



10 Tips for Selling in Germany

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Your E-Commerce-ERP.

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Introduction

Has your business become the big fish in a small pond? Do you feel like your company has become well-established and no longer has enough room to grow on the local market? Then it may be time to take your business abroad and expand on a new, international market. We recommend Germany as an ideal location for UK sellers. Germany is not only the most populous country in the European Union, but is also Europe's largest economy and the world's fifth largest economy in terms of purchasing power parity. The German e-commerce market is booming. By setting up shop in Germany, you can tap into this lucrative economy and give your business the international reputation that it deserves.

Of course, the hardest part of a journey is often the first few steps. When getting started in a new country, there are always a few cultural differences that you should be aware of. Here at plentymarkets, doing business in Germany is our area of expertise. We've been helping sellers grow on the German market for over 10 years and have learned quite a few tricks of the trade since we first got started in 2001. In this paper, we've compiled our top ten tips to help UK sellers successfully launch their business in Germany. By working through the tips provided in this paper, you can get your business ready to conquer new challenges on the German market.

1. Language

The former West German chancellor Willy Brandt is famously quoted as once saying “If I am selling to you, I speak your language. If I am buying, dann müssen Sie Deutsch sprechen.” The second half of his statement translates to, “then you must speak German”. This clever saying highlights the fact that language is the most important factor when selling to German customers.

Buyers naturally feel more at home when reading product descriptions and information in their own native language. If buyers are presented with a wide range of offers to choose from, then they will naturally favour sellers who not only provide the right item at the right price, but also in the language that they are most comfortable with. As the German e-commerce market is quite developed, buyers can afford to be picky when it comes to language. This makes it essential for sellers to invest in good localisation and provide their item texts and services in German.

“To answer if it’s necessary to translate and localise when selling abroad, just ask yourself how often you purchase items in foreign languages. Just like you, international buyers have enough domestic choice to not need to buy items that aren’t translated (and translated professionally at that).”

