

Management for Professionals

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Melissa Lamson

Market Entry into the USA

Why European Companies Fail
and How to Succeed

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Why European Companies Fail and How
to Succeed

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Foreword by David A. Murdoch

Market Entry into the USA – Why European Companies Fail and How to Succeed
By: Ralf Drews and Melissa Lamson

In the German and American business worlds, intercultural competence is an indispensable skill that impacts strategy and assures success in the global market place. Without this essential ingredient, most business and marketing strategies will not succeed. In this book, Ralf Drews and Melissa Lamson have hit the mark on what makes a “go-to-market” business strategy succeed.

Their invaluable insights are direct but courteous and easily understandable. With a common sense approach, down-to-earth explanations, and insightful business examples, Ralf and Melissa make the job of eye-opening awareness of self and others entertaining, educational and enabling. Their reader-friendly style artfully equips both the novice and the expert in how to influence business friends and acquaintances in cross-border relationships.

Armed with the wisdom and counsel of this book, market entrepreneurs in Germany and the US will be several steps closer to formulating and implementing business plans that will increase the likelihood of transatlantic success. When differences in culture are fully appreciated and applied, the mutual German and American desires for sound investment, excellent products and services, legal compliance, good practices, strong revenues, and healthy profits combine to provide business success for intercultural business partners on the global stage. With their entertaining stories, excellent interviews, and humorous but sound narrative, Ralf and Melissa vividly demonstrate how world-class business objectives become achievable.

David A. Murdoch, Esq.,
Honorary Consul for the Federal Republic of Germany in Pittsburgh, PA (USA)

Foreword by Marc Oliver Opresnik

Most people think that a one-day seminar on cultural differences about a particular country is comprehensive in order to understand how people from different countries view the world. This is simply not the case.

In my PhD research, I found that there are four categories with which USers and Europeans don't align naturally in business: Product, Organization, Culture, and Time. With regards to Product, a value proposition that resonates with the US customer is key. Secondly, a company must consider how an organization is structured to allow for the regions to function autonomously yet with support from headquarters. Thirdly, most business leaders underestimate how different the Culture in the US is compared with Europe and need to take time to create a profound understanding of those cultural differences. And finally, business today unfortunately is rather short-term than long-term oriented – however, it is crucial to have a business model and corporate culture which are flexible and embrace change in order to continuously adapt to the ever changing dynamic environment.

In today's global world, organizations have to streamline and connect local and global objectives, processes and procedures. Controlling the organization through centralization doesn't leverage intercultural intelligence in the respective regions and therefore creates a barrier to understanding local markets. Melissa and Ralf's book *Market Entry into the USA – Why European Companies Fail and How to Succeed*, complements our newly put forth theoretical marketing concepts by advocating that a balanced approach between local autonomy and global alignment should be based on a sound local strategy embedded in the global company's go-to-market approach, grounded in a relationship of respect and trust between all stakeholders involved.

Melissa and Ralf's analysis provides valuable insight into how that balance can be achieved. With almost two decades of experience in Intercultural Training and Consulting, Diversity, and Global Mindset Development, Melissa shares theoretical and practical information on the impact of culture on business strategy. She not only gives the reader important information on how to handle cultural differences with customers, employees, and the US market as a whole, but moreover explains the "Why" behind culture's impact on the business. Ralf, a seasoned executive in global business strategy with extensive experience in the US market, supplies the reader with a very logical, US customer-centric strategy model that doesn't only

help to develop an effective go-to market approach but also presents key success factors when it comes to execution.

Together, with the help of other successful leaders inside global companies, Melissa and Ralf outline a comprehensive blueprint, a go-to-market/don't go-to market decision-making tool, and strategy handbook for the United States. *Market Entry into the USA – Why European Companies Fail and How to Succeed* is of great value for any company planning to enter the United States, or who have already been there and need to transform their business model.

Dr. Marc Oliver Opresnik,
Chair of Business Administration, with focus on Marketing and Management,
Lübeck, Germany

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And to our life partners, Barbara Drews and Larry Anderson, who patiently waited this project out and provided honest feedback when we needed it.

Introduction (Interview with the Authors)

► **Q1** Why is the subject matter so important for European companies?

