

BA Business Management

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Main content / Agenda of the presentation

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- Why chose Germany?
- What could hinder Sainsbury's development in Germany?
- Why can cultural differences affect the expansion of Sainsbury's?
- Can Sainsbury's overcome cultural differences and succeed in Germany?
- Cultural sensitivity in Germany/ The differences from the UK
- Hofstede cultural Dimensions: UK and Germany
- Recommendations for the Sainsbury's success in Germany
- CONCLUSION

Why **Sainsbury's** in Germany?

- ▶ "Quality perfect, prices lower"

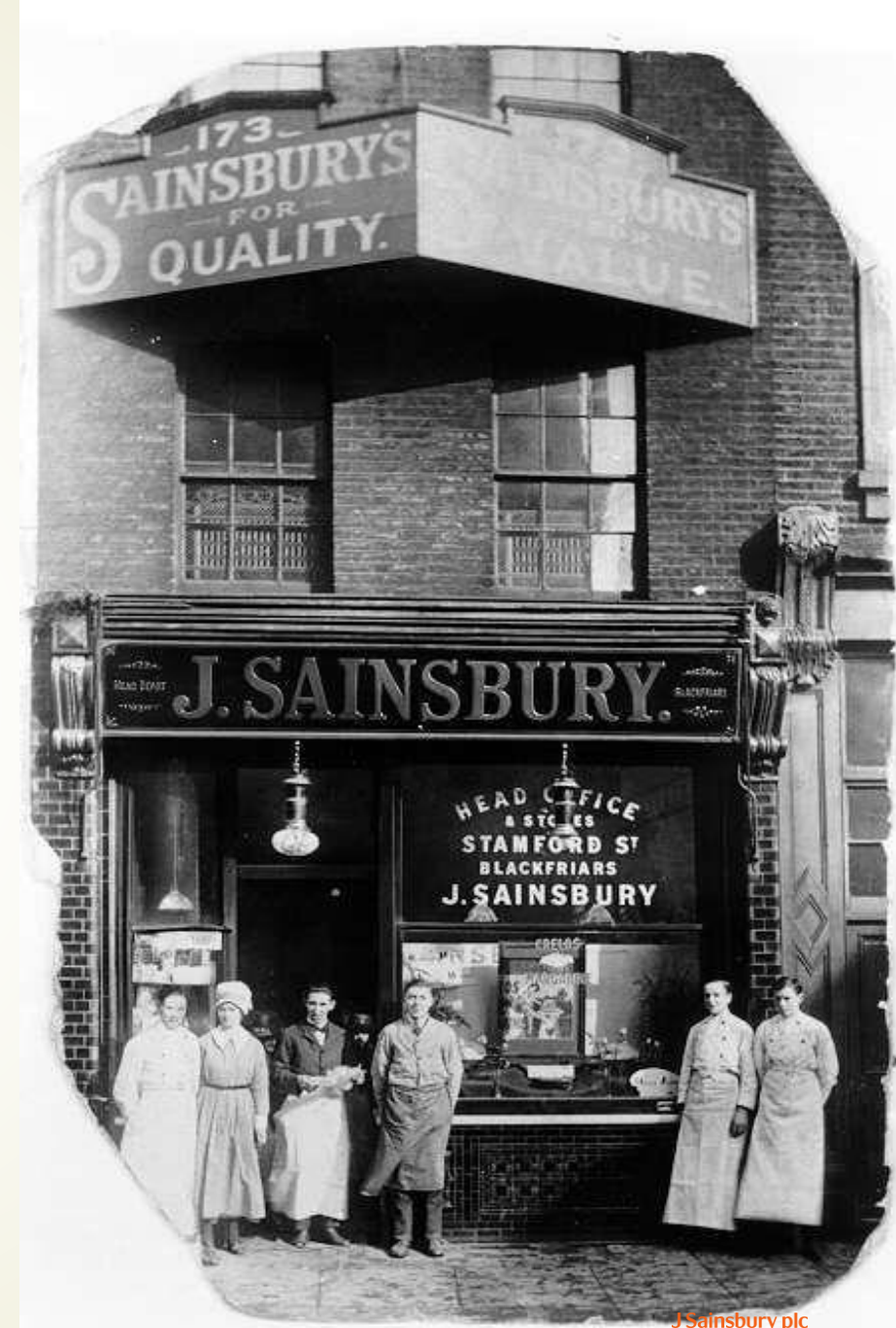
This is the slogan with which Sainsbury's was born in the United Kingdom, and the German people feel the need for quality and preferably at satisfactory prices.