Scott Galvao, Managing Director,
InterCultural Elements

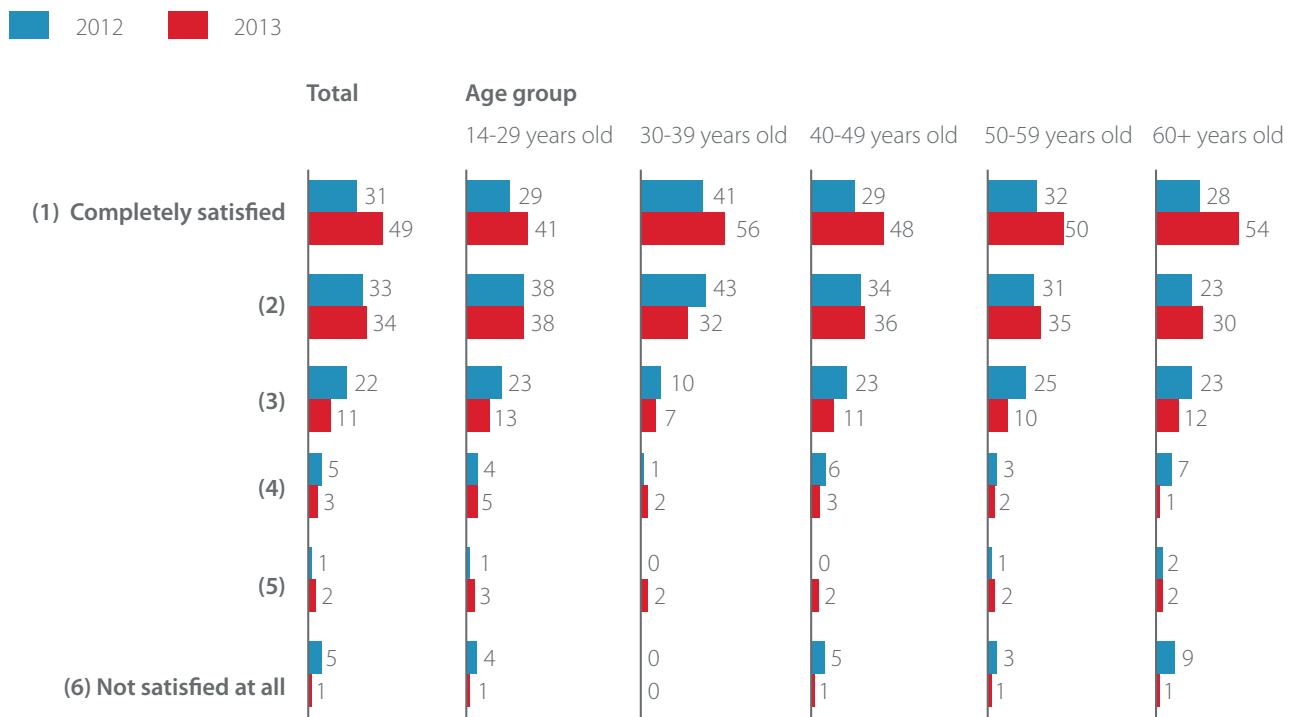
2. Delivery speed and logistics

Although many clichés about German punctuality are exaggerated, German buyers do expect their online purchases to be delivered in a timely manner. Quick and reliable deliveries are key to providing exceptional customer service. As is the case in many countries around the world, Amazon has quickly become the most popular marketplace in Germany. When combining Amazon with the German parcel service DHL, even Amazon Super Saver Delivery becomes a very quick delivery method. Most of the orders are dispatched the same day if they were placed before noon. With DHL, parcels then only take one day to be delivered at the buyer's address. In Germany, this quick service is not only expected on Amazon, but it is customary for nearly all online purchases. As such, it is not uncommon for German buyers to be disappointed with a purchase if the delivery does not live up to their expectations.

Delivery speed

Comparison 2012-2013

How satisfied are you with the amount of time that passed between when the item was ordered and when it was delivered?



