if one withdraws mortgages. Consumer credit is used primarily to finance vehicles, education and sustainable products. The rise in defaults, threatening financial stability, and a possible rise in interest rates could have a negative impact on consumer credit.

Growing Sectors

Leisure, culture, education, vehicles, transport services, tools, equipment for the home and garden, newspapers, books and stationery, holidays, home textiles, household crockery and utensils, alcoholic beverages.

Consumers Associations

US Government , Lodge a Consumer Complaint

CR , Consumer Association

CFA , Federation of American Consumers

IMPORTING & DISTRIBUTING

Import Procedures

U.S. Customs and Border Protection (CBP) import requirements apply to anyone bringing foreign items into the United States. While CBP does not require an importer to have a license or permit to import goods from a foreign country, any item crossing the border into the United States is subject to customs clearance and customs duties unless specifically exempted. To obtain customs clearance from CBP, importers and their goods must take the necessary entry, examination, valuation, classification and clearance measures.

Among the documents needed to import there are:

- Entry Manifest or Application and Special Permit for Immediate Delivery or other form of merchandise release required by the port director,
- Evidence of right to make entry,
- Commercial invoice or a pro forma invoice when the commercial invoice cannot be produced,
- Packing lists,
- Other documents necessary to determine merchandise admissibility.

Import procedures are subject to a specific process. For more information, consult [Tips for New Importers](#) on CBP's Website.

Further information on import and customs clearance procedure is available on the [website](#) of U.S. Customs and Border Protection.

Specific Import Procedures

[FDA](#) is the federal agency responsible for ensuring that foods are safe, wholesome and sanitary; human and veterinary drugs, biological products, and medical devices are safe and effective; cosmetics are safe; and electronic products that emit radiation are safe.

Distribution channels

The U.S. is the undisputed world leader of the retail industry: of the world's ten largest retail companies, five are based in the country. The industry's total GDP impact was estimated at \$4.583 trillion in 2021, accounting for 19.9% of US GDP (National Retail Federation - NRF). This represent an increase of 14% compared to 2020, the highest growth rate in more than 20 years. The NRF forecasts that 2022 retail sales will grow between 6% and 8% in 2022, totalling between \$4.86 trillion and \$4.95 trillion. The retail industry supports more than one in four US jobs, or 52 million working Americans, making it the largest private-sector employer in the country (NRF). Companies that were the less affected by the Coronavirus crisis include food retailers, e-commerce players such as Amazon, third-party delivery platforms and major food brands (Euromonitor). Retailers were among the biggest winners of the first complete rewriting of federal tax law in three decades. According to the NRF, the Tax Cuts and Jobs Act has helped revive the economy by eliminating a wide range of tax benefits for businesses and using the money saved to lower rates for all businesses, large and small. The corporate tax rate has been reduced to 21% from 35%, and small business "pass throughs" have received a 20% deduction. The measure also provided relief for middle-class taxpayers.

The U.S. is the ultimate test market for exporters and is open to all kinds of new products and technologies. However, it is very spread out geographically and new products are subject to intense competition. The U.S. market is thus very demanding and requires a considerable amount of preparation, groundwork and long-term consistency. Numerous opportunities for growth exist in the U.S. retail market for retail providers of all sizes, including individual direct marketers or direct sellers, small- to medium-sized franchise unit owners, and large "big-box" store operators.

Distribution market players

The supermarket and grocery stores industry reached USD 728.86 billion in 2020, growing at a rate of 10.1% compared to 2019 (Census Bureau, latest data available). Market segmentation is drawn along various lines, including age group, ethnic group and even social and religious groups, which has forced distributors to adapt their strategies to this situation. One of the most marked consequences of this absence of homogeneity is the emergence in the past few years of "Specialty Stores" (Home Depot, Best Buy, etc.). Specialty food stores represent 2.8% of total food and beverage stores sales (Census Bureau, latest data available). American consumers stand out for their demanding nature, the importance they attach to price and their product disloyalty. It is thus incumbent upon distributors to continuously adapt themselves to the market and to engage in well-targeted marketing efforts in order to win consumer loyalty. According to the latest figures by USDA, grocery stores, including supermarkets and smaller grocery stores (except convenience stores) accounted for the largest share of store sales (92.1%), followed by convenience stores without gasoline (4.6%). Specialized food stores, including meat and seafood markets, produce markets, retail bakeries, and candy and nut stores, accounted for the remaining 3.3% of the total.

