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Doing Business in Europe Often Is a Headache. Don't Underestimate the Obstacles – or Opportunities.

By John Yates, Special To LTW

Editor's note: This is the second of a two-part column. John C. Yates is the Partner-In-Charge of the Technology Group of the Atlanta law firm of Morris, Manning & Martin, LLP.

ATLANTA – In this the second of a two-part column examining the complexities of doing business in Europe, consider the challenges sales people will face.

Imagine you are the VP of sales of a European company, assume that you are in the CET (Central European Time Zone) (i.e. six hours ahead of EST – US).

Now consider the following challenges:

- Your product must be translated from English into German and French, at a minimum.
- You must hire indigenous sales personnel in each of the countries (forget about having a German country manager in France).
- Help desk service will have to be multi-lingual.
- Cultural peculiarities must be understood in order to close the deal.
- Branch offices must be dominated by local talent and subject to labor union and shop steward rules.
- Downsizing anywhere in Europe can take months or years before completion.

No wonder so many US companies have failed miserably in expanding in Europe.

Efficient Use of Partners – The lack of uniformity in Europe has resulted in the growth of partnership strategies for tech companies. Many European software companies have mastered the process of establishing distribution centers in each country. When properly structured, these distribution networks can be a work of art (for example, the early European network established by Oracle that allowed its rapid expansion throughout the EU). On the other hand, the costs of aborting a country distributor can be overwhelming, especially to an American company that is used to quickly shutting the doors of a failed business operation.

Cheap Labor – US companies are looking offshore for development, cost center services and other outsourced aspects of their business. Logically, you'd think that Europeans would be more likely to be following this trend given their proximity to Russia, India and other countries that are leading the way in the outsourcing field.

My experience has been just the opposite. Given the labor laws throughout Europe and language requirements of many countries (i.e. non-English), the ability to outsource to a cheaper labor pool is much more limited. The result is that European tech companies may be more restricted in their ability to squeeze costs out of the development process, resulting in fewer dollars that can be used on distribution, sales and marketing.

Huge Market Opportunity – With the addition of 10 new countries, the 25 member state European Union will be a formidable economic power – on a comparable economic level with the US. The challenges facing Europe are greater than those in the US on many fronts. For the technology company, sales and marketing in Europe will continue to be an expensive endeavor.

But the market opportunities for US companies in the EU are too great to ignore. To the contrary, US companies should consider:

- Establishing distribution channels and nurturing them over time.
- Addressing the language requirements and cultural differences at an early stage in the process (not waiting until the remote offices are falling apart to address these issues).
- Developing strategic alliances with US companies that have successfully entered the European market or with European companies that have successfully developed relationships with US businesses.

Part One: www.localtechwire.com/article.cfm?u=4584

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