

### **Country Market Study: Germany**

As Europe's largest economy and second most populous nation, Germany is a key member of the continent's economic, political, and defense organizations. Germany is located in central Europe, bordering the Baltic Sea and the North Sea with a total area of 357, 021 km. Germany's terrain includes lowlands in the north, uplands in the center, and Bavarian Alps in the south. 33% of the land is arable

#### *1. Cultural Analysis*

##### *Family:*

As in most of the Western world today, the family in Germany is undergoing change. The divorce rate, although still less than half of that of the U.S., has doubled from about one per thousand in the early 1960's to over two per thousand today. The Germanic ideal of the close-knit family, if it ever existed, has taken a beating over the last several decades, as alternative lifestyles, two-income families, and the pressures of modern life increase. Spousal and child abuse are increasing problems. Drugs and alcoholism now affects German families as it does in most of the western world. Germany's Federal Bureau of Statistics defines a "typical" family as one consisting of one or two parents living together in a household with at least one child. Defying all efforts by the governments of the German speaking countries to encourage couples to have more children, the birth rate has remained low since World War II. Despite tax advantages for families with children, such as a monthly allowance for children called Kindergeld, the birth rate for Germany still remains low at 11 per thousand.

Although two-income families are on the rise, most women with children still stay at home and the children come home from school for lunch.

Children are raised to be responsible and independent, with more freedom for teenagers than is usually the case for American teenagers. Yet Germans are constantly debating the issue of *Kinderfeindlichkeit* (an anti-children attitude) in their society. Partly because housing costs are high, older children also tend to stay home longer. However, in contrast to 20 years ago, many more Germans today live in a community other than the one in which they were born and raised.

*Education:*

Children in Germany start school at the age of 6, and from grades 1 through 4 attend elementary school (*Grundschule*), where the subjects taught are the same for all. Then, after the 4th grade, they are separated according to their academic ability and the wishes of their families, and attend one of three different kinds of schools: *Hauptschule*, *Realschule* or *Gymnasium*.

The *Hauptschule* (grades 5-9) teaches the same subjects as the *Realschule* and *Gymnasium*, but at a slower pace and with some vocational-oriented courses.

The *Realschule* (grades 5-10) leads to part-time vocational schools and higher vocational schools.

The *Gymnasium* (grades 5-13) leads to a degree called the *Abitur* and prepares students for university study or for a dual academic and vocational credential.

*Grundschule* teachers recommend their students to a particular school based on such things as academic achievement, self-confidence and ability to work independently.

However, in most states, parents have the final say as to which school their child attends following the fourth grade.

The *Gesamtschule*, or comprehensive school, is a more recent development and is only found in some of the states. It takes the place of both the *Hauptschule* and *Realschule*. It enrolls students of all ability levels in the 5th through the 10th grades.

No matter what kind of school a student attends, he/she must complete at least nine years of education.

Beyond the *Hauptschule* and *Realschule* lies the *Berufsschule*, combining part-time academic study and apprenticeship. The successful completion of an apprenticeship program leads to certification in a particular trade or field of work.

German Universities are highly acclaimed as some of the best in the world, with 10 German Universities ranked amongst the Top 200 in the world.

Germany, as with most highly developed countries, maintains a high literacy rate, with 99% literacy among both males and females.

#### *Political System:*

Germany is a Federal Republic. The German political system operates under a framework laid out in the 1949 Constitutional document known as the Grundgesetz (Basic Law). Amendments to the Grundgesetz require a two-thirds majority of both chambers of parliament; the articles guaranteeing fundamental rights, a democratic state, and the right to resist attempts to overthrow the constitution cannot be amended. The Chancellor is the head of the government and exercises executive power, similar to the role of the Prime Minister. Federal legislative power is vested in the parliament consisting of the Bundestag and Bundesrat, which together form a unique type of

legislative body. Since 1949, the party system has been dominated by the Christian Democratic Union and the Social Democratic Party.

