

UPS Snapshot for Small Businesses

Doing business in Poland

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It could be Europe's best-kept secret

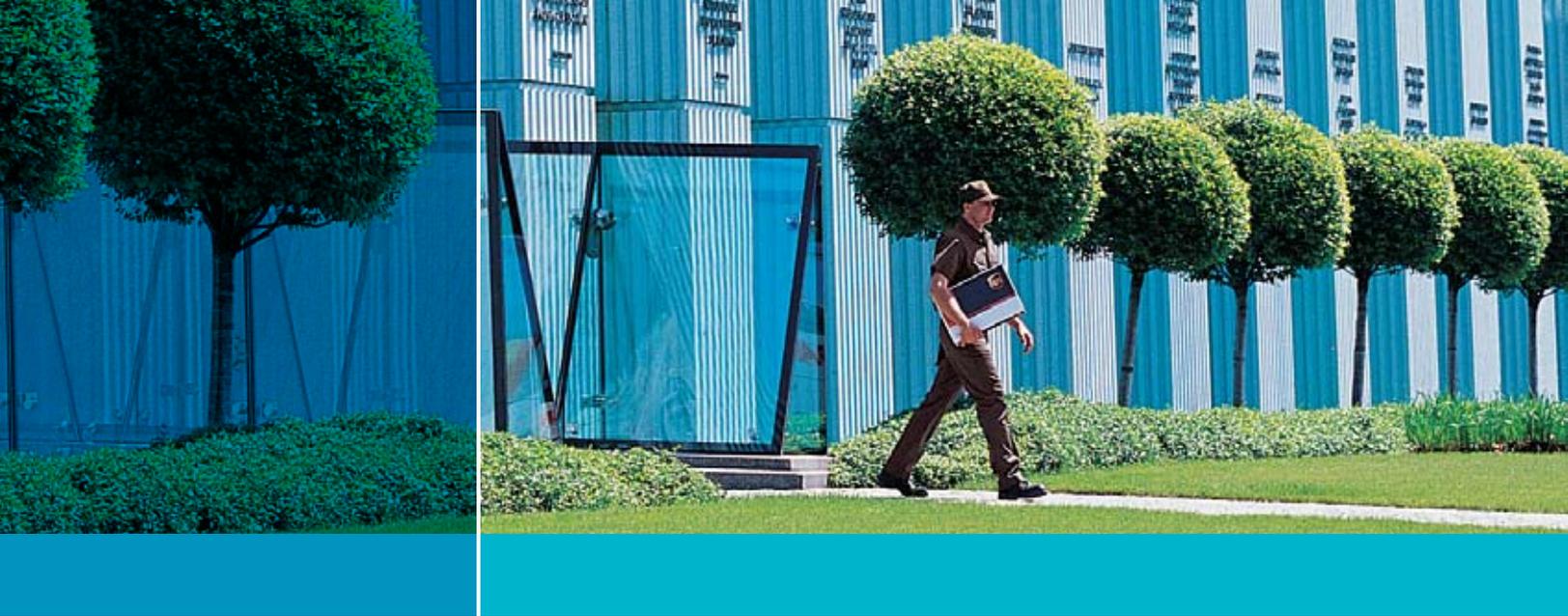
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Why Poland for Small Businesses?

Nestled in the center of Europe, Poland was the first former Soviet bloc country to shed communist rule, and today, the nation of 38 million people is growing steadily. Since becoming a member of the European Union in 2004, Poland has built a stable market economy and attracted significant foreign direct investment. Its GDP growth rate has consistently outpaced that of Western European countries.

For U.S. small- to mid-sized companies that are looking to do business overseas, Poland is a great place to explore. Its central location with air, road, railway and sea connections to all major European capital cities makes it easy to engage in business with the rest of Continent. The nation has a highly educated workforce with good English-language skills. Its infrastructure continues to improve rapidly as more than 90 billion euro is available for development, infrastructure and human capital for 2007-2013—the largest amount of EU funds of any beneficiary EU member state. And its growing class of consumers is driving 10 percent annual retail market growth.

Sources:

- BBC Country Profiles: Poland
- Polish Information and Foreign Investment Agency



Poland: Key Facts and Figures

Population: 38,518,241 (July 2007 est.)

Age Structure:

- 0-14 years: 15.5 percent
(male 3,070,388/female 2,906,121)
- 15-64 years: 71.1 percent
(male 13,639,012/female 13,761,154)
- 65 years and over: 13.3 percent
(male 1,964,429/female 3,177,137) (2007 est.)

