

Boeck, Klaus

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with tasks extending beyond the ambit of ordinary trading activities. Flexible adjustment to the demands for perfect service, specialised knowledge and an accurate understanding of the situation in the international markets however have made the well-reputed houses of Hamburg indispensable partners of the Third World. Their right to play a part in the further progress of the economic development of these countries is assured beyond the immediate future.

Cooperation with Local Partners

These findings were confirmed on a journey which took an economic delegation of representatives of the Senate of Hamburg and the Hamburg business world in February of last year to South East Asia. In face of an undercurrent of more or less marked hostility to trade in general and that in foreign hands in particular the merchant firms which have succeeded in undertaking quasi-in-

dustrial functions and furthermore entered into cooperation with native firms or recruited local partners have done best in holding their position. They are playing an important role in the efforts to maintain and strengthen traditional ties between South East Asia and Hamburg through well-proved trade channels, the more so because they can make an essential contribution to the advancement of the regional "diversification" which most states of South East Asia desire for their foreign trade. In pursuit of this diversification of their external economic relations the industrial potential of the Federal Republic of Germany as a supplier of investment goods and technical know-how and the market which it offers for South East Asian goods should be of sufficient interest to warrant intensifying the trade exchanges to the advantage of both sides. The port of Hamburg and its industry, and the merchant houses in the city to no less a degree, are willing to play their part.

Exporting to the Federal Republic of Germany

by Dr Klaus Boeck, Hamburg *

Among industrialised countries, the Federal Republic is certainly one of the largest markets able to absorb vast quantities of products from the LDCs of South East Asia. However, to open up this sales outlet with its formidable future, it will be necessary to operate an all-embracing marketing strategy.

During 1968–72, South East Asian LDCs¹ were able to register an average growth of their export trade by about 15 p.c. annually. This was approximately in line with average growth rates of overall world export trade. However, this, comparatively favourable, result loses much of its glamour as soon as one abstracts the two city states of Hong Kong and Singapore. Leaving them out of the calculation, exports of South East Asian LDCs have risen by an average annual rate of 10 p.c. only². This means that they are in a worse position than all LDCs of the whole world taken together.

This development contains a threat, since exports are an important force supporting economic growth of any national economy. In the case of LDCs, this truth is more absolute than in that of

industrialised countries, for the dependence of LDCs on exports seems to be more stringent than that of highly developed industrialised nations.

The need of LDCs for an export income is great, for there is hardly any other way for paying for their imports, which they cannot do without for their economic development. Moreover, their home markets and the purchasing power of the local populations are frequently so small that foreign markets offer the only chance to sustain employment for the growing potential of LDCs' labour forces. Also from the point of view of the individual business enterprise the opening up of additional sales outlets abroad is an important basis for any efficient development policy, because industries that have been newly set up can reach their optimal rate of profitability only in the presence of sufficiently wide markets, which alone permit of cost degression resulting from utilising technologically determined minimum capacities.

A future chance for exports can, for the time being, be found by LDCs mainly in industrialised coun-

* The Hamburg Institute for International Economics.

¹ In the context of this article, the following countries are counted as South East Asian: Burma, Brunei, Hong Kong, Indonesia, the Khmer Republic, Laos, Macao, Malaysia, the Philippines, Singapore, South Vietnam, and Thailand.

² Calculated as the geometrical mean, as in: International Financial Statistics, Vol. XXVII, March 1974, No. 3, p. 38.

Table 1
The Federal Republic of Germany's Imports
by Groups of Countries 1968-1973

(US-\$ in mn) ¹

	1973	1972	1971	1970	1969	1968
Totals	54,779	48,491 ²	45,242	41,283	36,901	30,576
LDCs	9,015	7,395	7,213	6,661	6,401	5,867
SE Asia	1,052	822	753	684	641	506
SE Asia excl. Hong Kong, Macao and Singapore	519	404	430	392	396	338

¹ DM converted at 1 US-\$: DM 2.655 (IMF rate for 1973).² Deviations from figures given in the text are traceable to a different conversion rate.

Source: Extracts from: Statistisches Bundesamt, Wiesbaden, Aussenhandel, Reihe 3, Spezialhandel nach Ländern und Warengruppen, several volumes.

tries³. It is certain that among them the Federal Republic of Germany is one of the largest markets for LDCs' products. In 1972, the Federal Republic recorded total imports to the value of US-\$ 40.2 bn, or 10 p.c. of all imports in the whole world. Only the United States imported more in that year, namely for a total of US-\$ 58.9 bn, whilst Japan's import bill, at the same time, came only to US-\$ 23.5 bn⁴.