The German head of state is the President of Germany, elected by the Bundesversammlung (federal assembly).

*Legal System:*

The Federal Republic of Germany is comprised of sixteen states, or [Lander](#). Much like the separation of state and federal power in the United States, each *Land* has its own government and constitution. While the *Lander* are free to structure their constitutions as they wish, each constitution must follow the basic principles set forth in the German Constitution or *Grundgesetz*, often referred to as the [Basic Law](#). The division of power between the federal government and the *Lander* helps to protect the freedom of the German people. The German people are ensured participation in the government process through local elections and representation in the [Bundesrat](#), the upper house of the German Parliament.

In addition to establishing the basic rights to which all people are entitled, the Basic Law also establishes the Constitutional bodies of the government, the framework of the judicial system and the method by which government representatives are selected. Unlike the United States or the United Kingdom, Germany does not have a common law tradition. Therefore, there is no system of precedent established by the disposition of particular cases. Instead, German case law binds only those who are parties in a particular action, and not parties who bring separate actions in the future.

The German system is a civil law tradition that relies on a series of codes, and to a lesser degree customary law, to establish a legal framework. There are five primary codes

in Germany, the Civil Code, the Code of Civil Procedure, the German Commercial Code, the Penal Code of the Federal Republic of Germany, and the German Code of Criminal Procedure.

The courts in the Federal Republic of Germany can be divided into three categories: ordinary courts that hear civil and criminal matters; specialized courts; and Constitutional courts.

*Social Organizations:*

Despite continuing although lessening differences in living standards between the old and new *Länder*, in the mid-1990s German social structure consists mainly of a large, prosperous central stratum containing about 60 percent of the population. This stratum includes mid-level civil servants, most salaried employees, skilled blue-collar workers, and a shrinking pool of farmers. A smaller wealthier group consisting of an upper-middle class and an upper class offsets the poverty experienced by a poor lower class. Hence in terms of social indicators such as education, average income, and property ownership, Germany ranks among the world's leading countries. In terms of income, for example, in 1991 the average German family had a net monthly income of DM4,905-, second highest among members of the EU.

Most of the workforce is employed in the services sector. West Germany completed the transition from an industrial economy to one dominated by the services sector in the 1970s, and by the late 1980s this sector employed two-thirds of the workforce. In contrast, when the Berlin Wall fell, East Germany still had not made this transition. Because more of the workforce was engaged in industry and agriculture than

in the services sector, its socioeconomic structure resembled that of West Germany in 1965.

*Business Customs:*

In Germany, for various reasons, business is generally viewed more negatively. Germans operate from the assumption that all resources are limited and that if someone has managed to acquire more than his or her share, others will suffer as a consequence. Ask most Germans for their opinion, regardless of political persuasion, and they will tell you there is something fundamentally wrong in a country where one person, such as Bill Gates, can be so incredibly rich, while others are homeless or without health insurance. In addition, German industry is viewed as the major source of pollution in this densely populated country, where open space and natural resources are at a premium. Environmentalism is a strong social and political force in Germany, and industry is one of its main targets.

Germany's industrial success has created considerable wealth, but it is still considered foolish and in bad taste to flaunt it openly. German businessmen are hesitant to make too much of a public splash and are almost apologetic about their great success. In line with German cultural values, they work hard at creating an image of seriousness, respectability, and social commitment.

While American businesspeople prefer to limit government involvement in the economy, encouraging deregulation and restricting government intervention in the free trade market, Germany took another stance. Various branches and levels of the government function as mediators and power brokers in the consensus process typical within German political, social, and economic institutions. Germans expect and comply

with government action in order to maintain economic performance and the resulting social well-being.

In addition to the recent wave of privatization, the changing role of women is also shaking up German business. Since World War II, women have increasingly joined the workforce. In fact, women today make up a large portion of the workforce, but the percentages vary considerably between eastern and western Germany.

