ENTERING THE GERMAN MARKET
WHAT YOU NEED TO CONSIDER WHEN ENTERING THE GERMAN MARKET

Pre-seminar Digital Health & Care 4.0
26.02.2019 Copenhagen

hannoverimpuls GmbH, Hannover, Germany
SØRENSEN – Connecting Markets, Kolding Denmark, Flensburg & Hannover, Germany
Topics – 26.02.2019

- Introduction: Who are we?
  - Hannoverimpuls & SØRENSEN – Connecting Markets?

- General facts about Germany & Hannover
- Cultural differences
  ----------------short break ----------------
- Find your own market entry
  - 2 Cases

- Let´s get started in Hannover!
  - How can we assist you with your market entry?
  - Funding opportunities
Introduction: hannoverimpuls

- Initiative of the capital of Lower Saxony and the region of Hannover
- Commercially led
- Flexible, diverse and fast processing
- Team of experts from public administration and industry
- Industrial Partners
- Focus on defined fast growing industries
- Promoting the economic development, growth and relocation of companies
Introduction: SØRENSEN – Connecting Markets:

A solid customer and network foundation

• 25 years of experience
• Meeting approx. 300-400 new German companies each year
• CRM with a total of 5,000 personal contacts in Denmark and Germany

Philosophy

• Practice-oriented - no standard solutions
• Qualitative and proven working methods
• Our goal = your goal → create results
• From strategic planning to implementation in the market
• Dynamic and flexible project development - through a phase-oriented process

• We have expectations for you!
  – It is your project!
  – Ongoing coordination & reconciliation
  – Continue processes after completion of a project
Introduction: SØRENSEN – Connecting Markets

Formal functions:

- Representative of the Hannover Region in Scandinavia
- Representative of the Bundesverband mittelständische Wirtschaft (BVMW) in Scandinavia
- Official Scandinavia partner for Lower Saxony
- Board and founding member Skandinavischer Wirtschaftsverein e.V.
- Export network Business Tyskland
- Official Germany partner for the city of Herning
- Germany partner for the Viborg region & Danish Data Center Industry
- Former official Germany partner (17 years) of Copenhagen Capacity (Medicon Valley)
Introduction: SØRENSEN – Connecting Markets
The all-round carefree package for SME’s: Our services / One-stop-Shop

• Strategic consulting and corporate development
• Market and potential analyzes
• Support with establishment of subsidiaries
• Partnering (Customer, agent and distributor qualifications)
• Market development support

Benefits for your business
• High quality first consultancy
• Honest, sincere and sustainable consultancy & advice
• Pragmatic service
• Individual advice regarding the market potential in Scandinavia
• 25 years of experience
General facts about Germany & Hannover
General facts
Your market entry to Germany

• Germany with around 82 million inhabitants - a large market with great potential for Danish companies right outside the door
• Germany is Denmark's largest and most important trading partner
• German-Danish trade accounts for one-fifth of Danish imports and exports
• Denmark exported 12.3 billion euros to Germany in 2017 and imported 18.76 billion euros
Germany - a huge market with great potential

- In Germany Denmark is known for the following strengths:
  - IT
  - Cleantech
  - Design & Textile
  - Furniture and furnishings
  - Foods
  - Mechanical engineering (SME)
  - Pharmaceutical and medical technology

- Danish companies are competitive in Germany and enjoy a good image. The prerequisites for a successful market entry are therefore already given!
At the Heart of Europe

Innovative Business Promotion

Entering the German Market 2019
Hannover Region:

• City of Hannover and 20 surrounding towns and municipalities
• Surface area: 2,290 km²
• Population: 1.14 million

Catchment Area:

• 56.8 million people within a radius of 300 km (Germany only)
• 129.2 million people within a radius of 500 km (Germany and neighbouring countries)
Excellent transport infrastructure

- Traditional east-west hub in the heart of Europe
- International airport with links to all European destinations
- North-south and east-west intersection of the German and European motorway and rail network
- Central position in European waterway network
- Ideal location criteria for logistics companies and logistics-related industries
International railway hub

110 express train connections, 20 international connections

Hamburg 1.16
Bremen 0.59
Cologne 2.38
Frankfurt 2.16
Leipzig 2.45
Munich 4.12

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Hannover International Airport

- Night flights
- Direct access to numerous European destinations
- 3 modern terminals with a capacity of 10 million passengers
- Direct urban railway link to Hannover railway station
- 13,000 parking spaces
- Various discount airlines
- Air Cargo Centre with an annual capacity of 60,000 tonnes of cargo
Hannover - academic centre

- Leibniz University of Hannover (LUH)
- Hannover Medical School (MHH)
- University of Veterinary Medicine Hannover (TiHo)
- Hannover University of Applied Sciences and Arts (FHH)
- Hannover University of Music, Drama and Media
- GISMA Business School
- International School Hannover Region

