

# SETTING UP LOCAL SALES CHANNELS

*A case study of introducing a new product to European markets*

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Only twenty years ago companies had to adjust their products to the needs and requirements of the markets they served. The size of a power plug, its safety features and even its coloring had to be in accordance with local standards. Globalization — the process to operate internationally largely as a result of deregulation and improved communication — has changed all that in a short period of time. Now, new products can be marketed beyond traditional markets, can fulfill a global need and can thus be adopted by a larger customer base.

For many vendors developing and manufacturing innovative products, these developments seem to offer the possibility of setting up cross-continent marketing and sales programs, surpassing the need for local stores and business partners. Websites can allow for 24/7 exposure of the goods, online ordering and customer satisfaction. It seems as if just one good invention can result in a company's global recognition and success.

But is it all that easy? This article puts European markets in the spotlight and describes a "best approach" for a company seeking to set up a European sales channel.

For overseas companies it is often difficult to understand European habits. Their experience is that a sales strategy can be easily copied to serve new markets. But Europe is different. Modern Europe still counts many nations with their own diverse ethics, habits and grammar. While political and business

leaders hope that these many differences can nowadays be managed by uniting in the European Union (EU), approaching European markets without recognizing the importance of national languages and cultures in daily life is a crucial mistake.

Non-European companies not understanding the need to address these customers correctly will usually only end up in the United Kingdom and Spain, eventually proudly referring to these offices as their European Head Office. General management, often based on another continent and too far away to be familiar with Europe's peculiarities, may try very hard to approach other European nations in English or Spanish and may still not understand why they fail.

The effort to grasp the benefits of globalization starts with translating documents, manuals or contracts into the local language. Apart from the fact that within the EU manufacturers are expected to offer user manuals and technical manuals in the local language, potential business partners feel more comfortable being able to read and discuss a proposal in their native languages.

## FRENCH FRIES EUROPEAN STYLE

Motion Technology, Inc., the Boston, Massachusetts-based manufacturer of the Autofry, decided in 2003 to offer its professional, fully automatic deep-frying machine in Western European markets. Until then the Autofry had been a success in America and Canada for over 12 years with 15,000 units shipped. Because the machine can be used without having to install a hood — its

filters will absorb cooking smells — the Autofry is recommended for restaurant and bar owners with small kitchens who wish to offer their customers fried food such as french-fried potatoes, chicken wings or onion rings. The machine has a built-in fire extinguisher, does not require extensive user training and is expected to return the owner's investment quickly.

Finding an English company with an interest in reselling the machines in the United Kingdom and Ireland posed no real problem. Negotiations could easily be done in English, manuals could be read, and the various aspects of the contract left no misunderstandings. An increasing number of pubs now serve fries along with a pint of local brew.

Extension of a European sales channel beyond the United Kingdom and Ireland was, however, still part of the American business plan. France and Germany looked tempting, and Belgium was thought to be ideal — not to mention Scandinavia, Italy or The Netherlands. Several attempts were made to close a deal, but time after time the language barrier and the physical distance resulted in a frustrating silence. Furthermore, the company had to understand the different attitude Europeans have toward eating fried food as compared to Americans. Europeans tend to be more conscious about what and when they eat. And each country has its own favorite snacks such as pizza, bratwurst, meatballs or sandwiches. Fried food complements them.

Motion Technology executives decided to get inside local help. They had to be sure that they could address potential European business

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partners in their own languages. They realized that although the two major global languages are English and Spanish, these languages are only spoken by about 20% of the people in Europe. The other 80% speak varied native languages such as French, Dutch, German, Swedish and Polish, and about 10% to 15% of these speak a second language, mostly German. Passengers listening to a German or French pilot's public address in English during an international flight can recognize that while at school the pilot was primarily trained in the use of his or her native language.

Motion Technology contacted the US Commercial Service. This service, which is part of the US Department of Commerce, helps US and overseas companies to make contact for American trade opportunities (both import and export). Interested parties can register their companies and look for international partnerships on the service's website (<http://www.buyusa.com>).