As recession and external competition take their toll on the German market, the government and social partners are faced with difficult decisions. Recent proposed budget cuts in this system have already raised the tension level of the ongoing debate in which two opposing viewpoints clash. Some voices advocate more “Americanization,” that is, more deregulation and less government intervention as well as breaking up the secretive, long-term relationships and patterns of cross-ownership in order to make Germany more flexible and responsive to the economic challenges the country is facing.

*Business Practices:*

German bankers and businessmen are well known for their caution and desire to avoid risk. While this conservatism is changing somewhat with younger generations, Germans are still much more averse to taking risks than are Americans overall. The financial conservatism is deeply rooted in the traumatic experience of having their savings lost and their economy destroyed twice in this century. As a result, Germany’s central bank is legally charged with maintaining price stability and a low inflation rate.

Germans prefer to buy insurance from a local agent they know and trust, even if he or she does not offer the lowest prices. German banks use this cultural preference for long-standing relationships to their advantage by having a wide range of contacts in the

German business and political community. Therefore it is no surprise that Germans are inclined to do thorough background checks before they feel comfortable entering into a business deal with someone new. This makes breaking into business in Germany a longer, more difficult undertaking. One effect of this close-knit business network in Germany is the high value placed on discretion.

Long term planning is visible in many parts of the German business world, from strategy planning and decision-making processes to the actual construction of physical plants. The American tendency toward short-term planning upsets many Germans. Doing business successfully in Germany means showing Germans you are there for the long haul and will not pull out after making a quick profit.

Germans are long term planners who value punctuality and reliability. They greatly appreciate the advantages of having a well-planned routine and are loath to let that routine be upset. Germans also take more time and need more information to reach a business decision than you generally encounter in the U.S. Being on time for meetings is definitely the norm in Germany and is seen as a sign of respect. They believe in “on the dot” time.

In both business meetings and business socializing, it is important to maintain the appropriate degree of formality. One should be neither overly friendly nor too pushy. Titles and last names should always be used. And this may well remain so during the entire business operation. This is not a sign that negotiations aren't going well; it is simply the norm in German business.

Germans like to do one thing at a time and tend to keep different tasks quite separate. Their methodical approach to work, their strict separation of business from

social functions, and their strong sense of duty all combine to make traditional Germans highly productive, goal-oriented workers. However, they work fewer hours per week than any other industrialized country.

*Religion:*

Catholics and Protestants comprise the majority of religious identity in Germany, each with 34% of the country's following. Despite the high percentage of nominal Catholics and Protestants, very few Germans attend church. For the most part, the social aspects of church attendance, common in America, are not present in Europe. Regular church-goers tend to be older people. For the most part, church attendance is reserved for religious holidays, baptisms, marriages, and funerals. This does not mean that religion is not an important part of life for German speakers. In fact, many of the world's best-known religious philosophers and intellectuals have come from the German part of Europe.

*Aesthetics:*

German art is steeped in a rich classical tradition, that dates back to the Roman Empire, but did not take formal shape until the 16<sup>th</sup> Century with the formation of The [Danube School](#), the name of a circle of painters of the first third of the 16th century in Bayern and Austria, that painted religious works in the late Gothic style. Hans the Elder was a pioneer and leader in the transformation of German art from the Gothic to the Renaissance style. His son, [Hans Holbein the Younger](#) was an important painter of portraits and religious works in the Northern Renaissance style.

The [Düsseldorf school](#) was a group of artists who painted mostly landscapes, and who studied at, or were influenced by the Düsseldorf Academy. Founded in 1767, the

academy's influence grew in the 1830s and 1840s with the popularity of the [Nazarene movement](#). The name Nazarene was adopted by a group of early nineteenth century German Romantic painters who aimed to revive honesty and spirituality in Christian art.

The 20<sup>th</sup> Century ushered in an era of modernism that focused more on shape, texture and type to reflect the Industrialization of the times. [Plakatstil](#), or “Poster-Style” in German, was an early poster style of art that began in the early 1900s. The traits of this style of art are usually bold, straight font with very simple design.