German Imports from South East Asia

It is true that West German imports from all LDCs and specifically from those of South East Asia have grown continually in recent years (see Table 1). But their share in West German total imports is still relatively meagre, and for all LDCs it even shrank from 19.2 p.c. in 1968 to 15.2 p.c. in 1972, recovering slightly in 1973 to 16.4 p.c. In the case of South East Asian LDCs, the same period shows only a stagnation of their relative share in the total.

In analysing the composition of German imports from South East Asian LDCs, one will be struck by the high proportion of finished manufactures among them, which is barely below the contribution of all finished manufactures to total German imports. However, the decisive factor influencing the structure of West German imports from South East Asia is represented by trade relations with the three city states of Hong Kong, Macao, and Singapore. A full half of South East Asian imports to the Federal Republic comes from these three centres and what they ship to Germany consists almost exclusively of finished goods. Cutting the three city states from the overall record, the re-

³ About the possibility to make intra-LDC trade grow, see Klaus Boeck, *Der Handel zwischen Entwicklungsländern - eine Möglichkeit zur kollektiven Selbsthilfe? Dargestellt am Beispiel der thailändischen Exporte in die Entwicklungsländer der ECAFE-Region (Trade between Developing Countries - a Possibility of Collective Self-Aid?, exemplified by Thai exports to developing countries of the ECAFE Region)*, Hamburg 1970.

⁴ Calculated on the basis of International Financial Statistics, loc. cit.

mainder of South East Asian deliveries to the Federal Republic shows great resemblance with the typical structure of imports from LDCs to West Germany. Striking, however, are the distinctly lower shares of raw materials and finished goods, and the relatively great weight of food-stuffs (see Table 2).

The quantitative analysis of German imports from South East Asia produces a picture of fierce contradictions: On the one side, the three city states of Hong Kong, Macao, and Singapore have been able in recent years to go from strength to strength in increasing their deliveries to the Federal Republic, securing for themselves firm market positions especially for finished products. In contrast, successes of the remaining South East Asian countries in achieving exports to the Federal Republic were rather modest, especially considering their much greater reservoir of resources and manpower. It must never be forgotten, however, that economic and export growth of these countries was severely vitiated by political troubles: The Khmer Republic, Laos, and South Vietnam were all severely afflicted by the fighting in Vietnam, and Indonesia's economy suffered serious damage under Soekarno's rule.

Hong Kong's and Singapore's example shows all these states that an intensive cultivation of exports would be able to reap lasting successes in the German market. Yet it is an open question whether the economic pattern typical for these city states should be recommended as a model to be imitated by all the others, since it is so vastly different from their basic social realities.

Varied Export Strategies

It is typical for Hong Kong and Singapore that they are almost completely dependent for their food and raw materials on imports from outside. To afford

Table 2
Composition of West German Imports by Product
Groups; Totals and Imports from Selected Groups
of Countries
Average of 1968-1972
 (in p.c.)

	World	LDCs	SE Asia	SE Asia excl. Hong Kong, Macao and Singapore
Foodstuffs	16.5	18.6	25.5	43.6
Tobacco, Coffee, Tea, etc.	2.8	8.0	3.1	5.2
Raw Materials	14.1	50.8	19.6	32.5
Semi-finished Goods	15.3	11.4	11.3	18.5
Finished Goods	49.7	10.8	41.7	3.0
Primary Products	15.8	4.6	1.9	1.7
End Products	33.9	6.2	39.6	1.3

Source: See Table 1.

their populations sufficient food and earnings from production and to preserve it, both of them have no choice but to export at any cost. Hong Kong's export industries alone employ more than 40 p.c. of the total employed population, and they yield 50 p.c. of the city's GNP. In this case, export production is not an extension of industry operating for, basically, supplying inland demand, but was called to life by massive demand from abroad. This development was favoured by direct investments of companies domiciled in old-established industrial countries which, attracted by the low labour costs, dislocated labour-intensive, but highly sophisticated, parts of their productions to the city states.

There are other states in South East Asia, e.g. the Philippines and Thailand, which try to emulate Hong Kong's and Singapore's successful export policies by setting up so-called export zones. This practice, however, has its great weaknesses because it disregards the demands of the home market and is setting up similar enclaves of progress as can be seen in the commodity sector. To integrate such production lines in the rest of the national economy, a continual ladder of production must be built, and local demand must be fostered. All of this can only be done within a considerable time. It is also doubtful whether such new manufactures can provide the impulses needed for accelerating the desired development and integration process. Experiences gained hitherto from such dualistic economies are apt to justify these doubts.

More promising will be an industrialisation which starts off with trying to meet the needs of the home market and is only gradually extended to the preceding stages of the productive process. Such a strategy takes the home market as a roundabout way to exports. Deliberately or unconsciously, it is practised by all LDCs of South East Asia. This explains why their chances of developing exports are found, apart from the traditional lines of shipping raw materials or semi-

processed goods, almost exclusively in the field of end products. The same is true of Hong Kong and Singapore, in spite of their fundamentally different development pattern.