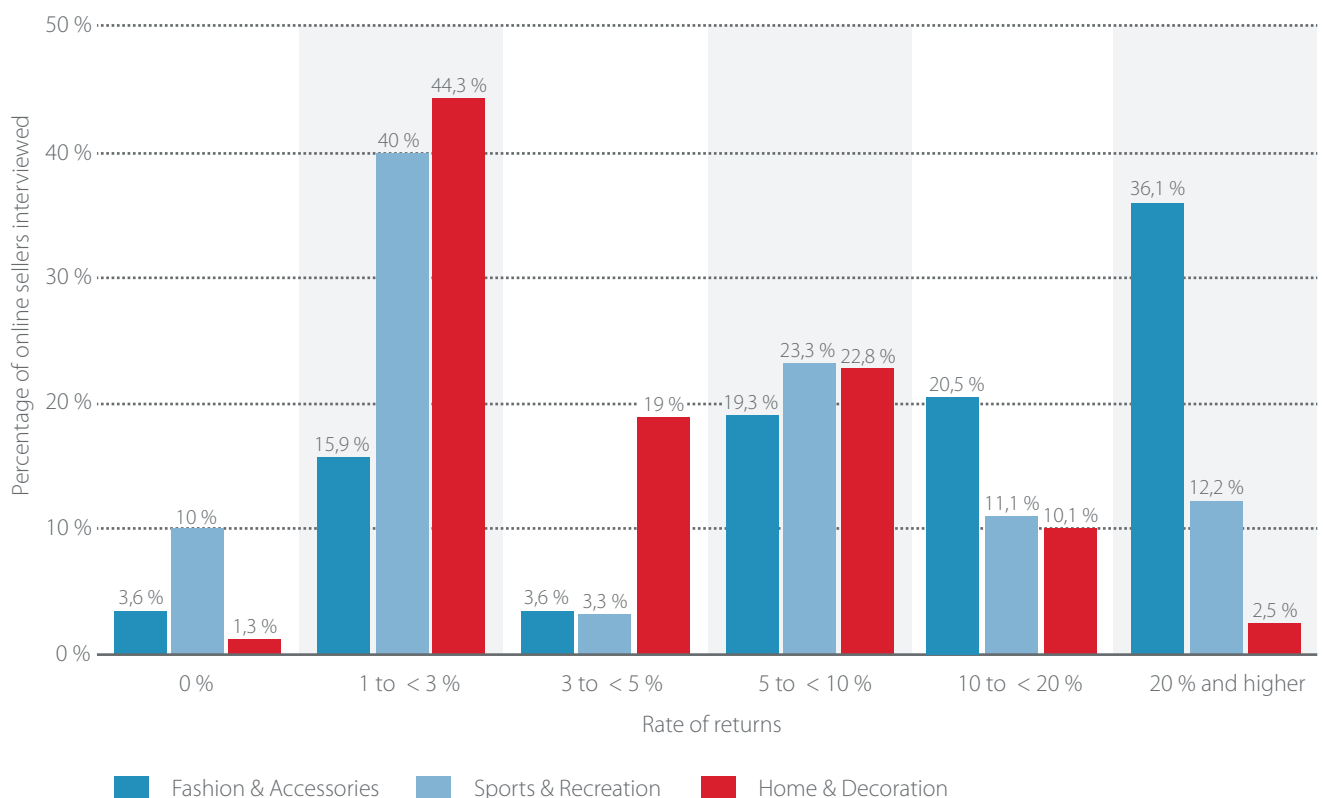
Source: bvh.info

Basis: All those interviewed (2012: n = 1.024; 2013: n = 2.498)

3. Returns

Germans are famous for returning purchases that they made online, especially when it comes to buying clothing and accessories. They are often overly cautious when making online purchases and want to be assured that they will easily be able to return an item if they are not satisfied. Although it is no longer required by law, Germans still typically expect returns over 40 € to be free of charge. Since returns are quite customary in Germany, it is in your own best interest to have a local return address. This not only reassures potential customers, but also helps you keep your return costs under control.

In Germany, you'll find providers who specialise in this kind of service, such as our partner ICE (intercultural-elements.eu). Using a service provider relieves you of the cost and hassle of setting up a warehouse in Germany or of risking expensive international returns. Another good alternative is to use Amazon's multichannel FBA service, which allows you to use Amazon's warehouses in Germany. While shipping locally allows you to avoid expensive international returns, it also requires you to move part of your inventory to Germany upfront. Moving inventory can be a big step, so it may not be something that every seller feels ready to do until business is running smoothly in Germany.