Expressionism, founded in Dresden in the early 1900s, made use of the absence of color and luxury that was found in American arts, and relied on symbolism and imagery to convey the emotion through suggestion. This trend lasted through the 1920s and became the prevalent style of filmmaking. Expressionism was replaced by the Bauhaus and post-expressionist movements; both were more influenced by the concept of modernization and a stripped down, urban-planning style of architecture and art.

Modernism was denounced by the Third Reich as degenerate art and from 1930-1945, a return to the Classicist view of art was enforced by political measure.

However, after the fall of Nazism with the end of World War II, a newfound desire for expressionism was mixed with abstraction to create the modern art scene of Art Informel, noted by rich colors and shapes without boundaries and definitions.

The Western part of Germany developed an aesthetic landscape that found architecture influenced by modern expressionism and abstract sculpture in public spaces. Eastern Germany remained under the control of socialists and subscribed to a doctrine of social realism that glorified the socialist regime through statues of historical figures and strong architectural styles using industrial materials. After the reunification of East and

West Germany, the German aesthetic in art, film, sculpture and architecture has become a social commentary of historical and cultural perspective, including such notables as Christo's wrapping of the German Reichstag in Berlin, 1995, and Anselm Kiefer, who shapes massive works of art from untreated materials such as dust, flower petals, ashes and roots in his factory-hall studios.

## *II. Economic Analysis*

### *Populations:*

Germany's population is 82,369,548 people. 66.2% are between the ages of 15-64. 13.8% are 0-14 and 20% are 64 and older. Germany has experienced a population growth rate of -.044% and a birth rate of 8.18 births per 1000. Life expectancy is 76 years for males and 82 years for females.

### *Economic Statistics & Activity:*

The Germans proudly label their economy a "Soziale Marktwirtschaft," or "social market economy," to show that the system as it has developed after World War II has both a material and a social dimension. The term "social" is stressed because West Germans wanted an economy that would not only help the wealthy but also care for the workers and others who might not prove to cope with the strenuous competitive demands of a market economy.

Germany is the largest national economy in Europe, the third largest by nominal GDP in the world, and ranked 5<sup>th</sup> by GDP. Growth in 2007 was 2.5% and is predicted to retain this level in the following year. The export of goods "Made in Germany" is one of the main factors of the country's wealth.

Among the world's largest stock market signed companies measured by revenue, the Fortune Global 500, 37 companies are headquartered in Germany. The ten biggest are Daimler, Volkswagen, Allianz, Siemens, Deutsche Bank, E.ON, Deutsche Post, Deutsche Telekom, Metro and BASF. Germany is a strong advocate of closer European economic and political integration, and its commercial policies are increasingly determined by agreements among European Union members and EU single market legislation. Today, the current government runs a restrictive fiscal policy and has cut regular jobs in the public sector aiming a balanced federal budget. The overall unemployment rate has constantly fallen since 2005 and reached a 14-year low in November 2007 with 8.1%.

Agriculture, forestry and mining accounts for only 1.1% of Germany's gross domestic product (GDP) and employs only 2.2% of the population, and has decreased in recent years. Most of the reduction occurs in the eastern states due to modernization after reunification. However, agriculture is extremely productive, and Germany is able to cover 90% of its nutritional needs with domestic production. Germany is the third largest agricultural producer in the European Union (EU) after France and Italy. Germany's principal agricultural products are potatoes, wheat, barley, sugar beets, fruit, and cabbages. Despite Germany's high level of industrialization, roughly one-third of its territory is covered by forest. The forestry industry provides for about two-thirds of domestic consumption of wood and wood products, and Germany relies on imports to make up the difference.

Germany's most important energy resource is coal, including "hard coal" and lignite, a brown coal. Coal production has declined in recent years due to increased environmental legislation and the closing of several outdated mines in the eastern states.