➢ Hannover is also home to a host of top-class research institutions
The world's biggest exhibition area

- 1 million m², 27 halls
- 28,000 exhibitors and 2.5 million visitors each year
- Leading trade fairs of international significance and related congress and conference events

- Hannover Messe
- IAA Commercial Vehicles
- Euroblech
- Labvolution
- Agritechnica
Health Industry in Hannover

- Health industry, one of the most important industry sectors in the region of Hannover
- More than 66,000 employees in 3,400 companies
- This sector is highly innovative, has potential for growth and an above average employment dynamic
- Companies and scientific organisations are organised in local networks (Gesundheitswirtschaft Hannover e.V., NIFE, TRAIN etc.)
- Strong scientific and academic community: Medical School Hannover (3,400 students), Veterinary School Hannover (2,500 students), Leibniz University Hannover (30,000 students), Laser Center Hannover, Fraunhofer Institute for Toxicology and Experimental Medicine and others
- Important clinic location: Clinics of the Hannover Region, Medical School Hannover, Diakovere clinics, International Neuroscience Institute (INI), Clinic of the German Red Cross
- International leading trade fairs: LABVOLUTION, Altenpflege
Your first foothold for the development of your business in Hannover, support by local partners (hannoverimpuls, Gesundheitswirtschaft Hannover e.V., NBank, Medical Parc Hannover, BioRegioN)
Cultural differences
How do the Danes see the Germans and vice versa?

"Every time we see, do and understand something, it happens on the basis of our own culture ...
Das gegenseitige Kulturverständnis

- Germany - Denmark: challenges in a "close culture"
  - Essential cultural subtleties can be overlooked
- Our self-image and our image about others shapes our way of seeing, acting and understanding
- If our idea of normalcy and our expectation of our opposite do not coincide with our inner image, it can lead to false interpretations and misunderstandings
  - Knowledge about linguistic, cultural and professional characteristics is necessary
Hofstede's cultural dimensions provide a systematic framework for assessing the differences between nations and cultures.

The model includes 6 dimensions:

- **Power Distance Index**
- **Individualism versus Collectivism**
- **Masculinity versus Femininity**
- **Uncertainty Avoidance Index**
- **Long Term Orientation versus Short Term Normative Orientation**
- **Indulgence versus Restraint**
Hofstede's cultural dimensions: Germany compared to Denmark

Power Distance Index
This index indicates the extent to which less powerful individuals accept and expect an uneven distribution of power. High power distance means that power is very unevenly distributed, low power distance means that power is more evenly distributed.

Individualism versus Collectivism
In societies with a high index especially the rights of the individual are protected: self-determination, ego-experience and personal responsibility are important.

Uncertainty Avoidance Index
Aversion to unforeseen situations.
High-index cultures that want to avoid insecurity are characterized by many well-established laws, policies, and safety measures.

Masculinity versus Femininity
"The distribution of emotional roles between the sexes."
Hofstede's cultural dimensions: Germany compared to Denmark

**Long Term Orientation versus Short Term Normative Orientation**
This dimension describes whether a society is willing to commit to traditional, forward-looking values in the long term. Long-term cultures show a high respect for traditions as well as loyalty and commitment.

**Indulgence versus Restraint**
This dimension describes the achievement of happiness through the perception of control over one's own life and the importance of free time and leisure.
The German-Danish cultural iceberg

**Denmark**
- Low population density
- Relatively homogeneous population
- Few inhabitants
- Serenity
- Tradition and modernity
- Jante Law
- Family orientation
- All people are equal (good)
- Humility is positive
- Justice
- Konsens
- "It will be OK"

**Germany**
- High population density
- Many inhabitants
- History
- Meritocracy
- Multiethnic state
- High competition
- Central location
- High speed
- Regional diversity
- Perfection
- Cleanliness
- Order
- Punctuality
- Reliability
- Industriousness
- Good planning
- To have everything under control

Source: SveTys – Interkulturelles Management Uta Schulz
Cultural differences in society

**Denmark**
- Feminine social structure
- Equality between individuals
- Unity
- Modesty
- Not bureaucratic
- Only the "DU"

**Germany**
- Masculine social structure
- The individual stands out
- Confrontation
- Status symbols
- Bureaucratic
- Only the "SIE"

Source: Königlich Dänisches Generalkonsulat, München
# Cultural differences in companies

