Industrial Business to Business Marketing

In Germany

An Honors Thesis (HONRS 499)

by

Ralf Semler

Thesis Advisor
Dr. Naffziger

Ball State University
Muncie, IN

May 2005

Expected Date of Graduation
May 7, 2005
# Table of Contents

Acknowledgements ........................................................................................................................ iii
Abstract .......................................................................................................................................... iv
Snapshot of Germany ...................................................................................................................... 1
  Geography and Demographics.................................................................................................... 1
  History ...................................................................................................................................... 3
  Economy ................................................................................................................................. 6
  Politics ................................................................................................................................. 8
Cultural Issues ............................................................................................................................... 10
  Personal Privacy ................................................................................................................ 10
  Interpersonal Communication ........................................................................................... 11
  View of the Environment .................................................................................................. 12
Business Issues .............................................................................................................................. 13
  Export Specialists (Third Party) ........................................................................................ 13
  Partnerships (External Development) ............................................................................... 14
  Own Subsidiary (Internal Development) .......................................................................... 15
  Government Regulations .................................................................................................. 16
Specifics on Personal Selling ....................................................................................................... 17
  Prospecting ........................................................................................................................ 17
  Pre-approach ....................................................................................................................... 18
  Approach ........................................................................................................................... 18
  Presentation and Handling Objections .............................................................................. 19
  Close .................................................................................................................................. 20
  Follow-up .......................................................................................................................... 20
Conclusion .................................................................................................................................... 20
Appendix A – Export/ Import Data .............................................................................................. 22
Appendix B – Case Study ........................................................................................................... 23
Appendix C - Travel Tips ............................................................................................................. 27
Works Cited .................................................................................................................................. 28
Acknowledgements

I want to thank Dr. Naffziger for being my advisor throughout this project as well as for being a valuable teacher. Ever since I came to Ball State University he has been working hard to promote the International Business major and has shown nothing but support for his students. I would also like to thank all the other International Business faculty and those professors teaching international courses in their respective fields: Dr. Sundaram, Dr. Bohanon, Dr. Rathinasamy, Dr. Vanderleest, and the late Dr. Erdogan Kumcu. They have all been very influential during my time here at Ball State and have kept my interest and excitement in international business alive.
Abstract

Growing up in Germany for 16 years and having traveled Europe extensively before I moved to the United States in 1998, I have learned to appreciate the cultural differences between countries. I chose International Business as my major at Ball State University because the international environment is where I grew up and where my future will be. My father was doing business with companies in the U.S. while we lived in Germany and today he is here in the U.S. working for a German company.

The cultural differences between the United States and Germany are not extensive but nevertheless worth knowing. Through my marketing minor I have taken several professional selling classes and decided to focus this paper on how to effectively sell a U.S. product directly to a company in Germany. This paper will first give a snapshot picture of what Germany is like today in terms of geography, demographics, politics, and the economy. I have also included a brief history of relevant events. After describing some cultural differences and what to watch out for, this paper gives several specific strategies on how to go about entering the German market. Specific tips on personal selling finally tie the cultural differences together in a business context.
Snapshot of Germany

This section provides a basic overview of Germany as a country by giving an introduction on its geography, demographics, relevant history, economy, and its current politics.

Geography and Demographics

Germany is located in central Europe bordering the Netherlands, Belgium, France, Switzerland, Austria, the Czech Republic, Poland, and Denmark. Including its maritime claims, Germany occupies an area of roughly 138,000 square miles, which the CIA World Factbook commonly quotes as being “slightly smaller than Montana.”

Topographically Germany offers everything from low-lying coastal areas in the North, highland plateaus in the center, to the mountainous Bavarian Alps in the South, with their highest elevation at the Zugspitze at 9,721 feet.

Germany’s population was estimated at 82,424,609 as of July 2004 (CIA World Factbook). Berlin, the country’s capital, is home to roughly 3.5 million people and by far the biggest city in Germany. Hamburg and Munich also stand out with populations over 1 million, but all three are dwarfed by the over 5 million people living in the metropolitan area referred to as Ruhrstadt or Ruhrgebiet (Ruhr Area). Although not officially recognized as a single city or unit, the Ruhrstadt is made up of dozens of cities, 5 of which with populations of 500,000+, that are so close together that it is
almost impossible to tell them apart when visiting the area. In Exhibit 2 the Ruhrstadt is the area around the cities Essen and Duisburg along Germany’s western border, but also includes Bochum and Dortmund, not shown on this map. Altogether, the Ruhrstadt makes up Europe’s third largest metropolitan area after Paris and London.

Still today, Germany has few very large cities and many medium-sized ones, a reflection of the centuries when the name *Germany* designated a geographical area consisting of many small and medium-sized states, each with its own capital. In numeric terms, that means that only ten cities have populations over 500,000, seventeen between 250,000 and 500,000, and fifty-four between 100,000 and 250,000. About one-third of the population lives in these large cities of 100,000+, one-third lives in medium-sized cities between 50,000 and 100,000, and the last third of the population lives in villages and small towns (U.S. Library of Congress). Generally speaking the region of former East Germany is less populated and less urbanized.