Median Age:

- total: 37.3 years
- male: 35.4 years
- female: 39.3 years (2007 est.)

Life Expectancy at Birth:

- total population: 75.19 years
- male: 71.18 years
- female: 79.44 years (2007 est.)

Ethnic Groups:

- Polish: 96.7 percent
- German: 0.4 percent
- Belarusian: 0.1 percent
- Ukrainian: 0.1 percent
- Other and unspecified: 2.7 percent (2002 census)

Religions:

- Roman Catholic: 89.8 percent (about 75 percent practicing)
- Eastern Orthodox: 1.3 percent
- Protestant: 0.3 percent
- Other: 0.3 percent
- Unspecified: 8.3 percent (2002)

Government: Republic

Currency:

 Zloty

(earliest date expected to convert to the euro is 2012)

GDP (purchasing power parity): \$624.6 billion (2007 est.)

GDP (official exchange rate): \$418.1 billion (2007 est.)

GDP (real growth rate): 6.5% (2007 est.)

GDP (per capita): \$16,200 (2007 est.)

GDP (composition by sector):

- Agriculture: 4.1 percent
- Industry: 31.9 percent
- Services: 64 percent (2007 est.)

Labor Force: 17.01 million (2007 est.)

Unemployment Rate: 9.3 percent (August 2008)

Imports: \$150.7 billion f.o.b. (2007 est.)

Imports - Commodities:

- Machinery and transport equipment: 38 percent
- Intermediate manufactured goods: 21 percent
- Chemicals: 14.8 percent
- Minerals, fuels, lubricants, and related materials: 9.1 percent (2003)

Imports - Partners:

- Germany: 29 percent
- Russia: 9.6 percent
- Italy: 6.4 percent
- Netherlands: 5.7 percent
- France: 5.4 percent(2006)

Exports: \$137.9 billion f.o.b. (2007 est.)

Exports - Commodities:

- Machinery and transport equipment: 37.8 percent
- Intermediate manufactured goods: 23.7 percent
- Miscellaneous manufactured goods: 17.1percent
- Food and live animals: 7.6 percent (2003)

Exports - Partners:

- Germany: 27.2 percent
- Italy: 6.6 percent
- France: 6.2 percent
- UK: 5.7 percent
- Czech Republic: 5.6 percent
- Russia: 4.3 percent (2006)

Sources:

- CIA World Factbook
- The Economist

Small Business Trailblazers

Heatmax

Small Georgia business says Poland has “been a nice market for us”

What?

Heatmax manufactures air-activated heat and cooling products, such as heat packs to help aid sore muscles and liners to place inside gloves or socks.

Where?

Based in Dalton, Ga., Heatmax manufactures its products in the U.S. and Japan, and sells them to retailers in the U.S. and Europe, including Wal-Mart and Kmart.

Who?

Heatmax's products are used primarily by outdoor enthusiasts and the military.

For more information:

Log onto www.heatmax.com

Arie DeLight, director of international sales for Heatmax, says Poland wasn't originally on the company's radar. He talks about Heatmax's move into Poland:

Please tell us about your business.

Our Heatmax warming and cooling products contain a mixture of natural ingredients that when exposed to air react together to produce heat. For example, we sell hand and foot warmers that people can put inside gloves or socks when they have to work outdoors in cold weather and heat packs to help ease sore muscles. We also offer a line of cooling products, such as a bandana that helps landscapers and others who work outdoors in the heat stay cool.

How did you start to do business in Poland?

We didn't think about Poland as a specific market to enter. Several years ago, we were attending a trade show in Germany, where we do a lot of business, and were approached by a Polish distributor. We did our research and decided to give it a go, and it's been a nice market for us.

What do you consider to be the benefits of doing business in Poland?

Poland has a large population with increasing buying power, so it's an important consumer market. And, with the U.S. dollar's value so low, American products are more appealing to many Polish consumers. But if you're doing business in Europe already, it's quite easy to expand into Poland. It's close to so many European markets and, as an EU member, shipping between Poland and the rest of the EU is seamless.

What challenges have you faced in Poland?

Adjusting to another culture and transcending the language barrier usually are the biggest bottlenecks for American companies. If you're serious about setting up a presence in a specific market, hire someone locally to guide you through. At Heatmax, I hired someone in Italy who is fluent in seven languages to work with our distributors.

Your business requires a lot of shipping. Do you have any logistics or shipping advice for businesses?