The two city states export only negligible quantities of investment goods. The main reason for this seems to be that those sections of industry which supply finished consumer goods generally are more labour-intensive than sections which form the beginning of an integrated vertical chain of production⁵. Ample supplies of cheap labour therefore make manufacturers of finished consumer goods more competitive than those in industrialised countries. In addition, markets for finished consumer goods are more transparent in industrialised countries and market research there is easier than in the outlets for investment goods, whose production does not only require much more capital investment but also more sophisticated skill of the craftsmen workers engaged in it than in making finished consumer goods.

LDCs' Sales Prospects

LDCs' sales chances for their finished consumer goods in the Federal Republic are generally favourable, for in 1972 about one third of German imports were consumer goods including food-stuffs. Moreover, imports of consumer goods in 1968-72 grew by above-average rates that were higher even than those of the growth of investment goods imports. Within the group of consumer goods, particularly high rates of growth were displayed by imports of textiles, furniture, other house furnishings, and electrical consumer goods, all of which are of great interest to LDCs (see Table 3).

Yet big imports and high growth rates do not in themselves guarantee sure-fire sale successes.

⁵ Jan Tinbergen, Förderung der Industrialisierung der Entwicklungsländer (Promotion of LDC's Industrialisation), in: Probleme der Arbeitsteilung zwischen Industrie- und Entwicklungsländern, Beihefte der Konjunkturpolitik, No. 19, Berlin 1972, p. 121.

Table 3
Imports of the Federal Republic of Germany, by Product Groups, 1968 and 1972,
and Average Growth 1968-72

	Raw Materials	Semi-finished Goods	Food, Tobacco, Coffee, Tea, etc.	Investment Goods	Sub-Total	Consumer Goods					
						Textiles, Clothing, Shoes	Vehicles	Electrical Consumer Goods	Furniture, Furnishings	Pharmaceutical and Cosmetic Goods	Sub-Total
1968 ¹ US-\$ in mn	5,139	5,134	6,332	2,188	30,576	1,345	531	260	73	106	2,968
1972 ¹ US-\$ in mn	5,973	6,192	9,206	4,896	48,491	3,403	998	679	233	234	6,880
Average Growth 1968-72 in p.c.	+ 3.6	+ 4.8	+ 9.6	+ 22.3	+ 12.3	+ 26.1	+ 17.1	+ 27.2	+ 33.9	+ 21.9	+ 23.4

¹ DM conversion at 1 US-\$: DM 2.655.

Source: Extracted and calculated on the basis of Statistisches Jahrbuch für die Bundesrepublik Deutschland, several volumes.

Exporters from an LDC can only hold their own in the German market, like any other foreign suppliers, by studying the habits of the consumer and by meeting the quality level of his requirements.

Basic requirements of the German consumer are, by-and-large, satisfied. It becomes more and more important to cater for his additional and consequential demands. It is no longer mass-produced cheap goods that are mainly in demand but products with an individual character — which, however, does not mean that there are no chances left in the markets for less sophisticated, mass-produced items. On the contrary, their chances must not be neglected, and this is especially true for supplies from LDCs. Relatively low wage costs permit LDCs to be competitive in all those sections of the German market where technological innovation has been largely completed. Competitors from industrialised nations have small chances in these fields to undercut the wage advantages of LDCs by streamlining their production programmes and rationalisation. Producers in LDCs will not find it very difficult to meet German requirements as to quality, packaging, design, and purposefulness, etc., of their products swiftly. In this context, it may be remembered that LDCs have already reaped great successes in selling their sewing machines, bed linen, underwear, but also men's shirts, and women's blouses, etc. But the fact must not be overlooked that these are articles demand for which is already shrinking relatively to other goods in the Federal Republic, and that it would be vain to hope for extraordinary sales growth in this field.

Market Research

Over and above basic needs, demand in the Federal Republic will tend to more and more diversification. As the supplies of goods are more than ample, the main interest is for novelties and specialities, and LDCs are in a supremely lucky position to be able to offer things which may be commonplace on their own ground but will find German buyers sometimes for the mere reason that they are exotic and thus, by definition, extraordinary. This is true of many branches of the import trade, those dealing with drinking spirits, delicatessen, jewellery, clothing, and house furnishings. But specialities will only sell if and when consumers recognise them as such. For this purpose the demand, which is undoubtedly there, must be found and directed towards the supplier's goods through their attractive presentation. To solve this task successfully, exporters need to display a pretty catholic sales and marketing strategy. Their most important tools are the analysis and observation of markets, design of products, pricing policy, conditions of delivery, the selection of

suitable marketing channels, publicity, and service arrangements.