Germany’s population trends follow those of most highly developed countries. Overall population growth is very slow at 0.02% and is only positive due to immigration. The country’s birth rate has not kept up with the death rate in almost two decades. After WWII Germany experienced a baby-boom similar to that of the United States and is now facing a similarly aging society.
History

The region of Western Europe we know today as Germany has had a colorful and dramatic history that dates back to the time of the Holy Roman Empire more than 2,000 years ago. The foundation of today’s Germany was laid by a mixture of Roman and Germanic societies, particularly the Franks. Throughout the middle ages, the region of today’s Germany went through a large variety of small kingdoms, principalities, dukedoms, and free cities. Each of these independent entities was highly reliant on interregional trade in order to survive and provided the foundation for Germany’s tradition of producing high quality, durable goods. Trade guilds established the standards of education, training, apprenticeships, and certification that still exist in some form in today’s society. After centuries of smaller unions between individual states and dynasties of economically powerful families, a united German Empire was born in 1871 under the leadership of Otto von Bismarck. Economic activity flourished under the support of a united government and the establishment of a social welfare system that was created to sustain prosperity and social cohesion among the laboring classes.

World War I took its toll on the German economy through sanctions established in the Treaty of Versailles and spawned many of the economic crises that followed in the next three decades. The Great Inflation devalued the German currency, the Reichsmark (RM), from RM8.9 per US$1 in 1918 to RM4.2 trillion per US$1 in 1923. The ensuing social and political instability was only fueled by the Great Depression that reached Germany just a few years later and paved the way for the dictatorship of Adolf Hitler. Hitler reignited German industrialism, especially all sectors favoring military power and economic autarchy, only to leave the country in complete ruins at Stunde Null (zero hour) in May 1945 (U.S. Library of Congress).
Germany literally started from scratch after World War II. Most of the factories were destroyed, inflation was once again out of control, and unemployment and poverty reigned among the population. As the country’s new economy slowly emerged it came to represent a vehicle with which to build and ensure prosperity, as well as safeguard democracy and social stability. As the Reichsmark was abolished in 1948 and replaced with the Deutsche Mark (DM), with it went most Nazi and occupation rules and regulations, paving the way for a free German economy.

After World War II, Germany was divided into 4 occupational zones, 3 of which were controlled by the Allies and one by the Soviet Union. With the emergence of the Cold War between the U.S. and the Soviet Union, the 3 western zones of Germany began drifting away from the Soviet controlled eastern zone and formed the Federal Republic of Germany (FRG or West Germany) while the eastern zone became the German Democratic Republic (GDR or East Germany) in 1949. The two Germanys existed separately from each other for the next 40 years. West Germany emerged as a successful global economy and a vital part of NATO, while East Germany existed in communism as the Soviet Union’s westernmost outpost, mostly in poverty and neglect, culminating in the GDR’s construction of the Berlin Wall in 1961 to keep East German citizens from migrating to the west.

On November 9, 1989 the Berlin Wall was torn down as a result of public opposition against GDR leadership and a withdrawal of support from the Soviet Union. Not knowing how to cope with the uprising and unable to secure its borders, GDR leadership resigned in the face of increasingly massive demonstrations. One year later, on October 3, 1990 the GDR officially ceased to exist and a reunified Germany was born. Although a great social and political victory, Germany’s reunification has put a big strain on West Germany’s economy. Initial estimates of
financial aid packages fell way short of what it took to bring the long neglected infrastructure of East Germany up to speed. Privatization efforts immediately went into place and many formerly state-owned operations were simply shut down because they were deemed unnecessary, resulting in record unemployment numbers. It is estimated that the average cost to finance reunification to each West German citizen between 1990 and 1995 was over DM50,000 (roughly US$36,000). Today it is estimated that annual spending on East German integration still exceeds $70 billion. Although the former east and west are still not completely up to par, most of the major expenses are in the past and today Germany as a whole is operating a profitable economy exceedingly active in international markets.

Examining Germany’s recent history cannot be done without also including a quick history of the European Union (EU). What is known today as the EU has its origins in the European Coal and Steel Community (ECSC) founded in 1951 between Belgium, West Germany, Luxembourg, France, Italy, and the Netherlands. The leaders of these six countries saw the creation of an economic union as a way to ensure lasting peace in Europe. The ECSC was a success and it was not long before the same six countries integrated other sectors of their economies, seeking to remove trade barriers and create a common market, eventually creating the European Economic Community (EEC) that merged all the separate alliances into one entity in 1967. Further strengthening the bond and extent of cooperation, the European Union as we know it today was created in the Treaty of Maastricht in 1992. By 2002 the Euro was adopted by 12 EU nations and created a monetary union that eliminated the need for currency exchanges and by doing so greatly facilitated international trade among participating countries, as well as with the rest of the world. Currently the EU consists of 25 member nations (see map). Bulgaria and
Romania are expected to join in 2007 while Croatia and Turkey are starting membership negotiations in 2005.

Economy

Germany’s economy is often labeled *soziale Marktwirtschaft* (social market economy) to stress the fact that the economy that emerged after World War II has both a material and social dimension. This social system is designed to care for the workers as well as those unable to partake in the competitive market and has turned into one of the most expensive social welfare systems in the world. Even though it might seem contradicting, the German economy can be described as both conservative and dynamic. It is conservative as far as that the government plays an important role in the economy, and the overall attitude towards investing and risk-taking is cautious. At the same time it is dynamic because the economy is very much geared toward growth, even if that growth is slow and steady rather than spectacular.

According to the CIA World Factbook, Germany is Europe’s largest economy and most populous nation with an annual GDP of $2.71 trillion, ranking it 5th in the world after the U.S., China, Japan, and India. Per capita GDP is $27,600, only enough for 21st place in the world. The

Exhibit 3 - Trade Balances (exports minus imports) in millions of US Dollars, Source: OECD 2004
Economist reported that Germany was the world’s largest exporter in 2003 with $753 billion worth of goods traded, placing it ahead of the United States, China, and Japan. Imports were $601 billion, resulting in a trade surplus of $152 billion. The current account showed a surplus of $55 billion placing it second in the world behind Japan. In this category the United States consistently places last in the world with a current account deficit of $541 billion, more than 18 times that of Australia which is ranked 2nd to last. Germany consistently has the highest share (20%) of world trade in goods with high skill content against 17% for Japan, 15% for the United States, and 7% for France. Appendix A includes information on the most frequently exported and imported goods to give a basic idea which industries are most active in trade.