- ▶ Germany is an economic powerhouse in Europe, and for Sainsbury's to expand and cross the borders of the UK, it needs to make itself noticed and have the support of a strong country like Germany.

- ▶ It's a CHALLENGE!

MISSION: Establishing a Sainsbury's management office in Germany and overcoming cultural barriers to boost global trade.

VISION: To be the strongest retailer of food and beyond, a market leader internationally, who has succeeded and offers customers low prices with high quality.



J Sainsbury plc

Source: Sainsbury's Archives, 1919

Why Germany?

➤ Germany is the largest economy in EUROPE.

Retail trade in Germany has a compound annual growth rate of 4% according to Marketline analyses.

In other words, Sainsbury's entry into Germany offers the opportunity for massive growth and the chance to expand throughout Europe.

➤ Purchasing power

Germany has purchasing power, which allows Sainsbury's to easily enter the German retail market. According to a study by GfK, Germans' purchasing power is increasing by 2.8% per capita in the current year compared to the previous year.

➤ Customer trust

Sainsbury's success in Germany certifies Sainsbury's internationally, as customers trust Germany's solid economy and developed market.

Germany is the right choice!

- "In the business setting, Germans look for security, well-defined work procedures, rules, established approaches, and clearly defined individual assignments. In short, the German business environment is highly structured. "Ordnung" (order) is the backbone of company life."



What could hinder Sainsbury's development in Germany?

- ▶ Developing a brand like Sainsbury's in Germany can be hindered primarily by Brexit. The expansion of an English brand within the European Union is regulated by the EU-UK trade and cooperation agreements.
- ▶ There have been other retailers that attempted expansion from the United Kingdom to Germany and it didn't work out. A notable example is Marks & Spencer, which entered the German market in 1999 and in 2002 was "swallowed up".
- ▶ Strong competition in the local market can indeed be another obstacle for Sainsbury's entry and development in Germany.
- ▶ Sainsbury's should indeed build a strong image to be seen as a potential retailer in the German market.
- ▶ Cultural differences can indeed affect Sainsbury's entry into the German market.



Why can cultural differences affect the expansion of Sainsbury's?

- ▶ Deresky si Helen state in "International Management"
"cultural sensitivity or cultural empathy"
means
being aware of another society's perspective,
Accepting and
adapting to another culture.

As long as another culture is studied, understood, and accepted—
international managers can develop appropriate policies so that integration and
resilience strategies can be successfully implemented in the market

Why can cultural differences affect the expansion of Sainsbury's?

- ▶ **LANGUAGE:** Germans are proud patriots and love their language. Sainsbury's is an English name, which may represent a barrier to integrating the brand into the German market.
- ▶ **FOOD CULTURE:** Certainly, Germany and the United Kingdom have different food preferences, and Sainsbury's should adapt to the preferences of the Germans.
- ▶ **PERCEPTION OF PUNCTUALITY**
- ▶ **Market Competition:** strong competition against Sainsbury's.
- ▶ **Workforce and Work Regime:** Germany and England differ in terms of work organization, with Germans being oriented towards adherence to standards and rules.

Both countries have cultural diversity among their employees, with both having immigrant workers in supermarkets.



Can Sainsbury's overcome cultural differences and succeed in Germany?

- ▶ With careful attention and thorough market analysis, including understanding the requirements of the German market
- ▶ With detailed research on the competition
- ▶ With a study of the failures of other English retailers entering the German market (e.g., Marks & Spencer) to identify mistakes
- ▶ With a significant openness and adaptability to the German market

Sainsbury's can achieve long-term success in Germany.

Cultural sensitivity in Germany/ The differences from the UK



- Due to cultural differences, the marketing culture is completely different

I took the differences in marketing campaigns by Lidl as an example.