ML The US is still the number one market for European investment and recent surveys have indicated that this will hold true until 2025 and beyond. The Netherlands is the third largest investor in the US after Japan and the UK, and Germany comes in fourth. Although many companies get it right, the research states that about 70 % of foreign investments fail. Studies also show that 70 % of international ventures fail due to miscommunication and a lack of cultural understanding impacting the bottom-line.

For example, the large Swedish furniture store chain, Ikea, didn't get it quite right when they originally entered the US market. When they first opened their doors with a pilot store, customers came in, exclaimed how fun the products were. However, sales weren't what they expected. Why? Part of Ikea's concept is to keep the branding, store layout, and products exactly the same wherever they are in the world. In Europe they were successful with this approach. When they brought the same concept to the US they hadn't accounted for the size of US living spaces. (They're bigger!) Furniture needed to be built larger and warehouses reconstructed to hold the enlarged furniture designs. Ikea went back, re-tooled, and launched again. Today, they're very successful in the US market.

RD This book is also important because many European managers, including myself, relocate to the US and generally don't know what they don't know. This book will help to significantly shorten the learning curve of people sent abroad. Additionally, this book will help US managers working for European headquartered companies make their European boss and co-workers understand the challenges of the US market by presenting cultural variables and a streamlined go-to-market strategy starting with value proposition development and ending with strategy deployment. Readers will learn what's most important to US customers in order to best meet market need.

In my personal experience it is difficult yet critical to the success of the company to communicate the differences in beliefs, values and expectations back to Europe so that you get the support you need. And the differences are enormous! I'll give you an example: When my neighbors in the US bought a bike for their son, they went to a bike store and bought a bike. They didn't compare the best bicycles online

in advance or looked at the relevant child's bicycle research. Instead they searched for a bike that looked cool and trendy, and secondly, rode nicely. They went to the store, looked at a few options, and after ten minutes, bought a bike for their son.

Then there was my approach: When my son turned nine in the US, he wanted a new bike. What does a good German father (engineer, even worse) do? Write down the requirements, research the latest test reports, and maybe even create an excel spreadsheet comparing options. (But I won't cop to that in writing!) For sure I browsed the internet to find the highest quality for the best price. I expected, after my thorough research, that a good bike would not need repairing as long as I spent enough money on it. I was also not interested (nor did I think it was necessary) to purchase service support for a bicycle (normal in the US). I found out later that I should have considered it because the bicycle broke. And you know what? I just walked into the store and the guy at the front desk asked me whether or not I bought the bike there (he didn't even want to see the receipt). When I said, "Yes". He told me: "Go to the back of the store and they'll fix it for you." After ten minutes, I left the store with the repaired bicycle in hand, passing the check out counter without questions or being checked by security.

This whole experience was shocking and eye opening for me. In Germany I would have had to discuss ten minutes whether the bike is really broken and then another fifteen whether the repair falls under warranty. And if I didn't bring my receipt back with the bicycle to a store in Germany, I would definitely be out of luck! You see now why, I would spend the time upfront making sure I got the right product in the first place and not just make a spontaneous decision based on cool or fun factors?

The point I want to make is that a great product from a European perspective won't matter from an US point of view if it can't be quick to get, serviced easily, and perhaps also has emotional appeal. That's why almost all interview partners we talked to recommended a comprehensive US-specific voice-of-the-customer (VOC) market study before a company develops and manufactures an offering for the US market. The approach to product development, let alone, what the customers want in a product in the US and Europe, can vary dramatically.

► **Q2** Whom do you think should read the book?

RD There are specific target groups who would benefit from our book. First, European managers who move and set up or run existing operations in the US or who work closely with the US subsidiary on a regular basis. The benefit to them is a shortened learning curve about how things work in the US business world. They will gain valuable insights to expand the business and win over US customers. Secondly, European managers who work closely US companies through mergers, acquisitions and partnerships, and therefore need to understand how USers tick, and WHY they tick that way. Their benefit is greater understanding of what processes and procedures need to be adapted to the US market in order to be successful there. And thirdly, US managers who work for European companies, they will draw im-

portant conclusions how to convince leadership why its done the way it is and why customers react the way they do.