Even though international trade is doing very well, the German economy is far from spectacular. Unemployment continues to be one of the biggest issues facing the country and is forecast to reach 11.5% in 2005 before it is expected to decrease below 10% in the next 4-5 years (The Economist). The very nature of the social German labor market dictates high levels of worker protection and makes it difficult for companies to lay off workers, creating inefficiencies.
in production. Exhibit 4 compares Germany’s social spending to those of other countries. As the graph shows, Germany spends roughly 27% of GDP in social programs and that places it among the top spenders worldwide. Quite logically, government spending in these areas does not decrease in times of economic crisis and that is something Germany has struggled with for years.

Slow domestic economic growth is another major issue plaguing the economy as domestic consumption does not keep up with the more dynamic business issues of exporting for international trade. Progress continues to be slow as Germany is dealing with these problems and short-term miracles should not be expected. The more the German government is able to address issues regarding its rigid labor market, the more the country will be able to deal with the challenges of future European economic integration and expansion.

Politics

Germany is a federation consisting of 16 states or Länders, which all have their own constitutions, governments and parliaments. The federal parliament, similar to that of the United Kingdom, comprises a directly elected lower house (Bundestag) and an upper house (Bundesrat), which consists of representatives of governments of the states. The most powerful and visible role is that of federal chancellor (head of government), currently held by Gerhard Schröder. The German presidency (chief of state) is a largely ceremonial/figurehead role currently held by Horst Köhler (Exhibit 5).

The major political parties are the Social Democratic Party of Germany, the Christian Democratic Union, Alliance ‘90/ The Greens, and the Free Democratic Party. The following section will give a little background on each of these major political parties.
The Social Democratic Party of Germany (SPD – Soziale Partei Deutschlands) is Germany’s second oldest party and traces its roots to the labor movements before WWI. It is the party of current Chancellor Gerhard Schröder (Exhibit 6) and as the name suggests, its beliefs are of social democracy, reducing unemployment, and the support of industry in general. It is generally viewed as centrist or left of center and seeks to combine political freedom with large social programs and a strong government involvement in the economy. The SPD takes a certain pride in being the only party voting against the Ermächtigungsgesetz (Enabling Act) of 1933 that legally established Nazi Germany and gave Chancellor Hitler dictatorial power. As a result of this opposition the SPD was outlawed during the reign of the Nazi party and reinstituted after WWII.

The Christian Democratic Union (CDU) is Germany’s biggest political party. Its longtime chairman, Dr. Helmut Kohl (1973-1998, Exhibit 7), served as the longest running Chancellor of Germany (1982-1998) since Otto von Bismarck in the 1890’s. The party was founded after WWII and is characterized as conservative on social and economic policy with supporters from all economic classes. In Bavaria the CDU does not exist and the Christian Social Union (CSU) plays its role as a separate party. At the federal level the two parties form a common caucus referred to as CDU/CSU. Both the CDU and the CSU are conservative, business-oriented parties, with a long tradition of support for social welfare programs.

The world’s oldest and most successful green party, Alliance ‘90/ The Greens (Bündnis ‘90/ Die Grünen) is an active participant in German politics and currently holds a record 13 of 99
total seats in the German parliament. The party follows a 4 pillar code of ecology (ecological sustainability), justice (social responsibility), democracy, and peace (non-violence).

The Free Democratic Party (FDP) is the traditional coalition partner of the CDU and holds liberal, free market views, drawing support from Germany’s middle and upper-class Protestants. Compared to the SPD or CDU it is a small party, drawing only 5-10% of votes in elections, but it has participated in all but three postwar federal governments and has therefore shown strong persistence and long-term support from the people.

**Cultural Issues**

**Personal Privacy**

When compared to U.S. companies, a German office setting may appear almost sterile and impersonal. Whereas in the U.S. an “open door” policy is encouraged to facilitate communication and interdependence, office doors in Germany are typically kept shut to symbolize a certain level of separation, discretion, and privacy.

The correct way of addressing somebody in a conversation in Germany depends on the specific relationship between the two parties. *Sie* is the formal way of saying “you” in a conversation and should be used at all times unless specifically told otherwise. *Herr* and *Frau* are equivalent to Mr. and Mrs. and should always be used in connection with the last name. All additional titles should also be used as a sign of respect. As a result, a professor with a doctorate should be addressed as *Herr Professor Doktor Schmidt*, which may seem awkward and unusual to Americans.

Co-workers continue to address each other using the formal *Sie* and only use last names even after working together for years. This custom does not reflect on a lack of friendliness but is the result of the German tendency to strictly separate the business life from personal life. First
names and the associated informal “Du” are reserved for personal relationships and represent an honor and indication of trust to be awarded or won over a period of time. It is not unusual for Germans to be on a first-name basis (per Du) in informal settings as a result of a long friendship but still refer to each other formally (per Sie) in front of others as to not single out anybody or imply preferential treatment.

Time

One of the major differences across the globe is the way each cultural area views and interprets time. A classic stereotype that is true more often than not is that Latin Americans as well as Southern Europeans are much more laid back and view time more flexibly than their colleagues in the U.S. Along those same lines, the stereotype of the punctual, efficient, and well structured German businessman is based on the truth as well. Germans in general have a very high regard for planning ahead in great detail and sticking to that plan as much as possible. That means that if a meeting runs longer than anticipated, it may have to be cut short so that everybody can attend to the rest of their schedules rather than having to move or cancel later appointments. The American concept of being “fashionably late” is neither understood nor respected in Germany. For both business meetings and personal dinner invitations guests are expected to arrive on time rather than 10-15 minutes late.