<table>
<thead>
<tr>
<th>Denmark</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Horizontal communication</td>
<td>• Vertical communication</td>
</tr>
<tr>
<td>• Independent problem solutions</td>
<td>• Predefined solution model</td>
</tr>
<tr>
<td>• Spontaneous problem solutions</td>
<td>• Problems are pre-planned</td>
</tr>
<tr>
<td>• Flexible working</td>
<td>• Efficient work</td>
</tr>
<tr>
<td>• Random planning</td>
<td>• strategic planning</td>
</tr>
<tr>
<td>• Informal</td>
<td>• Formally</td>
</tr>
<tr>
<td>• Man as an individual</td>
<td>• The human being as an employee</td>
</tr>
<tr>
<td>• Good working atmosphere</td>
<td>• High working ethic</td>
</tr>
</tbody>
</table>

Source: Königlich Dänisches Generalkonsulat, München
Cultural differences outside companies

**Denmark**
- Inexact concepts
- People in the foreground
- Casual Clothing
- Common language

**Germany**
- Detailed concepts
- Functions in the foreground
- Formal dress
- Formal language

Source: Königlich Dänisches Generalkonsulat, München
Summary

• Successful intercultural communication demands knowledge about the linguistic, cultural and professional strengths and weaknesses of the person opposite and about oneself

• Awareness of possible cultural pitfalls helps you to avoid misunderstandings and problems and helps to make communication with your counterpart in the neighboring country more successful
Need a break?
Find your own market entry
Set yourself a clear strategy

Successful market entry

The choice of market strategy should be consistent with:
+ the current market situation
+ the timing
+ the current company situation
+ the readiness to export
+ targeted planning
= Differentiated market strategy
Choice of market strategy

- Direct sales
- Agent
- Dealer
- Joint venture
- Strategic Alliance
- Representation
- Branch
- Subsidiary
  (Sales, service, warehouse or production)

→ The risk and the investments are rising
→ The control and market knowledge is increased
Choice of market strategy

**General trends - individual consequences on the market entry**

→ Typical challenges with the partner solution:

- Focus on doing business is very resource intensive
- Often slow sales development
- Superficial market penetration
- Lack of attention to their own products
- Lack of commitment on the part of the partner
- Growth retardant
Choice of market strategy

**General trends - individual consequences on the market entry**

→ Partner solution: easier, cheaper and faster market entry, however, adaptation is a prerequisite:

- Unnecessary and expensive link in the value chain
- Direct contact with the manufacturer is required
- Trade agents are a dying breed
Market entry – a good start…

➔ Knowledge is power!!

• Strategies can not be copied 1:1 from one market to another
• Find out how the market is structured ➔ Choose the right strategy
• Choose the right target group/s
• Search and ideal profile of the desired trading partners / customers ➔ customer search must be targeted (who and where?)
• Telephone contact ➔ short and precise!
• Make an appointment

➔ Preparation, preparation, preparation ⇐
Market cultivation and the first order

Sales & marketing

Business trips
• Regardless of which market strategy you choose, you should be prepared to visit the market in a targeted manner. If you do not want to invest time in business travel, you should stay home!

Presentation material
• Must be in German, if you want to achieve something in the market!

Look at your competitors
• You should always be as good as the competition - or better!
Organisation

The managing director determines!
• Employees in Germany are not necessarily involved in decision-making processes
• A hierarchical corporate structure is normal in Germany
• Decisions often have to be approved from the very top
• In Germany there are many rules and guidelines

Trust is good, control is better!
Market cultivation and the first order

Logistics & production

High demands on precision
Some Germans consider the Danes as Italians of the North. "If we can not do it today, we'll do it tomorrow." - That works differently in Germany:

• high demand for delivery security
• high demands on the service level
• high quality level
• Linguistic mistakes should be avoided

Do not promise anything that you can not keep.
Market cultivation and the first order

**Financials**

*The business methods are stricter in Germany*
- A word is not always a word in Germany
- Keep everything in written. Contracts have to be thoroughly. Read the contract thoroughly!

*The payment moral is different in Germany*
- Check all account information
Summary – Find your own market entry

• Gain **knowledge** about the market and its conditions before you approach the market:
  → market analysis and a clearly defined market strategy are a necessity

• **Understand** the market
• The market approach must be **targeted** and **well prepared**
• The **target group** and the market entry **strategy** must be clearly defined
• Travel to the market and gain **current knowledge** - and put the knowledge into action
• A market entry is associated with **costs**
• **Patience** is essential
• **Network** is the alpha and omega
• **Cultural differences** must be internalized

→ **Success in the new market requires will, knowledge and resources!**
Case: LEVABO

- Production, distribution and sale of unique one-patient products
- Has established an own company in Hannover (GmbH):
  - Present in the market
  - Network development close to market
- Sales partner in München
- Next steps:
  • Market analysis
  • Customer acquisition
  • Qualifying an own employee
  • Advisory Board/Strategical sparring
Case: Life-Partners.com