Germany is a net importer of coal despite outstanding production and reserves. Natural gas reserves were at 10.8 trillion cubic feet, the third largest in the EU, and yet in 2002 Germany imported 2.4 trillion cubic feet of natural gas, or 75% of its requirements. Germany is the world's fifth largest consumer of energy, and two-thirds of its primary energy is imported. In the same year, Germany is Europe's largest consumer of electricity; electricity consumption in 2002 totaled 512.9 billion kilowatt-hours.

Industry and construction account for 29% of gross domestic product (GDP) in 2003, a comparatively large share even without taking into account related services. The sector employed 26.4% of the workforce. Germany is at the forefront in the production of automobiles, machine tools, and chemicals. In 2003, Germany was the world's third largest producer of automobiles after the United States and Japan, although the People's Republic of China was threatening to displace Germany in the world rankings as early as 2005.

Germany leads the world market in production of machine tools (19.3%) and is well known for the special role of small and medium-sized manufacturing firms. These firms employ two-thirds of the German workforce.

*Trade Restrictions:*

Member states of the European Union have established a Community Integrated Tariff (TARIC) system, where duties are applied to imports from non-EU countries. Duties levied on imports from non-EU countries, including the United States, are moderate.

All industrial imports into Germany are subject to an "Import Turnover Tax" of 19%, which is charged on the duty-paid value of the import article plus the customs duty,

which varies by item. Germany's regulations and bureaucratic procedures can be a difficult hurdle for companies wishing to enter the market and require close attention by U.S. exporters. Complex safety standards, not normally discriminatory but sometimes zealously applied, complicate access to the market for many U.S. products. U.S. suppliers are well advised to do their homework thoroughly and make sure they know precisely which standards apply to their product and that they obtain timely testing and certification. Imported goods must be accompanied by a customs declaration, which has to be submitted in writing, and an invoice in duplicate. Normally the German importer files this declaration. The commercial invoice must show the country of purchase and the country of origin of the goods. The invoice should contain:

Name (company) and address of seller and buyer

Place and date of issue

Number, kind of packages

Precise description of articles

Volume or quantity in normal commercial units

Invoice price (in invoice currency)

Terms of delivery and

Payment.

The European Union does not generally legislate packaging and labeling requirements, but does so for what it sees as specific high-risk products. In the absence of any EU-wide rules, the exporter has to consult national regulations or inquire about voluntary agreements among forwarders that affect packaging and labeling of containers, outside packaging, etc. Importers or freight forwarders should be able to advise U.S.

exporters on shipping documents and outer packaging/labeling. European Union customs legislation only regulates administrative procedures, such as type of certificate and the mention of rule of origin on the customs forms and shipping documents. Product-specific packaging and labeling requirements applicable throughout the EU apply to food, medicines, chemicals, pharmaceuticals and other items EU authorities regard as high-risk. The stated purpose of harmonizing such legislation throughout the EU is to minimize the risk for consumers (the end user).

Since its inception ten years ago, many companies have recognized the benefits of adopting the EU Eco-Label scheme. There are currently 135 companies licensed under the regime, and it has been awarded to 21 product groups. The products range from paints, detergents, and refrigerators to tourist accommodation. The number is growing and it is the only voluntary scheme that covers products moving across borders within the EU. It sets ecological criteria for a range of products and services in a transparent way so that the consumer can make a more informed choice in order to support sustainable consumption patterns.

Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different approach to the protection of the health and safety of consumers and the environment. Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation.

The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity

assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable until end of December 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

*Infrastructure:*

Germany has one of the most technologically advanced telecommunications networks worldwide, with 54.2 million telephones and 84.3 cell phones. Mobility within and through the country is facilitated by 550 airports, 48,215 km of Railways, 2,331,581 km of roadways., and 7,467 km of waterways. Germany has many ports along rivers and at the Northern Seas. Ports and Terminals are located in Bremen, Bremerhaven, Duisburg, Hamburg, Karlsruhe, Lubeck, Rostock, Wilhemshaven.