Interpersonal Communication

Although it may seem like a minor topic or common sense, being aware of small details regarding the interaction with customers and colleagues in Germany can be very important. The importance and correct use of titles has already been addressed earlier. In addition to that is the need to communicate directly and efficiently in any business context. Beyond the stage of getting
to know each other's companies there is very little tolerance for small talk or personal topics.

The International Business Handbook put it this way:

“In this country one expects a high degree of perfection, not only in goods and materials, but also in people, in oneself, and in others. Commitment, dedication, trustworthiness, and confidence are ruling principles in the world of work and business, more than command and control. With a high level of standard education in school and university it is taken for granted that men and women who work in business offices are able to communicate following the codes and rules of behavior that are often more strict and formal than in other countries.” (IBH 244)

The continuing emphasis on good manners is a vestige of the old aristocratic system. Educated, responsible people are expected to display perfect manners at all times, and the same is expected from their partners in social or business situations. Although this may seem a little harsh, there is certainly no such thing as displaying too many good manners, only too little.

View of the Environment

Due to the high population density both in Germany and in Europe in general, the relationship between humans and the environment takes on a much different role than in the United States. A simple concept such as running out of landfill space and generating a lot of electricity from incinerators has created a uniquely recycling-oriented society over the past two decades. Whereas in the U.S. it is not uncommon for a family to fill up two large 64 gallon garbage cans every week, my family of 4 in Germany only had a 20 gallon can that was emptied once every two weeks. The rest of the garbage was recycled into an array of bins in the basement (separate containers for clear glass, brown glass, green glass, hard plastic, plastic foil, aluminum, paper, and cardboard) and then hauled to a local recycling station whenever needed. This mentality is backed up by government regulations that require all products to be packaged along certain guidelines, eliminating most unnecessary material. Some stores even allow you to leave exterior packaging material behind, i.e. you can throw away the cardboard box and take home only the plastic bag with the cereal inside.
As a result of these regulations, a U.S. company wishing to market its products in Germany may have to adapt packaging materials and design to German standards in addition to translating it to the local language.

Along with a conscious regard for the environment comes a long-term focus for product life cycles. Germans appreciate—perhaps even demand, fine workmanship, excellent design, and high quality materials. “Knowing that they can rely on the solidity of their own products, particularly in the field of engineering and machinery, they will seek the same high standard in imported goods. After two lost world wars, waste was considered a sin, whether of consumer products, energy, space, or long-lasting goods” (OECD). German houses are built to last 50-100 years compared to 30-40 years in the U.S. Mercedes, BMW and Volkswagen produce cars that can be driven for hours at top speed and remain roadworthy, reliable vehicles after 10 years or more. These ideals must certainly be kept in mind when marketing a product in Germany.

**Business Issues**

This section gives an overview of strategies a U.S. manufacturer can use to enter the German market. The strategies include using an export specialist, establishing a partnership, and establishing your own subsidiary. Details are given with regard to the pros and cons of each strategy.

**Export Specialists (Third Party)**

The quickest, easiest strategy to start selling your product in Germany is to hire a U.S. company that specializes in exporting to- and marketing in Germany. This middleman company takes care of finding customers for your product in Germany, secures the orders, ships the product abroad, and finally secures payment. All marketing, promoting and selling is done by agents of the exporting company or through third-party arrangements already in place. By having
no direct contact with the customer, the U.S. manufacturer does not have to worry about any of the cultural issues of dealing with a foreign country and instead only does business with the U.S. export specialist. The export company may even purchase the product from the manufacturer, pay for it in U.S. dollars, ship it abroad, and then secure payment from Germany on their own terms. If that is the case, the U.S. manufacturer does not even have to worry about exchange rate fluctuations as all business for them is conducted in dollars. The export specialist acts just like any other U.S. customer from the viewpoint of the manufacturer.

It is easy to see why this arrangement is easy, quick to establish, and carries very little risk. The drawbacks of such an agreement, however, are that the German customer does not directly deal with the manufacturer and therefore product customization is either complicated or impossible. This method can only be effectively used for standardized products, preferably those sold in bulk or distributed in a retail setting. In addition, the U.S. manufacturer has no control over how the product is marketed abroad, which carries with it the risk of associating your product name with a second or even third party distributor and its agents. A third drawback is that the lack of customer contact and having no presence in Germany brings with it the negligence of any type of support system. Even if the export company offers to arrange for service by the U.S. manufacturer, the process would be complicated and time-consuming. Many German companies may see this as a major disadvantage that may keep them from purchasing altogether.

Partnerships (External Development)

A more involved and direct method of entering the German market is by forming a partnership with an existing German company in the same or a complementing industry. The U.S. manufacturer benefits from a more specialized expertise in its particular industry than the
export specialist would likely be able to provide. Initial capital expenses in this strategy are low and may only go as far as getting the product approved for import and shipping it to Germany. A suitable German company would already have connections with the necessary infrastructure, a customer base, and a sales force that can effectively sell the U.S. product alongside its German offerings. Depending on the specific product and how closely the two companies are working together, additional benefits can include storing an inventory of products and parts directly in Germany (savings through bulk shipments), customizing the product in Germany vs. in the U.S. (no language barrier, no shipping costs), and having the German company arrange for customer service and repairs through its own resources when necessary. As wonderful as these benefits sound, they are only realistic if a truly well-fitting German partner can be found. Finding the company and establishing a close relationship may include several visits to Germany and take a long time to get up and running.