According to NRF latest data (2022), the main retailers in US are:

- Walmart, with a turnover of \$538.15 billions in retail sales
- Amazon.com (\$330.20 billion)
- Schwarz Group (\$158.58 billion)
- Aldi (\$134.67 billion)
- Costco (\$187.16 billion)

Retail Sector Organisations

National Retail Federation

Convenience Distribution Association (CDA)

International Council Shopping Centres

The Association for Convenience and Fuel Retailing (NACS)

OPERATING A BUSINESS

Type of companies

Sole proprietorship

Number of partners: One person only.

Capital (max/min): No minimum legal capital required.

Shareholders and liability: The owner is liable for the company's debt.

General Partnership

Number of partners: No limit on the number of partners.

Capital (max/min): No minimum legal capital required.

Shareholders and liability: The General Partner is personally liable, with no limitation, for the company's debts and obligations.

Limited Partnership

Number of partners: In addition of general partners there is one or more limited partners.

Capital (max/min): No minimum legal capital required.

Shareholders and liability: The general partner has unlimited liability for the debt, whereas any limited partners have limited liability up to the amount of their investment.

Public Company

Number of partners: No limit on the number of partners.

Capital (max/min): No minimum legal capital required.

Shareholders and liability: Liability is limited to the value of the capital contributed.

Limited Liability Corporation or LLC

Number of partners: No limit on the number of partners.

Capital (max/min): No minimum legal capital required.

Shareholders and liability: Liability is limited to the value of the capital contributed.

Setting Up a Company	United States	OECD
Procedures (number)	6.0	5.2
Time (days)	4.2	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

The **minimum wage** varies depending on the States and activity sectors. The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA). The federal minimum wage is \$7.25 per hour effective July 24, 2009.

Average Wage

According to the Bureau of Labor Statistics (BLS), the mean wage for workers in the United States in May 2021 was \$58,260 per year.

Social Contributions

Social Security Contributions Paid By Employers: OASDI (handicap, disability, old age; 6.2%, imposed on the first USD 147,000 of wages) + Medicare (1.45%) + FUTA (unemployment at the federal level; 6% on first USD 7,000 and applicable for tax credit) + SUTA (unemployment at each state level; varies across states)

Social Security Contributions Paid By Employees: OASDI (6.2%, imposed on the first USD 147,000 of wages) + Medicare (1.45% + 0.9% if total wages above USD 200,000 annually)

Intellectual Property

National Organisations

United States Patent and Trademark Office and the **U.S. Copyright Office**

Regional Organisations

UNECA (UN Economic Commission for Africa)

APEC (Asian-Pacific Economic Cooperation)

[UNECE](#) (UN Economic Commission for Europe)

[ECLAC](#) (UN Economic Commission for Latin America & the Caribbean)

[ESCWA](#) (UN Economic and Social Commission for Western Asia)

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Sales Tax is levied by individual states at various rates. Forty-five states, the District of Columbia and Puerto Rico collect statewide sales taxes, while only 38 states collect local sales taxes and in some cases may rival or even exceed state rates. Consult the [Tax Foundation](#) website for more information.

Tax Rate

Sales and use tax rates vary from state to state and generally range from 2.9% (Colorado) to 7.25% (California) at the state level. Most states also allow a "local option" that permits local jurisdictions, such as cities and counties, to impose an additional percentage on top of the state-level tax and to keep the related revenues. Such a system may induce consumers to make cross-border purchases (for example through e-commerce).

The five states with the highest average combined state and local sales tax rates are Louisiana (9.55%), Tennessee (9.548%), Arkansas (9.46%), Alabama (9.25%), and Oklahoma (8.98%). For the full list of applicable rates, click [here](#).

Reduced Tax Rate

Varies by state and city (generally ranging from 2.9% to 7.25% at the state level). Click [here](#) for more information.

Other Consumption Taxes

Various consumption taxes may be levied at the local level. Click [here](#) for more information about other consumption taxes by states.

[Excise duties](#) are levied at federal and state levels on a wide range of goods and activities, including gasoline and diesel fuel used for transportation, air transportation, wagering, foreign insurance, certain sporting goods, firearms and ammunition, alcohol, tobacco, and selling certain goods at retail (e.g. heavy vehicles, trailers, bodies, and chassis).

Corporate Taxes

Company Tax

Federal corporate income tax is applied with a flat rate of 21% to the effectively connected income (ECI). State and local governments may also impose income taxes (generally ranging between 1% and 12%), thus the effective tax rate in each state. Click [here](#) for more information about corporate tax rates.