ML In looking at our target market for this book, we felt the style of the book was also important. It should be interesting, relevant, and useful. We wrote the book for those business leaders who move quickly, have little patience or time for process, and want results in a timely manner. It's designed to be an informal, quick-read, with lots of hands-on practical advice – a reference handbook of sorts.

► **Q3** What is the book about and what makes it unique?

ML We connect the buying psychology driven by US beliefs and values with a company's go-to market strategy. We want the reader to understand the cultural values of a particular country or region and the impact those have on the business environment. Our book also explains the "why" behind these differences and therefore we begin the book with a detailed cultural profile of the United States versus Europe and how those profiles impact their respective markets and customer behavior differently.

RD Another aspect that sets our book apart is that we start with a sound decision-making process first. We look at the variables a European company needs to understand before it makes its "Go/No-Go" decision and provide tools to evaluate the success probability and go-to-market risks. Once the "Go" decision is made, our book then offers a very customer-centric approach to develop and execute a market strategy in the US. The following picture Fig. 1 depicts the logical flow of our book as a whole.

Chapter 1 begins with explaining how culture impacts business, then Chap. 2 discusses how to determine your value proposition and create your unique offering in the US market. Three, through market segmentation, outlines market definition and exploration so that one understands their market niche and its accessibility. Chapter 4 deals with organizational readiness and how a company can prepare itself culturally and financially for the US market. In Chap. 5, we address the Buying Decision Model™ (BDM) and how to adjust R&D, production, marketing and sales around what US customers want. The final Chapter, Chap. 6, is about sustaining your go-to-market strategy in the US and deals with all of the issues in setting up a management team, hiring employees, creating an organizational structure, procedures and policies.

ML Additionally, what makes the book unique is that we supplemented our experiences, ideas, and opinions with facts and advice from multiple live sources. We interviewed managers of European companies who are successful today in the US market. The book is full of pertinent quotes and interesting examples by both US and European managers, all responsible for US operations. It was fascinating to hear best practice examples from executives at large global companies like SAP or Shell and then listen to what challenges mid-sized companies like Admedes and

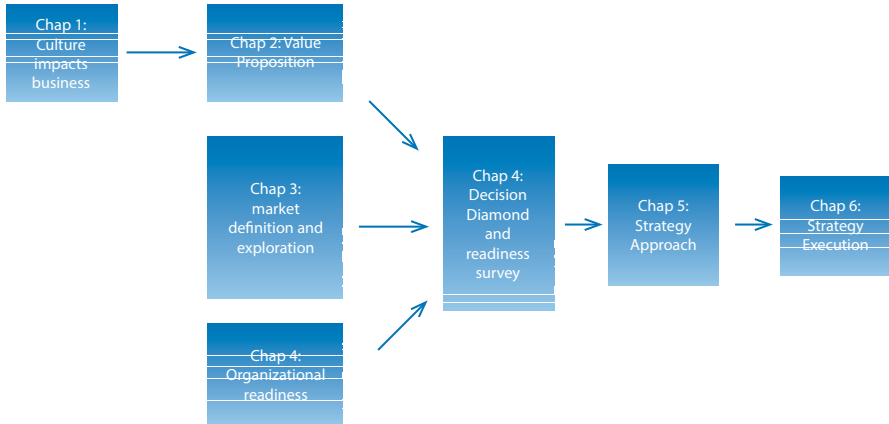


Fig. 1 Flow of the Book

Schreiner had. For example, Barbara Holzapfel, former Managing Director, SAP Labs North America, points out that the vast majority of SAP’s competitors are US-based companies, yet SAP remains very competitive with 24 % growth in software and cloud subscription revenue in the Americas. She shares the reasons why that is in Chap. 3.

► **Q4** How can this book work for all Europeans?

RD I’m German, was responsible for US operations and in my subsequent role I was responsible for all of Europe. I’ve seen that even though Europe is very diverse, there are specific differences to the US market that all EU nations share: Attention to quality and detail, more attention to work-life balance without the extreme sense of urgency, and the fact that business relationships may take time to build but they are more long-lasting.

ML I’m originally from the US but lived in France, Germany and Spain and worked on projects in over forty countries around the world. Given Ralf’s and my backgrounds we kept the practical focus on Europe, however, this book will be valuable for anyone who’s coming from another country and trying to enter the US market!