Obviously this strategy only works as a partnership if the two companies are not direct competitors, but to a financially sound U.S. manufacturer that is willing to take the financial risk, a merger or an acquisition of a German company would have the same benefits along with even greater control over every aspect of marketing.

Own Subsidiary (Internal Development)

For a company looking to have complete control over its marketing and sales in Germany there is no way around establishing its own subsidiary abroad. However, due to the time and effort required to do necessary research, find locations, establish a presence, and prospect customers, internally developing foreign operations is both expensive and time consuming. The case study on Great Lakes Manufacturing (GLM) included in appendix A does a great job of illustrating how a medium-sized U.S. manufacturer established itself and started selling in
Germany. GLM used the help of a German consultant to gain initial contacts with appropriate potential customers, as well as to overcome cultural differences. Once these contacts were in place and the first orders secured, GLM started making plans for its own customer service and selling center located in Germany.

Generally speaking, U.S. exporters who seek to support their customers directly from the United States or even from a single European location, are at a fundamental disadvantage given German and other European competitors who have the advantage of proximity. Offsetting the argument that a competitor will be able to provide better customer service by choosing high quality representation abroad becomes ever more important. Especially in an industrial environment, a partnership with or some form of connection to a company that is able to provide technical assistance in a wider geographic area is worth considering in order to further complement the foreign subsidiary’s operations.

**Government Regulations**

Overall, with the exception of the EU Common Agricultural Policy, Germany presents few formal barriers to U.S. trade or investments. While not discriminatory, government regulation is often complex, and due to the nature of the German social market economy may offer a degree of protection to already-established local companies. Safety or environmental standards can also complicate access to the market for U.S. products, which is why American companies interested in exporting to Germany should conduct thorough market research as well as identify relevant standards and obtain timely testing and certification. Satisfying German standards is an investment well worth the effort considering that European Union regulations are oftentimes based on German standards. Once a product is approved for Germany, the entire European Union is likely open for it as well.
For all three of these options, the United States Commercial Service (www.export.gov/com_svc/) offers a wide variety of resources that can be used to find an export specialist, get market-specific information, get contacts from German companies or find details about international trade shows.

**Specifics on Personal Selling**

Taking certain aspects of the German business environment and general German culture makes it possible to come up with ways a U.S. businessman should conduct himself in Germany. The H.H. Gregg Professional Selling program in the Miller College of Business at Ball State University teaches a step-by-step approach to the personal selling process. The steps are prospecting, pre-approach, approach, presentation, handling objections, close, and follow-up.

**Prospecting**

The prospecting step involves identifying potential customers and qualifying them according to how well our product would suit their needs. In the U.S., prospecting is done in a variety of ways, most of which revolve around getting new leads from existing customers and networking in the industry environment. In Germany, the lack of pre-existing customers cuts out a considerable source for new leads and most likely there will be no networking connections already in place. A German consultant as used by GLM may be the ideal way to gain access to appropriate companies and establish a foothold in the industry. Ideally the consultant will already have a good knowledge of the industry and can quickly identify suitable companies. Once customer relationships are starting to form, the same U.S. techniques of asking for new leads can be applied and the need for consultants quickly vanishes.
Pre-approach

The pre-approach is a preparation step designed to prepare for the sales call. This is the time to gather all necessary information about your own company, research what you can about your customer, and finally set up an appointment with the appropriate contact person. In Germany it will be very important to present a solid background of your company’s history, its production methods, its service philosophy, as well as its executives and decision makers. Germany is a small, densely populated country and companies tend to know a lot of information about their established business partners. A potential customer is likely to want to learn a great deal about the unfamiliar U.S. company before he will be ready to consider the features/ benefits of its products. The pre-approach is also the time to put together a sales call plan outlining the basic strategy to follow during each meeting. This can be as general as listing the main objectives of the call and figuring out what questions to ask or go into great detail about anticipating possible objections and how to overcome them.

Approach

The approach is the first person-to-person contact with the potential customer. Some issues to keep in mind here are to pay special attention to arriving on time or even a little early for a scheduled meeting and to avoid having to reschedule or cancel a meeting at all costs. As mentioned earlier, German businesses run on carefully planned schedules and a time to reschedule may not be available for several days. U.S. customs on shaking hands are not very clear and different people will encourage shaking hands when meeting a customer in the U.S. while others will advise you not to. In Germany this issue is much more straight-forward and a firm handshake with eye-contact alongside the initial introduction as well as when parting ways is very appropriate and almost expected. Other aspects of a good approach are in line with U.S.
practices such as business card etiquette, having a professional, conservative appearance, and avoiding questionable humor or conversations about highly opinionated topics such as sex, religion, or politics. Regarding language barriers it is a nice gesture if the U.S. representative greets the German customer in German even if he has to rely on an interpreter for the rest of the presentation. German managers are likely to have good knowledge of the English language and will appreciate any efforts on the part of the American to learn German.

**Presentation and Handling Objections**

The presentation in Germany should follow a very similar pattern as it does in the U.S. When giving information it is especially important that the information is backed up by facts and that the facts can be proven if questioned. Whereas with fellow German companies there is a wide variety of resources available to check information, with the U.S. company the German customer may have to just take your word for it. For products that are unsuitable to bring to a meeting it is extremely helpful to have video footage of the product at work in addition to pictures in the visuals. Once again, the German or European competition may have an advantage with already having a product close-by and the U.S. manufacturer has to do everything it can to minimize that discrepancy.