Tax Rate For Foreign Companies

A corporation organised or created in the United States under U.S. law or under the law of any state is considered to any extent a domestic corporation, even in the case that it does no business or owns no property in the United States. For U.S. law, a fixed place of business is considered as a permanent establishment in the country.

Capital Gains Taxation

Gains recognized by domestic corporations on capital assets (e.g., assets held for investment) are taxed at the same rate as ordinary income. Capital losses may be deducted against capital gains, but not against ordinary income. An excess of capital losses over capital gains in a tax year may be carried back three years and carried forward five years.

In general, foreign corporations are not subject to taxation on capital gains, except when the gains arise from selling U.S. real estate assets or are related to conducting business activities in the US.

Main Allowable Deductions and Tax Credits

Deductions are available for specific domestic production activities, qualifying [business expenses](#) and depreciation, amortisation and losses. Normally, start-up expenditures can be amortised over a 15-year period. The cost of goodwill generally is capitalised and amortised over 15 years. Bad debt resulting from a trade or business may be deducted in the year the debt becomes worthless. Certain charitable contributions may be deducted, up to a limit of 10% of taxable income, and may be carried over to the fifteen succeeding years. State and municipal taxes imposed on businesses are deductible expenses. Fines and penalties are not deductible unless they are paid for restitution or to come into compliance with the law. Special rules limit or deny deductions for interest, rent, or royalties paid on certain transactions.

For tax years beginning after 2017 and before 1 January 2026, the law provides a deduction equal to 37.5% of a domestic corporation's foreign-derived intangible income (FDII) plus 50% of the global intangible low-taxed income (GILTI) included in the corporation's gross income under new [Section 951A](#). From tax years after December 31, 2025, the deduction is reduced to 21.875% for FDII and 37.5% for GILTI. If, in any tax year, the domestic corporation's taxable income is lower than the combined amount of its FDII and GILTI, the 37.5% FDII deduction and the 50% GILTI deduction are proportionally reduced by the difference.

Generally, net operating losses generated in tax years ending before 1 January 2018 may be carried back two years and, if not fully used, carried forward 20 years. Net operating losses (NOLs) generated in tax years ending after December 31, 2017, typically cannot be carried back and must instead be carried forward indefinitely. Nonetheless, the deduction for these NOLs is restricted to 80% of taxable income, which is calculated without considering the deduction.

Incentives are granted in the form of tax credits for [R&D](#), energy-efficient appliances and "[clean](#)" motor vehicles. Visit the [IRS site](#) for detailed information about available deductions in the U.S.

Other Corporate Taxes

Social security taxes comprise old age, survivors, and disability insurance (OASDI), and "Medicare". Employers are liable for social security tax of 6.2% on the first USD 142,800 of wages paid to employees and for Medicare tax of 1.45% on all wages. For 2023, social security tax is imposed on the first USD 160,200 of wages paid to employees. The different States can impose further contributions. The federal unemployment insurance rate is 6% on the first USD 7,000 of each employee's wages. State unemployment insurance, mandatory in all 50 states and the District of Columbia, varies according to the State.

Certain companies are subject to an accumulated earnings tax equal to 20% of "accumulated taxable income" if they are deemed to be accumulating earnings and profits for the purpose of avoiding shareholder personal income tax.

U.S. corporations and foreign corporations meeting specific criteria of receiving significant "passive income" and being "closely held" may be liable for the personal holding company tax, levied at 20% of undistributed personal holding company income, which is imposed in addition to the regular tax.

Importers, manufacturers, and sellers of ozone-depleting chemicals, or imported products manufactured using such chemicals, are subject to environmental taxes calculated per weight of the ODC.

In addition to federal taxes, state and municipal taxes vary from one state or community to another, including property taxes on real property, stamp duties, franchise taxes and taxes on the capital of a corporation. For more details, consult the [Tax Foundation](#) website.

Other Domestic Resources

[Internal Revenue Service \(IRS\)](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Double taxation treaty signed by the U.S.](#)

Withholding Taxes

Dividends: 0% (paid to a resident)/30% (paid to a non-resident), Interest: 0% (paid to a resident)30% (paid to a non-resident), Royalties: 0% (paid to a resident)/30% (paid to a non-resident)

Different rates apply based on the treaties signed by the U.S. with other countries to avoid double taxation.