Source: Statista.com

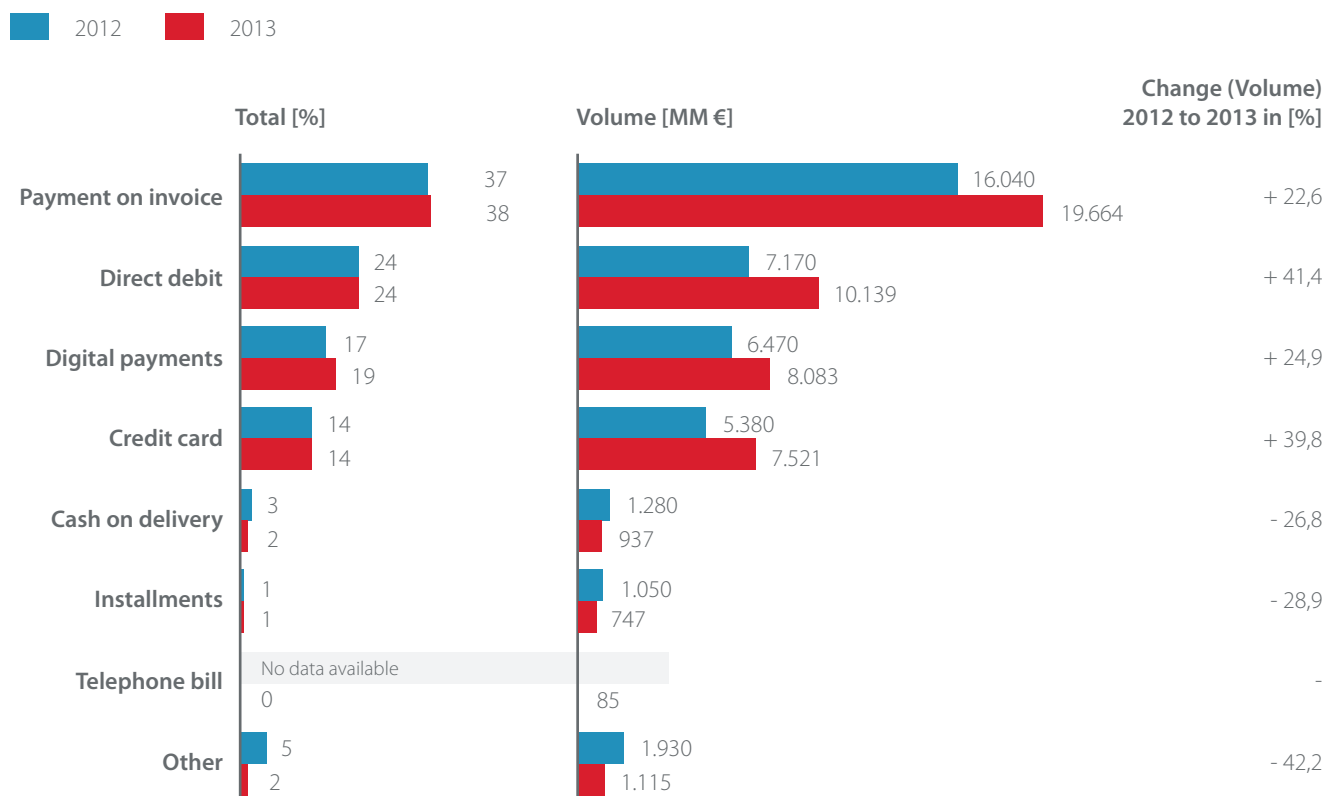
4. Payment

In the UK, most online purchases are paid for with PayPal or with credit cards and debit cards. But when in Rome, do as the Romans do. Debit cards work differently in Germany than they do in the UK. German buyers are also typically quite sceptical of entering their credit card information online. This is why the most popular payment methods in Germany are PayPal, direct debit (bank transfer) and payment on invoice. If you want your products to sell in Germany, then you should offer these payment methods as well. At minimum, you should allow customers to pay with a bank transfer.

The new SEPA regulations make it easier than ever for buyers to transfer the money to your bank account at no extra cost. But be aware that bank transfers can take up to three days in Germany if the seller and buyer use different banks. When offering payment on invoice, it makes sense to use one of the many different providers who specialise in this service (Billsafe, Klarna, etc.). Their job is to ensure that you get your money and that your buyers get their goods. This is particularly something to consider if your target group is over the age of 55.