The space concept in Germany is similar to the United States with regards to what constitutes intimate, personal, social, and public space. At times Germans tend to prefer privacy and withdraw from public or social space by keeping office doors closed. Conversations and the presentation will usually take place in the personal space between 2'-4' apart, depending on the office setting.
Close

Unlike in the United States, Germans rarely make important business decisions on the spot. Decision making is a slower process and depending on the size of the purchase may involve the approval of separate advisors or consultants affiliated with the company. Instead of pushing for a signed contract it is more advisable to make arrangements to provide a detailed proposal and cost breakdown and follow up from there.

Follow-up

Following up on meetings is among the most important steps leading to a sale. A written note via mail or a phone call are accepted and efficient ways to both show continued interest in the customer, provide additional information, and answer any questions that may have come up. Considering that German business relationships are much more long-term oriented it is important to follow up on initial informational meetings as well as actual sales calls to establish how sincere you are in doing business in Germany. The follow up is also a great way to gather new leads of potential customers.

Conclusion

Germany is an exciting and promising market in which to do business. Even though the country’s economy has its problems and has grown slowly over the past years, Germany still firmly leads the European Union in production and trade of goods and plays an enormous role in international trade as well. When it comes to innovation, engineering, and high quality manufacturing, Germany is a one-stop solution and its high concentration of knowledge has made the country a hub for a wide variety of industries. According to Invest in Germany, a federal agency dedicated to promoting Germany abroad, Germany hosts more world-class trade events than any other location in Europe, and quite possibly the world. As one example, CeBIT,
the world's largest computer and telecom trade event, draws over 750,000 visitors and 7,000 exhibitors every year, with significant participation from Asia, Latin America, and Africa. Similar caliber events in many industrial sectors make Germany an international marketing crossroad that permits U.S. exporters to cover German, European as well as global prospects in one location.

As this paper explains, cultural differences do exist between the United States and Germany, but by and large the two countries are more similar than they are different. With a little bit of preparation and research these differences can be overcome and nothing should stand in the way of a successful business trip to Deutschland. As companies around the world are expanding to Asia and other far more exotic places it is important not to overlook the importance of the European Union in worldwide affairs. As a first-time venture abroad, the more familiar environment of Europe and Germany may prove much less risky as companies do not have to worry nearly as much about infrastructure conditions, safety, security, and intellectual property rights violations.
## Appendix A – Export/Import Data

### The most important German exports (2002)

<table>
<thead>
<tr>
<th>Type of goods</th>
<th>in billion EUR</th>
<th>in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars and trucks</td>
<td>123.9</td>
<td>19.1</td>
</tr>
<tr>
<td>Machines</td>
<td>91.7</td>
<td>14.1</td>
</tr>
<tr>
<td>Chemical products</td>
<td>76.5</td>
<td>11.8</td>
</tr>
<tr>
<td>Communications technology and radios</td>
<td>31.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Electricity production apparatus</td>
<td>31.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Iron and steel products</td>
<td>29.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Other vehicles</td>
<td>28.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Medical, measurement and control engineering</td>
<td>26.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Nutritional goods</td>
<td>22.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Rubber and synthetic materials</td>
<td>21.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Metal products</td>
<td>19.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Office machinery/EDP</td>
<td>16.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Paper</td>
<td>14.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>11.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Furniture, jewellery, musical instruments, sports goods, toys and other</td>
<td>11.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Glass and ceramic goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>8.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Print products/Multimedia products</td>
<td>7.2</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>4.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: destatis

### The most important imports (2002)

<table>
<thead>
<tr>
<th>Type of goods</th>
<th>in billion EUR</th>
<th>in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical products</td>
<td>55.2</td>
<td>10.6</td>
</tr>
<tr>
<td>Cars and trucks</td>
<td>53.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Machines</td>
<td>36.9</td>
<td>6.9</td>
</tr>
<tr>
<td>Communications technology and radios</td>
<td>31.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>31.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Office machinery/EDP</td>
<td>27.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Nutritional goods</td>
<td>26.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Iron and steel products</td>
<td>25.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Electricity production apparatus</td>
<td>22.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Other vehicles</td>
<td>21.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Clothing</td>
<td>16.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Medical, measurement and control engineering</td>
<td>15.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Agricultur goods</td>
<td>14.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Furniture, jewellery, musical instruments, sports goods, toys and other</td>
<td>13.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Rubber and synthetic material</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>12.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Textiles</td>
<td>12.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Metal products</td>
<td>12.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Mineral oil products</td>
<td>11.8</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>9.2</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: destatis
Appendix B - Case Study

Case Study: An American Manufacturer and the European Community

Bill Radetsky eased his rental car onto the Autobahn at the outskirts of Stuttgart and headed southeast toward Munich. Glancing at the dashboard clock, he realized that it was only 10:00 a.m., six hours before his flight to Chicago was to leave Flughafen Riem, Munich’s international airport. Since Stuttgart and Munich are only 200 kilometres (120 miles) apart, Bill decided to find a scenic town for lunch somewhere between the two cities. He pulled off the Autobahn at the next rest stop and looked at his travel guide. Ulm appeared to be midway between the two cities and boasts the world’s highest cathedral spire, according to the Michelin guide.

“That sounds good,” thought Bill. “I’ll stop there and find a Gasthaus for lunch and have a look around the city center.”

In Ulm, Bill found a small café in the middle of town and took a seat at the window where he could watch people milling about on the Platz. The cathedral, with its 161.5-meter spire, was directly across the way and dominated the entire city.

As he settled in the comfortable chair, Bill thought back over the events of the last ten days. He had accomplished everything he had planned for this trip, and even had had time for a brief sightseeing excursion in Augsburg. Now he was looking forward to getting back to the office in the United States and reporting to the managers at Grand Lakes Manufacturing (GLM) about the accomplishments of this trip.