Ship your goods in bulk whenever possible to save money. Investigate whether you can use ocean freight from the United States to Europe because it's less expensive than sending things by air. Also, you'll need to find the right partners that can help you make sure your customs forms and other documentation are in order.

What other advice would you offer other small businesses interested in going to Poland?

Do your due diligence. Use the U.S. Commercial Service as a resource to find distributors in Poland. They can help make great introductions; if you sent out your own mailings to a company in Poland, you might not have much luck. But when pre-qualified distributors or partners receive correspondence on U.S. government letterhead, that can help get you a quick introduction to a reliable source.



Minding Your Manners: Business Etiquette in Poland

People in Poland tend to be extremely family-oriented and carry a belief in the importance of relationships into the business realm. Showing your commitment to forging relationships based on trust and mutual benefits is essential to success in Poland. Here are some other important things to know that will help make doing business in Poland go smoothly for your company.

Making a good first impression

- First names rarely are used at the beginning of business relationships. Address people with Pan (Mr.) and Pani (Mrs.) plus their surnames. As your relationships evolve, first names may be used, but don't call your Polish partners by their first names until they call you by yours.
- A firm handshake and good eye contact is important when meeting someone. When meeting with a group, be sure to greet each individual separately.
- If you are a woman, your Polish male colleagues may kiss you on the hand. It is not customary for a Western businessman to kiss the hand of a female Polish colleague.
- The accepted dress for business meetings is formal and conservative—a suit and tie for men and a suit or dress for women. Avoid overly bright or ostentatious clothing and jewelry.

Business as usual

- Rules and regulations are an important part of business in Poland and you will be expected to respect and abide by company policies and rules without question.
- Schedule appointments a few days in advance and never schedule an appointment on a Sunday. February, June and July are popular vacation months, so consider this when scheduling meetings.

- Age and education often are the basis for corporate hierarchy. When negotiating, it is advisable to send representatives who are similar in age or qualifications to your Polish colleagues.
- Pay particular attention and respect to more senior and older members of a company.
- Your colleagues will appreciate it if you learn a few Polish words.

Manners in meetings

- Always arrive on time, but be aware that meetings likely will go on longer than planned.
- Giving business cards to all those present on the Polish side is customary. There is no need for cards printed in Polish.
- It is common to start business meetings in Poland with small talk to establish a rapport. Topics may cover a wide range of issues, including family and your work experience; avoid talking about money and politics.
- Expect long pauses in conversation and don't talk during lulls in the conversation or pressure colleagues to make a quick decision. Your colleagues or partners expect time to consider all the information discussed.
- Add a personal anecdote to presentations that relates to your proposed partnership to show your commitment to developing a relationship.

- Your company will gain respect if more than one person is present for negotiations, and if there is at least one middle-aged representative because age and experience are respected.
- After a meeting, it's common for people to want to sit and talk with you to get to know you better.
- Gifts often are given at initial business meetings and when contracts are signed. Good gift choices include something from your home town or country without your company logo or flowers given in even numbers only.

Socially speaking

- It's common to forge relationships with your new colleagues over a meal. Many business meetings are conducted during lunch, but rarely over breakfast.
- Never talk business over a meal unless it is brought up by the other party. This time should be used to get to know each other.
- Always wait for the host to taste his food before you begin eating. It is common to toast before or after a meal. If your host stands, you should too, and remain standing until he or she sits.
- Keep your wrists above table during the meal. When finished eating, place utensils next to each other, on the right side of the plate. Crossing utensils on the plate means you're still eating.
- When you are invited to a restaurant, the host usually pays the bill. But it also is polite for the guest to offer to pay. If you plan on being the host, speak with the manager or headwaiter and make it clear that you will be paying the bill.
- When you're invited somewhere socially, bring a small gift or flowers. Send a handwritten thank-you note the next day.
- It is important to show respect to older people in any situation. If you're in a crowded place, offer your seat to someone older than you. This will make a great impression.
- Never sit with one ankle rested on the opposite knee, and never stand with hands in pockets.
- Don't shower your host with excessive compliments; it will seem insincere.
- Remember, people in Poland like to enjoy life, so it's acceptable to relax and make appropriate jokes, at the right moments.

