

10 Tips for doing business with European buyers of automotive parts and components

Generally speaking, European Original Equipment Manufacturers (OEMs) and suppliers are open-minded and more than happy to extend a warm welcome to new suppliers from developing countries offering innovative and high-quality products at reasonable prices. Before entering the European market, suppliers need a clearly defined strategy and budget in addition to qualified staff and a great deal of patience. The competition in Europe is very tough and every company and country has its own unique business culture.

Contents of this page

1. [Learn about cultural differences](#)
2. [Get in touch with business support organisations](#)
3. [Profits are the result of proper documentation and quotation](#)
4. [Keep a close eye on currency processing](#)
5. [Communication can make or break your European ambitions](#)
6. [Analyse the processes and quality procedures in the automotive industry](#)
7. [Carefully monitor market developments and signals of possible downturn](#)
8. [Become an expert in your market](#)
9. [Thoroughly weigh opportunities and risks](#)
10. [Final message to suppliers from developing countries](#)

1. Learn about cultural differences

To get customers on your side, you need to understand their culture. Demographic, cultural and economic factors vary from region to region, so local knowledge is the key to success. Suppliers need to know country-specific facts and figures to understand the local mentality and way of doing business. Buyers in the automotive industry are target oriented and will expect you to stick strictly to crucial deadlines and agreements. So you must carefully prepare your first contact and every proposal.

Check the following websites on [business cultures](#) and [doing business in Europe](#) for specific market information and business cultures in various European countries.

2. Get in touch with business support organisations

Different European organisations offer support for doing business in Europe. As European Union Member States harmonise their regulations and increase their economic integration, a direct connection to the local Automotive Associations in Europe (find them, for example, through [the Association of European Chambers of Commerce](#)) as well as to the [European Commission](#) can be the key to success in the European marketplace. It is also often useful to contact professional consultants, local representatives and governmental institutions, such as trade and investment agencies (for example, [Germany Trade & Invest](#)).

These organisations can also provide information on [European standards](#). Standards set out requirements for specific items, materials, components, systems or services. These voluntary technical specifications help reduce costs, improve safety, enhance competition and speed up the acceptance of innovations. See, for example, the European Commission's web page on [tyres](#).

In addition, grants and assistance may be available to you to help you enter the European market. For example, UK companies with fewer than 250 employees are eligible for help from the government's Export Marketing Research Scheme. Companies from outside the EU may also be eligible for assistance or advice, so it is worth contacting both EU and European government departments that deal with commerce.

3. Profits are the result of proper documentation and quotation

Doing prosperous business in Europe means getting all your documentation in order. Some countries, for example Italy and France, have notoriously bureaucratic or complex processes. Having someone local who understands the system (and knows one or two people!) may help to speed up the process.

Different local rules will apply to:

- Tax (income, business). Use local knowledge to avoid getting stung by too many local taxes. In Italy, the taxman could take as much as 68.6% of your profits
- VAT. Each European Union Member State has its own VAT (value-added tax) rate, and standard rates in the EU vary between 15 and 25 percent
- Registering and running a business
- Planning rules
- Import and export
- Hiring and firing of staff

European buyers welcome a professional quotation which is transparent and well-structured according to company address, contact details, products and services, quotation date and number, material and CAD specifications, price and date of delivery, Incoterms®, payment details, warranty and guarantee conditions.

4. Keep a close eye on currency processing

There are many [different currencies](#) in Europe in addition to the euro. Handling multiple currencies can be complicated and potentially expensive, and processing currency transactions can be time-consuming. Wherever you sell in Europe, your customers will want to pay in their own currency. But currency transfer costs can hurt your profits: exchange rates can increase to up to 10% in just a few days and the rates may change between taking the order and delivery. Therefore:

- upgrade your systems to handle multiple currencies
- fix the exchange rates and currency in the contract to limit the exchange rate costs
- volatility in raw material prices may be an opportunity for you if you have easy and low-price access to those commodities

5. Communication can make or break your European ambitions

Your potential buyers in Europe do not all speak the English language. Even if they do, it can turn out that your buyers prefer to communicate and share information in their own language.

Communicate clearly and avoid translation mistakes in contracts, manuals, on packaging and labels.

- In the UK, you may get a warning from the ASA (Advertising Standards Authority)
- In Belgium, you may have to pay to publish a correction
- In Germany, you may be hit with a large fine

Successfully translating your marketing documents, advertisements, website and other documents is a challenge, but one that can lead to huge rewards when done right.

