

Doing Business in Germany

Uncertain Image of North America. Canadian business does not enjoy a particularly positive reputation in Germany and is not distinguished clearly from a general view of North America. This is because of a combination of the poor reputation of North American manufacturing in general, and an unshakeable belief in the superiority of German technology.

The implications are that:

- Canadian companies must be sure that any advantages their products have over existing German products are stressed. All things being equal, a German product will always have preference.
- foreign companies must blend in much more than in other European countries. German must be spoken and it is important to employ German staff, even at senior management level.

The business environment is heavily contractual. No oral promise is valid unless included in a written contract. Contracts are rarely amended. Unlike in France, your German business partner will not seek a settlement out of court and will not hesitate to sue you. To work in Germany you must have a good lawyer who you must be sure works on your side.

The strict contractual environment has two major consequences:

- because of the strictly binding effect of contracts, decisions are made much more slowly than in North America; and
- your German counterpart will not enter negotiation with an idea of fairness, but will try to get the most out of the negotiation and embody it in a contract. To counterbalance that, stand firmly on your position. This is more respected in Germany than being flexible to the demands of a client!

When Germans talk about reliability, they mean continuity. German respect continuity from their suppliers. This works at two levels.

First, most German companies are very loyal to their suppliers and value a long-term relationship. To protect an established relationship with a supplier, German companies will even pay a premium. Thus, a company wishing to displace an established supplier must do much better on price and offer product and service advantages. A new supplier will also have to show constant initiative to get the opportunity to quote on products or services. The new entrant might have to spend time in the market before business takes off, to show commitment. Establishing a position in the German market is very costly, but, because of the loyalty gained from German clients, it is more valuable than in other countries.

Second, German companies find high staff turnover in their supplier companies suspicious and bad practice. Business in Germany cannot have the same staff turnover as is customary in North America. This makes the decision to employ very tricky, as you may have the same employees for a long period.

Personal visits are important. Unlike other countries where you introduce a new service by mail or by telephone, in Germany personal visits are considered an essential first step. German business contacts will easily agree to see you personally and will set aside enough time for the visit. They will require you to be very punctual if not slightly early. They will expect a brochure and will read it thoroughly.

There is a lack of published marketing data. Personal visits also allow you to collect market intelligence given the paucity of published data available. In Germany, you must use the grapevine as much as possible to understand a market.