Sources:

- Culture Smart! Poland: A Quick Guide to Customs & Etiquette by Greg Allen
- Simple Etiquette in Poland (Simple Etiquette Series) by Krystyna Carter
- Associated Content

- Communicaid
- Kwintessential Cross Cultural Solutions
- Worldwide Tax

Poland's Promise

Witold Zabiniski is president of the Polish-American Chamber of Commerce of the Southeast United States, a non-profit organization that promotes investment, commerce and cultural ties between the United States and Poland. Mr. Zabiniski also is managing principal of Corporate Strategies International, a consulting and venture development firm that helps businesses select partners, establish strategic alliances, and set up operation in Poland and central European countries.

Why should American companies consider doing business in Poland?

Poland is the best-kept secret for U.S. businesses. It is a proven market that continues to grow rapidly and attract investment. Its workforce is highly educated and many people in business speak fluent English. Plus, the cost of doing business remains competitive in Poland. It is far less risky than many other emerging markets because it is a European Union member and must adhere to strict political and economic requirements. Finally, Poland's central location—a disadvantage historically because of border wars and disputes—is an advantage today. As a central European nation, Poland is close to major European cities, and shipping within the EU is seamless. In fact, there are 250 million people within a 1,000 km radius of Poland.

Why do you think that Poland remains a secret among many American companies?

People don't know very much about Poland, and what they do know usually is about the darkest periods of our history. Even though there are frequent direct flights to Warsaw from major American cities, people don't think about going there. The public and private sectors must work together to change Poland's image so people see that it isn't solely a country with a tragic past, but one with very promising future.

Is Poland an important market for American exports?

There has never been a better time for American companies to export to Poland. Poland's consumer class is growing fast and it likes and respects American products—in many cases, even more than Americans do. Income levels are higher, credit is widely available, and a weaker U.S. dollar makes more Polish consumers open to buying American products.

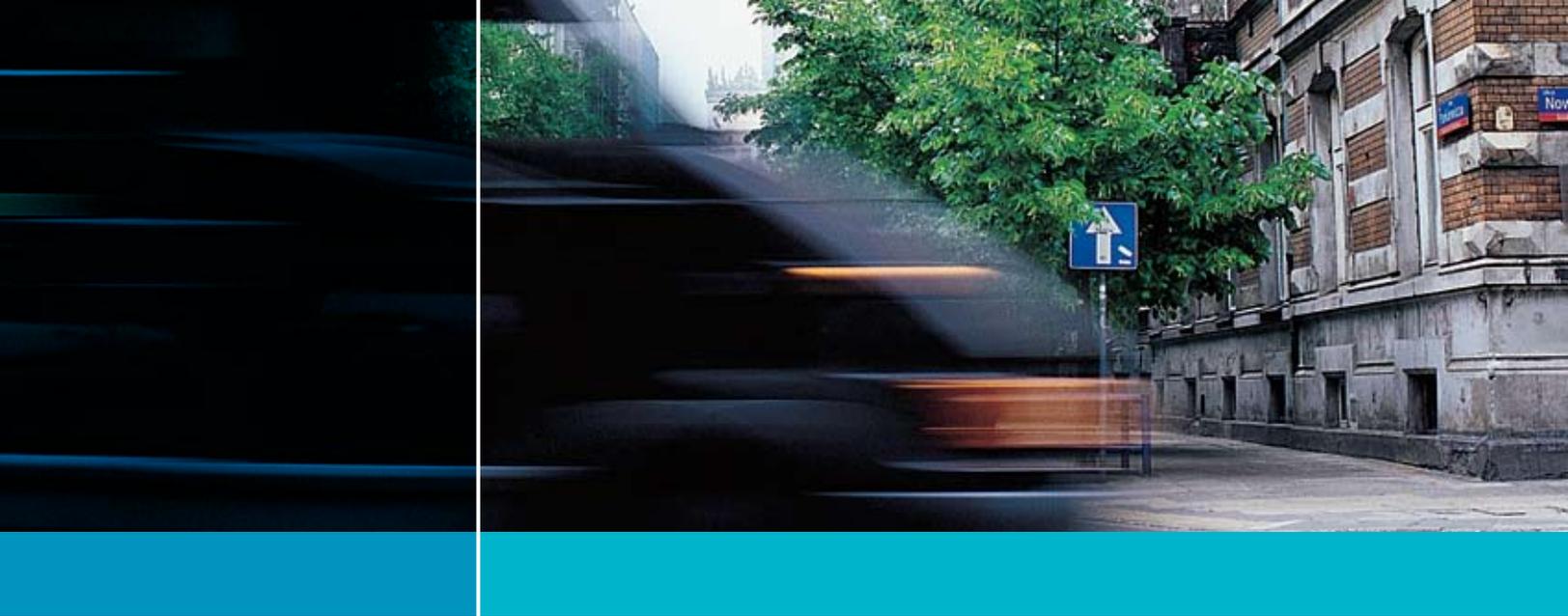
What is the most common business etiquette mistake American business people make when they start doing business in Poland?