Method of payment

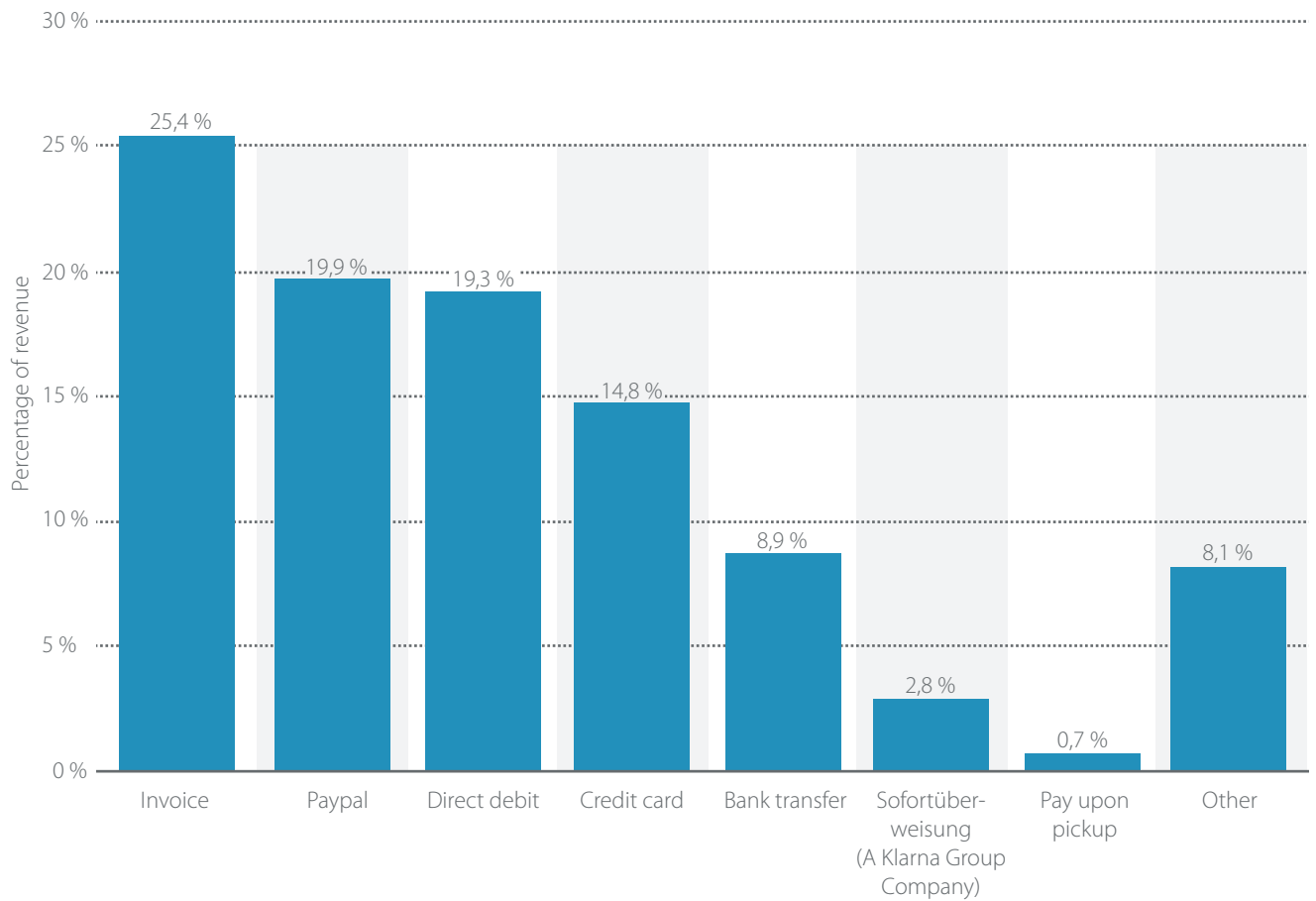
Sales volume - comparison 2012-2013



Source: bvh.info

Basis: Orders placed by those interviewed, without OMP (2012: n = 7.037; 2013: n = 7.811)
100% missing: not specified

Method of payment



Source: Statista.com

5. Service

As every good business owner knows, customers ultimately determine the success or failure of a company. This is why smart businesses invest in customer service and seek out employees who bring strong customer service skills to the job. German customers are no exception to the rule. They want to know who they are doing business with and be sure that they are getting a good deal with a serious merchant. Germans won't hesitate to call or send an e-mail to make sure that they are dealing with a legitimate business.

As such, you should provide German-speaking support for your customers abroad. At the very least, you should be able to provide German e-mail support to give potential customers the peace of mind that they are making the right choice when buying from your company. Again, we can recommend working with service providers such as ICE (intercultural-elements.eu) when setting up international customer support. They provide customer service and spare you the hassle of hiring extra staff.

6. Profit margins

Anyone who has gone on holiday to another country knows that item prices can vary greatly from one country to another. Factors such as buying power, supply and demand all determine the prices of goods and services around the world. In Germany, some of your items may typically be sold at much higher or lower prices than you are used to in the UK. You may find that a particular item sells for a much higher price and is quite profitable when sold abroad. On the other hand, the market may already be flooded with another item, causing fierce competition and low profit margins for the item. It may not be worthwhile to sell such items from the UK unless you have a good supply chain and a very good purchase price. Researching the price of various items on the German market is an essential part of the preparation that should be done before you begin selling your items abroad.

7. Marketplaces

Not only are Amazon and eBay two of the most popular marketplaces in the UK, but they are also the two most sought-after platforms in Germany as well. Sellers who are serious about doing business in Germany should ensure that their items are well represented on these marketplaces. If your business is already established on Amazon and eBay, then you may be interested in expanding your reach beyond these two powerhouses. In this case, you should consider listing on Meinpaket, which is owned by DHL, Hitmeister, Yatego and Rakuten Germany. Most marketplaces offer a free trial period or a beginner level account that you should use to see which marketplaces are the most profitable for you. Of course, not every marketplace will be suitable for every product line. Research various German marketplaces and decide which ones best match your product line and your target audience.