The very first and fundamental step of any market research is the analysis of the potential market. For the specific needs of LDCs, mainly two forms of market analysis are required, providing also the basis for later market observation, which is necessary. The two are: an analysis of export markets in general and product studies.

General analyses of export markets compile the basic economic data of any given market, including also the facts of trading policy which determine access to the chosen sales outlet, and typical behaviour of the consumers. Product studies, on the other hand, solely and exclusively try to elucidate the factors which determine both supplies and potential foreign sales of individual products. The path along which a given product will travel must in each individual case be thought over anew in the form of an unbroken chain from the producer to the final consumer because the first measures taken to create a product in its country of origin must already view the presumable moods and decisions of the ultimate buyer. Market observation has the task to record current changes of the data gained by market analysis through regularly repeated investigations.

Product Design

Market analysis affords the exporter the essential kind of information which he needs for designing his product in a form suitable for selling it: it indicates the required quality, the kind of packing, the kind of brand name that will attract, and the ways of forming a product image. Every exporter must be aware of the fact that the Federal Republic of Germany is a market where supplies of goods are so vast that nobody can know them all. This means that he will meet rather keen competition of German and foreign suppliers for the money of the German consumer. Even consumers in the low-income groups do not any longer buy primarily cheap quality but purposefully designed products of superior quality. That is why even in low price categories competition is extremely keen, through offering higher quality, as long as the producer can afford it from the point of view of costs. The trend towards quality competition is being reinforced by objectively informing product tests, which are being staged on private as well as on public level and publicised by special testing magazines but also by trade journals.

One of the important qualities of a given product may be the form of its packing. German consumers often see in it one of the traits of the product itself. Therefore, packaging should adapt itself to

their consumption habits; it must, for example, inform them and make consuming the proffered goods easier. On the other hand, the package must be made for safe transport, because damaged goods may inhibit sales, and it must also be suitable to the requirements of the trade for storing and selling it easily, in order to make sales activities as efficient as possible. If and when packaging meets all these requirements, it becomes an important and relatively economical instrument of promotion and sales publicity.

Any exporter who meets these requirements of quality and suitable packaging and who endeavours to keep up his high standards permanently fulfils already two conditions for installing in the consumer's mind a brand and image consciousness without which durable success in selling are hardly possible. Other important conditions include regular, sufficient, and punctual deliveries to the chosen market which safeguard continuous availability of a given product; also reliable servicing arrangements, and an easy-to-remember and unmistakable brand name and symbol. It must not be forgotten that brand names and symbols are usually protected by law in the Federal Republic, and the exporter will always have to find out whether the brand name and/or symbol is not already the property of another company trading in the German market.

Information and Contacts

Any exporter must be aware of the fact that his efforts to sell are, in the end, not directed to a trading company but to the consumer and actual user. He must, therefore, find the sales agents with the best contacts leading to the people that may demand his wares. In the Federal Republic, this is not as easy as it might appear because its marketing system is efficient but highly diversified. Apart from the traditional import wholesalers, more and more wholesalers operating only in home markets have come to the fore, and even big retailers are importing directly. Because of

the multiplicity of these channels for trading it is particularly important to apply great care to the selection of the exporters' sales agent.

When the exporter starts to prospect for sales in the German market in order to find a product design suitable for actual demand and to select the right agent for his sales, his problem is that of collecting useful information and making contacts. In order to aid him the Hamburg Institute for International Economics has published, some time ago, a Guide for Exporters to the German Market⁶. It lists the important trends in the German markets for consumer goods, discusses the conditions for a successful sales strategy, and finally contains a directory of sources and addresses where to obtain market information and with whom to make contacts in the Federal Republic.

Information, advice, and preliminaries for making contact already in the exporter's home country can be obtained by the Federal German diplomatic missions abroad, the branches of the German Chambers of Commerce, the purchasing offices of big German importing companies and of German department stores and mail order houses. Studying the catalogues supplied by those firms to their own customers is one of the simplest and most economical tools for getting an impression of the multiplicity and diversity of all the consumer goods on offer, the qualities supplied, and the prevailing prices. However, such catalogues are written in German and this reduces their information value for the exporter. There are, of course, no nostrums on offer to a potential exporter for solving all his problems automatically in entering the German market. There will always be obstacles in his path but they are not insurmountable. Proof for this are export successes of many LDCs.

⁶ Christian Wilhelms, Klaus Boeck, Market and Marketing in the Federal Republic of Germany. Hamburg, 1971. The book has also been published in French and Spanish, under the titles: *Marché et Marketing en République Fédérale Allemande*. Hamburg, 1972; and: *Como Vender en Alemania*. Bogotá, 1970

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