### *III. Market Audit & Competitive Analysis*

#### *Introduction:*

The German economy is still the world's third largest (likely to be surpassed by China and accounts for nearly one-fifth of EU GDP. Germany is the United States' largest European trading partner and is the sixth largest market for U.S. exports. Germany's "social market" economy follows free-market principles, but with a considerable degree of government regulation and generous social welfare programs.

#### *Product In The Market Now:*

Computers, Software, Electronic Components and other high technology products are currently very successful in the German product market. In addition, advanced medical technology and devices for the healthcare sector continue to become more valuable with the aging of the German population.

Due to the application of Synthetics in most manufacturing and production industries, chemical and material applications for paints, coatings and metals, as well as the manufacture of chemicals, has been successful. Germany's history of technological advancement in the automotive industry has led this to be a predominant sector of business, known worldwide for being of high quality craftsmanship and unparalleled handling. The incorporation of new technology into the automotive industry, as well as the new avenues of multimedia and high tech services via the Internet has grown rapidly over recent years.

#### *The Market & Its Behavior*

Real German GDP expanded by 2.5% in 2007 despite the increase in value-added

tax from 16% to 19% in January 2007; forecasters predict economic growth to reach 1.7% in 2008.

Consumer demand, which had been sluggish for several years, is picking up. The economy continues to be strong on exports; consumption and investment have started to pick up in 2006 and are expected to compensate for some of the world economic downturn. The Business confidence index rose in early 2007 and show signs of optimism, despite a lot of uncertainty in financial markets. The German economy continues to suffer from structural problems, including over-regulation in labor markets, taxation, and business establishment, as well as high social insurance costs.

The German government has recognized the need for reform and is pursuing a series of initiatives. While many observers regard these programs as a useful start, most expect that additional reforms to enhance Germany's global competitiveness will be required.

#### *IV. Marketing Analysis*

##### *Some Product Suitable For This Market:*

German firms focusing on exports, especially in the automotive, chemicals, and high tech sectors, enjoy healthy profits and have exported more goods and services than firms from any other country. The retail sector, however, continues to have lower growth. Major manufacturing firms have increasingly shifted their production overseas to maintain global competitiveness and reduce costs.

##### *Challenges & Advantages of Trading With This Country:*

Persistent high unemployment, particularly long-term (longer than one year) unemployment, has long been among Germany's most serious political and economic

problems. The economic growth Germany has experienced since 2006, however, has resulted in a rapid fall of unemployment to levels not seen since before German unification.

Since the beginning of 2006, what had been an export-led recovery has begun to expand into the domestic economy. Investment in machinery and equipment has grown rapidly and business confidence has risen – recent survey results showed optimism prevailing despite the uncertainty resulting from the subprime mortgage crisis in the U.S. The economic recovery finally reached the labor market in late 2006. The strong revival of the German labor market continued in 2007.

Registered unemployment fell by 15.7% to below 3.8 million on an annual average. This corresponded to a decline in the unemployment rate from 10.8% in 2006 to 9.0%, the largest year-to-year decline in Germany history. In eastern Germany, the unemployment rate stood at 15.0% and was still twice as high as in the western part of the country. The Federal Employment Agency's Institute for Labor Market Research has projected an average of 3.5 million unemployed for 2008, provided the current demand for labor continues. While much of the improvement has been the result of an expanding number of temporary or low-paid jobs, more significantly, the number of socially-insured and self-employed jobs has risen, too.

Germany presents few formal barriers to U.S. trade or investment, although Germany's participation in the EU's Common Agricultural Policy and German restrictions on biotech agricultural products mean barriers for some U.S. goods. Germany has pressed the new EU Commission to reduce regulatory burdens and promote innovation in order to increase the EU member states' competitiveness. The Merkel

government has talked about the need of regulatory reform in Germany as well.