Poland has a much slower business pace, and Americans can be seen as too pushy. Poles want to take the time to forge a relationship, build trust and not be pushed into a decision. Many times, Americans don't understand the importance of getting to know their Polish partners or colleagues. It is important to accept social invitations in Poland; if you decline, you will insult your host. Just take the time to get to know who you're doing business with; an investment now means a lot in the long run.

What advice would you offer American companies that are thinking of going to Poland?

Do your homework. Companies need to take their time to research and plan entry to a new market, which can run counter to the American business proclivity to act quickly. Consider hiring someone who knows about doing business in Poland, who speaks the language and knows the culture. Being careful and calculated upfront will ensure your business is better off in the long run.

For more information on the Polish-American Chamber of Commerce of the Southeast United States, visit pacc-south.com.



Warsaw Renaissance

Poland's capital city is attracting attention from businesses around the world

For those considering business in Poland, Warsaw is an excellent place to start. The city is one of the fastest growing in Europe, thanks in part to its strong currency and central location with easy access to Berlin, Prague and Budapest.

During the past five years, the value of Warsaw's development projects has surpassed US\$5 billion. For instance, in September 2008, the world's largest steel producer – ArcelorMittal – announced that it has invested \$US114 million to set up a mill in Warsaw, allowing the company to tap into the growing construction market in Poland.

City government officials say that most of the development projects were made possible by the involvement of foreign capital. Daewoo, The Coca-Cola Company and Metro AG are the largest foreign investors in Warsaw.

UPS operates an air hub in Warsaw, which provides daily connections between Poland's growing economy and other markets in Europe, the Americas and Asia. And with UPS facilities in other important industrial and business centers around the country, accessibility to the vast opportunities Poland offers is faster and easier than ever before.

Sources:

- The City of Warsaw
- Warsaw Business Journal
- International Herald Tribune
- Warsaw Frederic Chopin Airport

A city of nearly 2 million, Warsaw is home to the country's largest university and research center – giving businesses a solid workforce. Here are a few other facts about Warsaw:

- Twenty percent of Warsaw's population has a university degree.
- The unemployment rate is the lowest in Poland (5.1 percent).
- Warsaw is the hub for the country's electronics and high-tech industries.
- About 5 million foreign tourists spent at least one night in Warsaw last year. It is estimated that tourists from abroad spend a total of \$1 billion annually in Warsaw.
- The services and retail industries employ more than 70 percent of Warsaw's total working population.
- Warsaw's Frederic Chopin Airport is Poland's busiest airport, handling approximately 100 scheduled flights per day – nearly half of the country's total air passenger traffic.



Culture Corner

The importance of religion in Polish life

American companies doing business in Poland should know that religion plays a critical role in Polish culture. Almost 90 percent of the population is Roman Catholic, with approximately 75 percent reporting to be practicing Catholics. As a result, religious holidays are considered national holidays and most businesses are closed. Christmas is considered the most important holiday. Families and colleagues partake in *dzielenie opłatkiem*, the breaking and sharing of thin, white wafers as a way to wish one another health and prosperity for the coming year.

Another important religious holiday is All Saints' Day on Nov. 1 when Poles visit cemeteries to honor loved ones who have passed away. Life's milestones including weddings, baptisms and first communions, also are causes for extended celebration.

The Catholic Church has long been associated with Polish statehood, and the church supported Polish unity and independence during the country's tumultuous history of occupation and communist domination. Catholicism became even more significant in 1978 when Cardinal Karol Wojtyła, the Metropolitan Archbishop of Kraków, became the revered Pope John Paul II.

Catholicism in Poland is known for its traditional practices and Christian ceremonies, such as pilgrimages to holy places and liturgical processions. The most important pilgrimage destination for Polish Roman Catholics is to see the image of the Virgin Mary (called the Black Madonna) at Jasna Góra Monastery in Czestochowa. The image is believed to have rescued Poland miraculously from invasions by the Tatars and the Swedes, and some leaders wore replicas of the icon.

Sources:

- Kwintessential Cross Cultural Solutions
- Poland Ministry of Foreign Affairs
- Glenn E. Curtis, ed. Poland
A Country Study. Washington: GPO for the Library of Congress, 1992