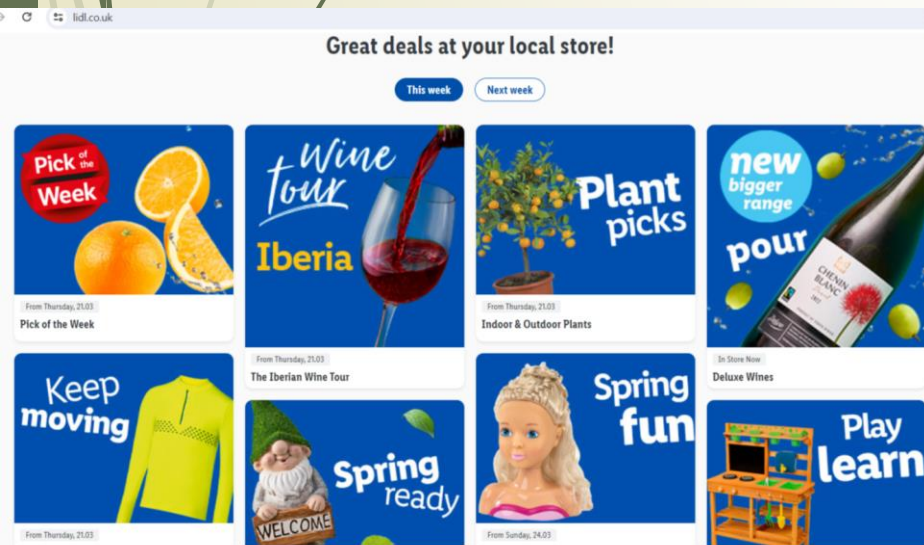
UK

**Creativity, Humor, and Diversity;
Focus on Quality and Value;
Diversity and Innovation**

Germany:

**Efficiency and Quality;
Simplicity and Clarity;
Value for Money;**

Lidl Germany page and
your slogan:
"Discover now the online
shop categories and
much more!"



Lidl UK page and your
slogan:
"Great deals at your local
store!"



Cultural sensitivity in Germany/ The differences from the UK



Economy

Details for **Germany** and **the United Kingdom**

	Germany	United Kingdom
<u>Currency:</u>	euro (1 EUR = 100 Cent)	Sterling pound (1 GBP = 100 Pence)
<u>Unemployment rate:</u>	3.0 %	3.6 %
Inflation rate:	6.87 %	7.92 %
<u>Cost of Living:</u> (USA = 100%)	82.26 %	98.52 %
Commercial taxes and contributions:	48.80 %	30.60 %
<u>Average income:</u>	54,030 US\$	49,240 US\$
Average wage:	47,836 US\$	50,209 US\$
Central government debt (% of GDP):	45.95 %	100.75 %
General government debt (% of GDP):	66.54 %	101.36 %
<u>Corruption index:</u>	22 (good)	29 (good)

Source:WorldData.info



Hofstede cultural Dimensions: UK and Germany

➤ 1. Power Distance:

UK: Medium hierarchical levels + open communication between employees and management: "open-door management"

Germany: Rigidity and vertical hierarchical structure with detailed planning. There are procedures, control, and rules.

➤ 2. Individualism vs. Collectivism:

UK: Flexible relationships and embracing of ideas;

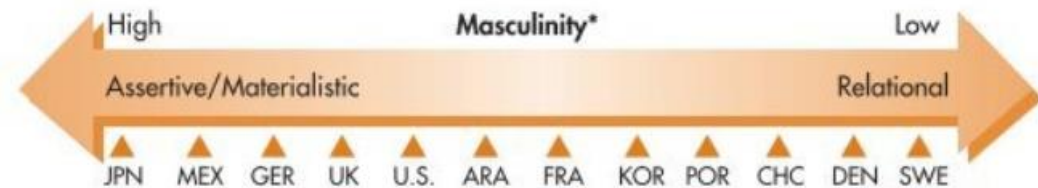
Germany: "Germans rank quite high on Hofstede's individualism dimension."

Hofstede cultural Dimensions: UK and Germany

➤ 3. Masculinity vs. Femininity:

UK: There is gender equality, with a slight tendency towards male power, and gender diversity is promoted in companies;

Germany: Tendency towards masculinity, with tendencies towards gender diversity in companies;



*Not to scale—indicates relative magnitude.

Source: Data based on G. Hofstede, 1983.

➤ 4. Uncertainty Avoidance:

UK: They have a high degree

Germany: "They have a high degree of uncertainty avoidance," even in negotiations, detailed information is requested to avoid risks.

Hofstede cultural Dimensions: UK and Germany

➤ 5. Long-Term Orientation vs. Short-Term Orientation:

The United Kingdom and Germany are classified with a short-term orientation.



Recommendations for the Sainsbury's success in Germany

- Sainsbury's needs to learn from the mistakes of Marks & Spencer, which did not survive in the German market;
- To analyze the competitive market by establishing a Sainsbury's management office in Germany;
- I propose conducting a detailed analysis of German cultural beliefs and policies and abandoning English cultures once entered the international market;
- Analyze and adapt to the marketing strategy used in Germany.

CONCLUSION

Sainsbury's can sustain long-term success in Germany under the following conditions:

- Respecting German cultural values;
- Analyzing the competition



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