Consider that European buyers prefer face-to-face communication over exhausting, anonymous email communication. Most of the contact persons are very busy and find themselves confronted with hundreds of emails every month. For this reason make sure that your first documents clearly show your references and future business opportunities/advantages. Your final target should be a personal appointment in order to discuss further processes in more detail.

6. Analyse the processes and quality procedures in the automotive industry

Before you can successfully offer your product to potential buyers, the manufacturing processes of OEMs and Tier 1/Tier 2 suppliers must be analysed. At the same time, you should maintain or sharpen your unique selling proposition by ensuring clear technological or process differentiation. Furthermore, make sure that you establish best-in-class processes and structures to remain efficient and flexible in more complex globalised set-ups.

Nearly all buyers demand quality assurance processes as well as certified products, for example, according to ISO/TS 16949, ISO 14001 and ISO 9001. Suppliers from developing countries have to meet the same requirements as any other supplier from Europe in terms of quality, logistics, engineering and competitiveness.

For more information about the requirements in the automotive industry, take a look at the CBI study of [Buyer Requirements for Automotive Parts and Components](#).

7. Carefully monitor market developments and signals of possible downturn

Suppliers are the driving force behind innovative technologies. The core competencies of OEMs are R&D and Engineering. Tier 1 and Tier 2 suppliers remain predominantly in European Member States, whereas production facilities and capacities are increasingly shifted to non-European countries.

Note that OEMs increasingly request a closer proximity of the suppliers to their production plants in and outside of Europe. In addition, car producers plan drastic cost-reduction programmes, which will increase the price pressure on their suppliers.

Consider that suppliers are caught in the dilemma of having to reduce prices while building an international presence with rising local costs. In 2020, 60% of the total production capacity of suppliers will be located in "emerging markets" such as China, India, Thailand, Indonesia, Pakistan, Iran, Thailand and South Africa. The structural change will lead to enormous challenges, especially for small and medium-sized [suppliers](#). As you can read in our [study of Trends in the European automotive parts and components market](#), however, this development also offers opportunities to suppliers from developing countries.

You need:

- a clear organisational structure
- a risk management organisation
- appointed contact persons and clearly defined responsibilities
- a reporting line for escalation

8. Become an expert in your market

You need to find out which buyers are a good match for your services, what kind of marketing messages will reach them and how you plan to provide customer service in a different culture. Products may be highly suitable for your local market, but their market appeal elsewhere in Europe may be completely different.

Hiring locals, or even buying into local businesses, speeds up the transition from outsider to insider. Get the right message across in your advertising campaigns.

It can be advantageous to offer high-quality components and materials at aggressive prices.

9. Thoroughly weigh opportunities and risks

When you consider doing business in Europe, thoroughly weigh the following opportunities and risks.

Opportunities:

- Growing production and trade in Eastern and Central Europe
- Aftermarket maintenance and spare parts: Original Equipment Service (OES) business and partnering up with independent distributors
- Trucks and buses market segment
- Networking and cooperation opportunities with Tier 2 and Tier 3 looking for competitive sources for labour-intensive components
- Visit European trade shows: [Paris Motor show](#), [International Motor Show Frankfurt](#), [Motor Show Geneva](#), [Automechanika Frankfurt](#) and [IZB Wolfsburg](#).
- Specialise in cost-effective niche components which make use of lightweight solutions and sustainable technologies
- Partnerships with established suppliers who wish to outsource production
- Mergers and acquisitions: direct investment in Europe, following in the footsteps of Chinese, Indian, Turkish and Mexican investors. For more information, see the [CBI document on Finding Buyers](#)

Risks:

- Pay to quote (qualification fee prior to submitting quotation)
- Pay to play (payment for current series production)
- Quality claims and warranties
- Clash of cultures
- Poor financial performance and corporate stability
- Choosing the “wrong” partners


10. Final message to suppliers from developing countries


The following information may seem self-evident, but should be taken seriously:


- Never trust anybody who tells you that it is easy to do business with European OEM or Tier 1 suppliers!
- The automotive environment will change dramatically over the next two decades, as e-mobility, autonomous driving and big data will have a major impact along the whole supply chain
- Powertrain suppliers should bring into question their current and future portfolio in the OEM and aftermarket business
- Doing successful business in the automotive industry in Europe requires hard work and preparation, takes time and costs money

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