Through the US Commercial Service, Motion Technology found Sales4Sales, which is based in The Netherlands just outside of Amsterdam. Sales4Sales sets up European

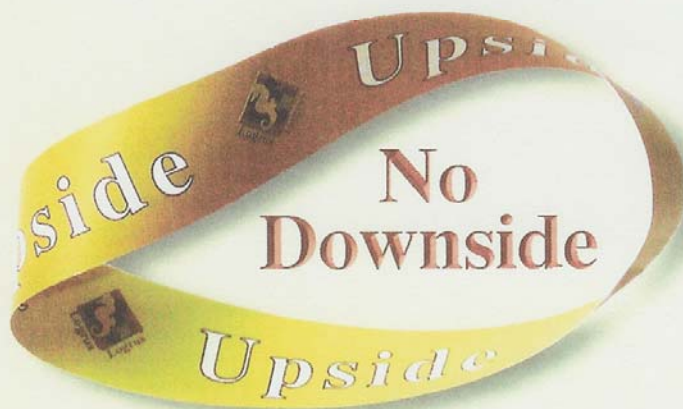
distribution and sales channels for non-European manufacturers overcoming these language and cultural barriers. Sales4Sales personnel all speak several European languages. The company creates awareness, visibility and exposure in various countries, identifies potential business partners and introduces its clients' products for stocking and reselling. The firm focuses on the initial phase of finding the right dealers and establishing a distribution and sales network by contacting potential distributors, wholesalers and resellers — supporting the European business full time. Once the client feels revenues allow for it, Sales4Sales transfers all of the business contacts to the client and helps with the appointment of European employees and a local sales office.

Working with Sales4Sales, Motion Technology was now able to identify distributors in several countries and address them in their native languages. We first selected those who would meet the criteria for successful distributorship. Most major distributors, wholesalers or resellers whom a non-European company may want to identify and target will already have established contacts and often are not inclined to add or try a new product, especially to introduce an innovative product with the necessity to position it in a new market. The risks of running a loss, losing a good name or having to retrain staff prevent them from responding enthusiastically to a proposal. These companies prefer to support their existing successful ventures rather than to help an overseas firm get European coverage, or they may feel that the economic situation does not allow for adventurous investments.

Companies that may show an interest in new and innovative products, however, are often the ones that are hard to find. They are the smaller ones serving niche markets while keeping an eye out for new opportunities. They are not only hard for foreign manufacturers to identify because of their business information such as websites and marketing collateral being in the native language, but often the management is not used to dealing in English or Spanish. These companies are run by local businessmen who mainly deal with local European manufacturers and partners.

A strategy for success is to approach new leads personally, taking into account their languages, habits, attitudes and beliefs. If no staff people are available who have that knowledge, it is best to work with a local agent to represent the firm — an intermediary who is familiar with local principles, languages and habits. Such an intermediary can make contact more easily and is more readily trusted, and the exchange of information has

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no idiomatic barriers. The fact that the representative is European and thus can be reached during normal European working hours enhances the acceptance of the foreign company's offerings and stimulates European interest in working with the client.

In general, it can be stated that the bigger a European nation, the more difficult it is to enter it without addressing its specific characteristics. Local products in these countries most likely fulfill existing needs already, diminishing the need for a foreign supplier.

### FINDING THE RIGHT DISTRIBUTOR

We read business brochures and websites and had a good initial picture of each distribution company's capabilities before contacting it. It was necessary that the company would not only want to stock and resell the units, but also that it have a service unit for required maintenance. When meeting with the companies' owners, we addressed the issue in their native languages. It was important to know that they aimed at the small and medium-sized caterers where most likely the Autofry could bring an incremental increase to their turnover. They had to be able to service the equipment and were willing to stock several machines.

Family-owned distribution companies proved to be best. They tend to be most critical when it comes to taking on a new product, and they show great motivation to invest in its local success once they do take it on. It gives them the opportunity to move away from the competition and start an exclusive profitable distributorship without having to compete on price. Once we met with a potential partner, we made sure that we left him or her with the right feel for a business opportunity matched to local habits of offering and consuming fried foods.

A Belgian firm was quickly located that offered high-quality equipment and the ability to provide custom-made stainless steel trays, trolleys and tables to integrate the new machines into the kitchen. It was a family-owned company with an interest in reselling innovative equipment. The company brochure was in both Dutch and French, and so was its website. A phone call to the owner resulted in an instant understanding and interest.