Bill was GLM’s national sales manager. He had worked for Grand Lakes Manufacturing for more than twenty years and had been a strong advocate of the company’s expansion to Europe. Planning for that expansion had started more than two years ago and Bill was returning from this trip with a large order from a German automobile parts firm.

GLM is a 30-year-old firm located on the outskirts of Chicago; its annual sales total $32 million and it has 175 employees. The company manufactures transfer presses for the automotive and appliance industries, and provides engineering design services to various large manufacturers in several midwestern states.

The company decided to explore sales potential in Europe for several reasons. About five years ago, the company began receiving requests for information from companies in Europe and Asia. At the same time, several of GLM’s U.S. customers who had ties with European companies recommended GLM to the European partners. After selling two large presses to European companies, GLM decided to pursue that market more vigorously.

The company’s founder and president, John Rein, assigned primary planning responsibility for the European venture to one of the company’s vice-presidents, Joanne Richards. John believed that his company, and any other U.S. company for that matter, had a great deal to learn by looking at competitors in other parts of the world and talking to potential customers in those areas, even if they subsequently decided against exporting.

As part of her initial research on exporting to Europe, Joanne contacted the state’s Economic Development Office and the U.S. Chamber of Commerce for information. The Economic Development Office’s representative in Brussels provided general information about doing business in Europe, and he gave GLM the name of a German consultant, Klaus Barr, who works with American companies to establish contacts in Germany. The Chamber of Commerce also furnished the names of two American consultants who provide similar assistance. Joanne
and several GLM managers interviewed the three consultants and asked for their proposals on what they would do if hired by GLM.

The American consultants proposed writing a business plan for GLM’s European venture, plus setting up appointments with prospective German customers. Their fee was $25,000 and a commission on all sales made by the company during a specified time period. Herr Barr’s proposal included securing appointments with German companies and accompanying GLM managers to these meetings, acting as an interpreter when necessary. His fee was $5,000 for preparing dossiers on the German companies and making the contacts; he charged $1,000 per day for the time spent with GLM managers in Germany. After considering both proposals, GLM chose Herr Barr’s, because he was a German citizen and because he had executive contacts in the German tool and die and automotive industries through his family’s business. Also, GLM wanted to purchase some specialized services, not acquire a business partner.

Bill mentally reviewed the events of that first trip to Germany as he drank a beer and waited for his lunch to be served. “Choosing Klaus as our consultant was probably the best decision we ever made,” he thought. “His work directly contributed to the success we had on our first visit and to the success I've had on this second trip to Germany.”

Klaus had secured appointments with the appropriate managers at several of Germany’s largest automotive parts firms. In addition, he spent two days with GLM managers, briefing them on what to do to prepare for the meetings and what to do during the meetings. As Klaus told them, “The cultural differences between Americans and Germans are still very important and must be considered when doing business in Germany. In particular, you need to be aware of German business protocol and of how the decision-making process works in German businesses.”

The initial meetings between GLM and German managers were information meetings, not sales appointments. Klaus stressed the important distinction between these two types of meetings by explaining that before German managers want to know about a company’s product, they want to know about the company itself. Is it a family owned company? What is its philosophy? Who are the company’s key managers? What are they like to do business with?

Klaus suggested that GLM send several of its top managers on the first trip to Germany. Besides Bill Radetsky, two other top executives went on the trip – Dave Roberts, GLM’s general manager, and Peter Streichen, the company’s Canadian sales manager. Dave, in addition to being a senior level manager, is an engineer and has extensive technical knowledge about the company’s products. Peter is also an engineer; moreover, he emigrated to Canada from Germany in the 1950s and speaks fluent German.

To complement Klaus’s expertise about German business practices, Joanne hired a German-American woman to present a one-day seminar on German culture to several GLM managers. As Dave described it, “She covered the things you wouldn’t think of, things that seemed at first like ‘fluff,’ but were actually critical information and showed that we had a real interest in and concern for German culture.”

Among other things, the consultant advised them to wear a suit to all meetings with their German counterparts and not to remove the jacket as one might in a meeting with U.S. customers. Also, allow the German managers to suggest sharing a drink or a meal, rather than inviting them to be GLM’s guests. Always address the German managers as “Herr ___” or “Frau ___,” she recommended, until they indicate that they want to be called by their first names.
Joanne and the GLM management team decided to translate the company’s brochures into German and to make some modifications as a way of anticipating potential problems Klaus had pointed out to them. As Klaus explained, most German companies would be interested in GLM’s products but might have some unspoken concerns or reservations. For example, if the company’s brochure gave the product’s dimensions in inches, a German customer would wonder if size would be a problem since Germans are accustomed to thinking in centimeters. Or, a customer might wonder, how do American safety and electrical standards compare to German standards? Do they conform to the Siemens standards adopted by European Community members? Finally, the German managers meeting with GLM’s representatives would want to show the brochures to their employees, most of whom would not know English. And because the opinion of these employees is important in the decision to buy a product, it is important that they understand what that product can do.

After months of preparation, Bill and the other managers flew to Europe for the meetings Klaus had set up. Klaus met them at the Munich airport with detailed instructions on how to get from one location to the next and additional information about each company. During the next six days, the GLM team followed Klaus’s carefully designed plan and met with eight German companies in the Baden Württemberg region. Klaus accompanied the GLM managers to all meetings except one, and at each meeting, they carried out the strategy they had devised with Klaus’s assistance.

The GLM managers arrived promptly for each meeting and were quickly ushered into a conference room where they met the German company’s representatives. After some initial observations about the German company’s facilities and its products, one of the GLM managers talked about GLM’s history, its owners, its managers, and its operating philosophy. Then one of the U.S. managers asked several questions about the German company’s general needs related to equipment, as well as questions about specific departments’ needs. At some companies, the senior German manager insisted on conducting the meeting in English; in these instances, all three GLM managers participated in the discussion. At other companies, the discussion was in German and Peter presented the material about GLM and its products. While he talked to the German managers, Klaus simultaneously translated the exchange for Dave and Bill, who did not speak German.