Germany's regulations and bureaucratic procedures can prove baffling. While not directly discriminatory, government regulation is often complex and may offer a degree of protection to established local suppliers. Safety or environmental standards, not inherently discriminatory but sometimes zealously applied, can complicate access to the market for U.S. products. American companies interested in exporting to Germany should make sure they know which standards apply to their product and obtain timely testing and certification. German standards are especially relevant to U.S. exporters because, as EU-wide standards are developed, they are often based on existing German ones.

#### *Methods To Start Trading Efforts*

The German market is as decentralized and diverse as the U.S. market, with interests and tastes that differ dramatically from German state to German state. Successful market strategies take into account regional differences as part of a strong national market presence. Experienced representation is a major asset to any market strategy given that the primary competitors for most American products are domestic firms with established presence. U.S. firms can overcome such stiff competition by offering high quality products, services at competitive prices, and sales back-up, as well as establishing a local network of support. For investors, Germany's relatively high marginal tax rates and complicated tax laws may constitute an obstacle, although deductions, allowances and write-offs help to move effective tax rates to internationally competitive levels.

German consumers are accustomed to purchasing via catalog and have become more receptive to shopping on Internet platforms. More than 80% of German enterprises use direct marketing to sell their products and services. The most frequently used formats are email and Internet marketing (65%), telephone marketing (31%), direct mail (24%) and inserts in publications with a response element (18%). Trading companies, manufacturers, and service companies spend more than EUR 30 billion on direct marketing with mailing expenditures clearly in the lead, followed by inserts with response elements, and telephone marketing. Direct marketing agencies currently employ 48,000, a number which is expected to grow over the next years.

Success in the German market, as elsewhere around the world, requires long-term commitment to market development and sales backup, especially if U.S. companies are to overcome the geographic handicap with respect to European competitors. Germans at times perceive U.S. suppliers as tending to process a U.S. domestic order before taking care of an export sale, or being quick to bypass a local distributor to deal directly with its customer. Some German entrepreneurs with selective experience with U.S. companies are skeptical about their long-term commitment and after-sales support. U.S. firms entering Germany today are generally aware of the factors that make for a successful export relationship and are ready to establish a credible support network. However, U.S. firms should be ready to address any lingering doubts from prospective German clients/partners.

*Product That Might Be Best Fits:*

The most successful market entrants are those that offer innovative products featuring high quality and modern styling. Germans are responsive to the innovation and

high technology evident in U.S. products, such as computers, computer software, electronic components; 80% of software products sold in Germany come from U.S. Suppliers. Other successful products are health care and medical devices, synthetic materials, and automotive technology. One developing sector is in the area of coatings, additives and nano materials and other innovations, for which German companies have a great demand for use in making chemical treatments for tooling, and automotive sectors.

Germany boasts one of the highest Internet access rates in the EU and new products in the multi-media, high tech, and service areas offer great potential as increasing numbers of Germans join the Internet generation. Certain agricultural products also represent good export prospects for U.S. producers. U.S. tree nut exports to Germany were valued at \$333 million out of a total import value of \$1.24 billion. Price will not necessarily be the determining factor for the German buyer, given the German market's demand for quality.

*Profitability:*

Entry into the German market, despite the numerous technical challenges due to regulation and labor forces, continues to be an attractive market. Strategically the benefits are great, as from one central country, trade can be channeled into the rest of mainland Europe. The thorough access to ports, highways and telecommunications allow for rapid methods of customer service and delivery, of mobility and distribution within the country.

As one of the world's largest economies, the significance of continued economic relations signifies stable future growth with little political impact on economic trade.

While there exist barriers to trade that have been widely accepted by EU countries, the amicable relationship between the US and Germany allows for an open trade relationship.

In recent years, and with the development of high technology, software and computer products, such as business management and efficiency software, maintain a very lucrative future. The United States is the leading contributor to this sector and future growth is promising. Future areas of high technology growth are in multimedia services for the Internet and SatelliteTV.

Trade with Germany benefits from the open market attitude and a high level of efficiency in doing business. This results in higher rates of success when trade regulations, labor laws and culturally accepted methods of doing business are mastered.