A machine was quickly shipped and delivered to the company's offices for demonstration. To show its ease of use, we made sure that several frozen food products were available, and we agreed to operate the Autofry at their premises on a Friday afternoon. The week would then be over, and we knew that in Belgium employees often share a drink and a snack before going home. This would promote

the fryer's functionality and ability to serve different snacks at the right moment.

The machine was set up in a small office, which emphasized that it operated without the need for a hood and would not leave a smell. Safeguarding the outcome, we decided to cater for the oil ourselves since some types of artificial shortening do not have the right characteristics for professional frying. They create a smell that even the filters cannot absorb. Based on the American instructions, we selected the right European type of shortening.

The demonstration went well, and in Dutch we explained to the Belgian audience the unique features of the automatic fryer. There were no misunderstandings discussing its potentials. Once the customer fully understood the potential of offering fried food at any given location, negotiations didn't take long. Soon afterward, the first Autofrys were sold in Belgium. Motion Technology had reached the European mainland.

To convince business partners in other parts of Europe, the company needed to translate documents and manuals first. The Belgians did not mind starting with the English documents, but, when the introduction took place in Germany, the German language was a

necessity. A local translator was given the assignment of producing a truly German operating manual, and Sales4Sales personnel checked the translated content for accuracy and answered the translator's questions about the machinery. The pictures in the digital document remained, but all of the text was rewritten. Compliance with European legislation was added to the text. Pounds and inches were replaced by litres and centimeters. The display of the machines showing the oil temperature in Fahrenheit was now set to centigrade.

With that done, it was time to work on the agreement. An English contract will not be signed because no company owner will sign a contract that is not fully understood. The text was translated, and conventions such as date syntaxes were altered. Americans abbreviate 12 January 2006 to 01-12-06, whereas Europeans will write 12-01-06. Misreading a shipment or payment date can result in unnecessary frustration and hinder the business relationship.

Names and addresses also required checking. A Frenchman would write this author's name as "ROBERT Menno," implying to many readers that my first name would be Robert, which it is not. City names may cause a conflict. Rijssel and Lille, for example, are two names



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for the same place in Belgium. The name used depends on whether the person you talk to is a Fleming or a Walloon. Making a mistake may hurt nationalist feelings. Attention to such details convinces a newly found partner that the foreign manufacturer has understood the local way of living and that those sources of misunderstanding are eliminated.

Once the documents were translated, the native European experts took local business ethics into account during demonstrations and negotiations. E-mails could be exchanged without delays caused by different time zones, and telephone calls could be answered immediately. This took the stress away from potential European partners failing to express themselves correctly in English. The local businessmen felt assured that they fully understood what the deal was going to be about. If they had been uncertain about the outcome and their income, they would have rejected the offer politely.

One striking remark was made by one of the German businessmen before the English documents were translated: "Why do foreign businesses always think that English is the only language?"

Once the German manual was available, we started contacting the companies that we

had meanwhile identified in Germany. Germans are known for punctuality and formal behavior, so when meeting a German company owner it is important to be on time and to remain formal during a first meeting, to keep showing respect and to address people only by their surnames. It is not until the relationship has really grown that the use of the first name might be allowed. The German contact must make the first move. Furthermore, while in English there is only *you* to address someone, most European languages have a more formal form of address, and Germans are still very strict in observing this rule of etiquette.

Taking all these formalities into account, within ten minutes after our first demonstration had started we feared being back on the road shortly. But the company owner obviously gave us the benefit of the doubt. According to him, the American-made Autofry in no way matched German standards for quality. This we were told right away. We were shown details on various professional kitchen machines of a German make to prove his case. Had there been an American representative, the German would have ended the demonstration right then, showing superiority. As native Europeans, however, we were

treated differently. We left his office four hours later — after he had called one of his major customers to come to his office and have us showcase the Autofry. It was with joy that we listened to him demonstrating the features to this customer with great enthusiasm and without mentioning the perceived American flaws.

A Scandinavian and an Italian distributor also were added in a similar process with the work of a local translator checked by Sales4Sales personnel. Autofry machines are now available in an increasing number of European countries. It shows that even smaller non-European companies can be successful in Europe if local languages and habits are taken into account. Companies should not copy approaches that have been proven in the home market but should be aware that Europe is different from many other regions. 🌐

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