Since marketplaces are quite popular in Germany, customers naturally want to compare prices on several different platforms as well. In Germany, this need is met with a wide range of lucrative price comparison portals, such as idealo.de, billiger.de and guentiger.de. By listing items on German marketplaces and price comparison portals, you will be able to tap into a new source of customers and create visibility for your store while your company gets settled abroad.



8. VAT and thresholds

While taxes are usually no-one's favourite subject, they are an important consideration when launching your company in a new country. VAT rates and thresholds vary from one country to another, and filing returns can become a major challenge if you are unfamiliar with a country's customs and language.

At the time of this publication in 2015, Germany has a standard VAT rate of 19 %, which is lower than the standard 20 % VAT in the UK. In times when the exchange rate is not in your favour, this 1 % VAT can help you earn a slightly larger profit margin on your products.

Furthermore, the VAT threshold in Germany is currently € 100,000. If the goods that you sold to Germany exceeded this amount in the current or previous year, then you will have to file VAT returns in Germany. This means that you will need a German speaking accountant or a service provider such as Meridian Global or KPMG who specialises in these matters.

9. Currencies

Once you have decided which products you want to sell in Germany, it's time to start listing items. Clearly you can't list items with their prices still in pounds, but automatic conversion rates are notorious for turning nice, even prices into mysterious strings of numbers. Should you leave the prices as they are? Should you offer different prices in Germany? Undoubtedly, currency rates are an important consideration when selling in the Eurozone.

In Germany, it is not considered to be a faux pas if you have strange-looking item prices on marketplaces where competition is tight and every cent matters. However, it is a different situation in the online store. Here you should make sure that you always have nice, even prices, as this evokes a higher level of professionalism.

Another important consideration is the cost-factor in currency conversion. You certainly don't want to waste part of your profit margin on currency conversion, so you should choose a partner who can help you lower these costs, e.g. by avoiding the commission that Amazon takes for every reconversion into your currency. Our partner Currencies Direct can help you strip those commissions nearly to half with no extra costs.

"Based on monthly sales of €40,000, businesses selling into Germany on marketplaces will lose €16,800 of their profit through currency exchange loss over the course of a year"

Deepak Goyal, Head of E-commerce
Currencies Direct

10. Product presentation

Sometimes we only have a few seconds to make a good first impression. In the blink of an eye, people decide how they feel about a potential employee in an interview, how trustworthy they think a new business partner will be or whether they will continue browsing through an online store or take their business elsewhere. Once someone has made an initial judgement, it becomes increasingly difficult to change that person's mind. This is why professional product presentation is a key factor to your store's success.

In countries like Germany where competition is tight, customers won't hesitate to look elsewhere if they have a bad first impression of a store. Customers expect to see high-quality product photos that let them zoom in and look at specific features up close. Since customers can't physically pick up an item and try it out in an online store, they expect to find detailed product descriptions in their own native language.

It is also important to remember that nowadays an ever increasing percentage of customers view your online store on their smartphones and tablets. Don't let illegible item descriptions or non-compatible functions drive away potential customers who access your store on hand-held devices. In Germany, m-commerce is booming. Get your store ready by implementing responsive design or by teaming up with a web design specialist who can polish any last rough edges on your website.

Conclusion

In our globalised world, expanding your business to another country comes with both big challenges and big rewards. When done correctly, international expansion allows you to tap into a new base of customers and take your company's image abroad. But doing things correctly always takes both time and consideration.

It not only requires you to become familiar with the country's language and customs, but also with its legal regulations and local economy. Spend time in advance researching your new potential customers to understand what motivates their shopping habits and which marketplaces they prefer. Then invest in the language services, payment providers, shipping methods and product presentation that will make these customers feel at home in your store. Last but not least, team up with a German-speaking accountant or service that can help you navigate the legalities in a new country. By taking this paper's ten tips into consideration, your business will be ready to dive into the German market and to reap the rewards of one of the world's largest economies.