In all but one or two of these meetings, the GLM managers were encouraged by their German hosts to stay longer than the time originally scheduled for the meeting. As the conversation moved beyond general information about GLM to specifics about the company’s products, the German managers showed a great deal of interest and enthusiasm for knowing more details about GLM’s transfer presses. As he thought back over these meetings, Bill recalled being nervous at the beginning of several of the meetings. But when the participants began to talk about GLM’s products, he realized that the German managers were asking the same questions as American managers asked, and that the German managers appreciated the knowledge Bill and his colleagues offered. Three companies asked GLM to submit proposals for specific pieces of equipment.

In their debriefing with Klaus at the end of the trip, Bill and his colleagues decided on the following actions:

1. Write up individual notes and impressions of the trip and consolidate these in a single report to give all GLM managers. This detailed narrative of decision making and actions would become part of the “company memory,” providing managers in the future a record
of what to do if they decided to expand to other parts of the world. This was also a way of reminding all managers that their short-term actions often have long-term payoffs.

2. Modify the company’s German language literature to correct some technical terms and to accommodate the changes suggested in some of the meetings. The GLM managers discovered that Peter’s knowledge of German, while adequate for conversation, was 40 years old and had not kept up with the living language spoken in Germany today. After discovering some errors in the brochures, they decided to pay a German translation firm to do an initial translation and an American translator to do a back-translation.

3. Develop and send proposals to the three companies that requested them, and write thank you letters to the other companies. On the latter, Klaus recommended that certain ones be written in German and the others in English, according to the language in which the meeting was conducted and who had set up the meeting.

4. Determine how to establish a service and parts center in Europe. In their discussions with the German companies, Bill and the others had assured their potential customers that GLM would have a continuing presence in Europe through a service center. As they had expected, German companies wanted to know that GLM planned to service, not just sell, its equipment in Europe. Moreover, the GLM managers recognized the need to staff this center with technically competent personnel who spoke German. As Klaus pointed out, the workers who would be using the equipment probably would not speak English; to avoid going through several levels of managers, GLM’s service representatives need to speak German.

5. Schedule a second trip to Europe within the next three to four months to demonstrate GLM’s commitment to and interest in potential European customers.

And now Bill was completing that second trip and returning to the United States with two large orders from German companies, as well as the prospect of several more orders in the next few months.

Appendix C - Travel Tips

What is there to know about Germany that was not covered in the rest of the paper? Just a little more than I can include right now, but here are a few random pieces of advice and tips on some things encountered while traveling to Germany for the very first time.

- Electricity in Germany is 220V, 50Hz. Be careful when using simple adapters that make U.S. appliances fit into German outlets as they do not convert power. Unless your electronics are designed for dual-voltage operations (i.e. have a switch) they will most likely fry.
- “Wait to be seated” is uncommon in German restaurants. Typically you just sit down wherever you want and it is not uncommon for strangers to sit next to you at a large table.
- Say *Mahlzeit* or *Guten Appetit* before eating. *Prost* and *Zum Wohl* are common when toasting. It is customary to make direct eye contact with each person you are toasting.
- A few basic words of German: *Danke* means "thank you," *bitte* means "please" and *bitteschön* means "you're welcome." There are also different ways to say hello. Bavarians say *Grüss Gott* while the rest say *Guten Morgen*, *Guten Tag* or *Guten Abend*, depending on the time of day. A simple, informal *Hallo* will also do. *Auf Wiedersehen* (goodbye) is appropriate when leaving.
- Germany is generally 7 hours ahead of Central Standard Time (UTC/GMT +1) and does observe daylight savings time from March through October.
- Only very few businesses in Germany are open 24 hours (mostly gas stations, travel related). Most stores will close by 8pm Monday through Saturday and remain closed on Sundays.
- A value added tax of 16% is already included in all listed and labeled prices.
- Stores commonly charge for plastic bags in the spirit of environmentalism, so be prepared to carry items in empty cardboard boxes that are available for free near the store exit.
- Ordering water in a restaurant will most likely get you tonic water (*Sprudel*, or *Mineralwasser*). Be sure to specify if you don’t want carbonation.
- Condiments at McDonald’s may cost extra and restaurants offering free refills are rare.
- The Autobahn only has a few sections that truly do not have a speed limit. Watch for limits posted on white circular signs with red borders everywhere else.
- Passing is only legal on the left and there is no turning on red. In lieu of the U.S. 4 way stop Germany uses roundabouts and streets that are declared as having the right of way at all intersections they cross (*Vorfahrtssstrassen*). They are labeled using a white diamond with a yellow center and all roads crossing them have familiar yield signage.
- The Frankfurt airport is one of the busiest in Germany and handles most international flights. Consider flying into either Berlin or Munich to arrive closer to your final destination or to do special trips through Northern or Southern Germany.
- The entire Southern region offers a lot of variety with lots of hills, mountains, forests, lakes, rivers, meadows, and plenty of nice little towns with romantic, old architecture.
- The Northern region has much larger cities and is also dominated by the more monotonous landscapes of plains, rivers and lakes.
Works Cited


Economist, the. Country Briefings – Germany. The EU Stops Here. <http://www.economist.com/countries/Germany/>. 4/16/05


German Embassy, Washington D.C. Website <http://www.germany-info.org>. 3/15/05


Organization for Economic Co-Operation and Development (OECD) Website. Source OECD. <http://puck.sourceoecd.org/>. 4/10/05
