

Siemens works on a full new market setup in the USA

Turnover sales shall increase from 23% to 30%. China is expected to be the third largest market in two to three years

Siemens, a German electronic company, tries to increase turnover sales in the USA up to 30% of total turnover sales in the medium-term by bundling the US business. For the first time the USA have been the biggest market for Siemens with order bookings of 83.4 billion € in the fiscal year 1999/2000. As CEO Heinrich von Pierer declares to the Financial Times Deutschland the German electronic company turns within two parallel steps its US business upside down.

The market positions of the units will be checked. The Siemens Holding Corp. gets more power to steer the at the meantime separately operating units. This will lead to a shared accountancy, recruitment and a common market setup. "We are checking our activities in the various fields and are looking if there is need for action" announces von Pierer referring to the changes in the US market. If the units do not reach the critical growth, he will think about acquisitions and cooperations.

This offensive is combined with the initial public offering of the Siemens shares in the USA, which is planned for March 12th, 2001. The IPO will be the final step of a 10-point-programme. It was introduced in 1998 and broke taboos in the Siemens company.

For CEO von Pierer the listing on the New York Stock Exchange (NYSE) fits into the recent development of the US business. This business will grow faster than the German one and the gap between the markets will even widen.

But there is still a lot of work to be done. The independently operating units acted too uncoordinated in the past. This caused several losses of contracts. For this reason Siemens sends an new COO to New York. Another aim is to become more popular in the US, because a majority of the US citizens do not know the brand Siemens, whereas opponent General Electric is quite well known.

Siemens subdivides their US business into "customer-clusters". Up to now there are four groups defined: airport, healthcare, e-commerce and high-tech campus (e.g. universities). Further clusters will follow. The US units shall offer bundled products, for example industrial plants, system-solutions and communication. Administration work will be centralised to cut costs. This new concept may be a model for other regions like Europe and Asia or even the whole company.

By listing the shares on the NYSE Siemens gets an acquisition-currency. This may be used for smaller acquisitions in the information and communication sector, because Siemens holds only little market coverage in this segment. In addition Siemens plans a mobile-phone offensive. It is possible that the phones will be produced in the USA in the future. CEO von Pierer hopes that Deutsche Telekom will be successful with its

takeover of Voicestream, because this may lead to a boom in mobile-phone sales for Siemens. On the other hand von Pierer warns that he is not willing to pay exorbitant high prices for plants without getting market coverage. That is why he prefers cooperations as already done in Japan.

Besides he fears that a big buy may cause problems with the integration and as a result losses for shareholders instead of extra dividends.

Finally China plays an important role in the growth-strategie of Siemens. In two to three years China will be the 3rd largest market for Siemens behind the USA and Germany. There are political risks, but von Pierer is of the opinion that the risk of not working in China is bigger than working in China.

In another article Siemens CEO Heirich von Pierer declared that the US unit “Unisphere” will be listed on the Nasdaq Composite in March or April this year. This action has to be seen as another step to reduce the high-tech and cyclical business within the Siemens company. In 2000 the company already separated from the German units “Epcos” and “Infineon” and put the units as independent companies on the German Stock Exchange. Both companies are listed on the DAX, the index of the 30 largest German companies. “Infineon” is also listed on the NYSE.

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WS 2000/2001