- Develops planning and communication software for the health care sector: tailor-made IT solutions
  - Nursing homes and outpatient care
  - Facilities for people with disabilities and mental illness
  - Relatives at home (via a specially developed app)
- Established own company in Hannover – close to the customer and close to the network
- Further market information is needed: is planning some market visits with local network (field research)
- Development of market through cluster in Hannover
- Own employee to develop sales to target customers
Let’s get started in Hannover!
Support from hannoverimpuls GmbH

Finance
- hannoverimpuls fund
- Access to EU subsidies
- Third-party financing

Market
- Strategic marketing/consulting
- Marketing & sales outsourcing
- Intercultural design

Technology
- Networks
- Partnerships with local R&D

Administration
- Visa matters
- Office/laboratory space
- Registrations/approvals
- Recruitment

Your company in Germany?
Support for Internationalisation and Relocation

• **ProMAP**: *Product Market Analysis and Placement*: preparing for market entry, e.g. strategy workshop (market overview, product analysis)

• **GeMS**: *German Marketing & Sales Solutions*: M & S outsourcing

• **Plug & Work**: Rent-free office, production and laboratory space (in Hannover)
ProMap – Strategic Marketing to Prepare Business Expansion

• Product Market Analysis and Placement
• Workshop
• 3 Modules
  • 1st module: Market overview
  • 2nd module: Product analysis
  • 3rd module: Workshop → Drawing together the insights gained in modules 1 and 2; creating a starting point for the next steps towards realisation and the related financial planning
**ProMAP Product, Market Analysis and Placement**
(Provision for preparing business expansion and market entry)

- Development of a comprehensive strategy for market entry by selected external experts together with decision makers and experts from your company
- Focussing on the company’s needs
- hannoverimpuls covers up to 50% of the total costs of ProMAP, in case Hannover is origin or aim of the business expansion
GeMS – German Marketing & Sales Solutions

- Marketing & Sales outsourcing
- In cooperation with Inline Sales GmbH and other external partners
- Services
  - Market Studies
  - Key Account Management
  - Road Shows
  - Sales with own Sales Force
  - Telephone Marketing
- Fee-for-Service
- Special Conditions for Customers of hannoverimpuls
Benefits GeMS

- Professional support
- Access to partner networks
- Industry knowledge
- Calculable costs of the sales function
- Increased flexibility
- Improved customer service
- Perfect entry into new markets
- Increased number of sales people without increasing head-count
- Reduced disruption of current processes
- Reduced risk of investment
- Fast implementation (sometimes without need to get approval from different departments)
- Support of under-performing internal sales units
Plug & Work – the start-up and expansion initiative

- Competition with jury decision every 3 months
- Rental funding for one year
- Intensive networking
- Comprehensive starter package including
  - Strategic coaching
  - IT support
  - Hannover Welcome Package
  - and many added extras
HANNOVERIMPULS GMBH
Vahrenwalder Str. 7
30165 Hannover | Deutschland
Web: www.hannoverimpuls.de
https://www.wirtschaftsfoerderung-hannover.de/

Herr Peter Eisenschmidt
Bereichsleiter Internationalisierung
peter.eisenschmidt@hannoverimpuls.de
Tel.: +49 511 30033337

Frau Anna Klose
Projektleiterin Internationalisierung
anna.klose@hannoverimpuls.de
Tel.: +49 511 30033311

Herr José Germán Barrera
Projektleiter Internationalisierung
jose.german.barrera@hannoverimpuls.de
Tel.: +49 511 30033332

Frau Rikarda Plenz
Projektassistent Internationalisierung
rikarda.plenz@hannoverimpuls.de
Tel.: +49 511 30033378

Innovative Business Promotion
Thank you for your attention!

The Consultancy group
SØRENSEN – Connecting Markets

Denmark:
Sørensen ApS
Vejlsvøe 51, Bygn. O
DK- 8600 Silkeborg

Tel.: +45 76 34 45 00
E-mail: dk@connecting-markets.com
Web: www.connecting-markets.com

Managing Director: Benny Egholm Sørensen
bes@connecting-markets.com

Germany:
Sørensen e.K.
Kriegerstraße 44
D- 30161 Hannover

Tel: +49 511 3365 4030
E-mail: de@connecting-markets.com

Connecting Markets GmbH
Jägerweg 12
D- 24941 Flensburg

Tel.: +49 461 9049 3949
Tel.: +45 8891 7430
E-mail: cm@connecting-markets.com
General criteria for the decision to expand internationally

1. Is there already an effective sales strategy for the domestic market?
2. Can products or services be clearly named?
3. Is the company big enough? Can one or two employees be assigned exclusively to the international project?
4. Are there already customers abroad, particularly in the US, EU, Germany?
5. Are there already some partners abroad, particularly in the US, EU, Germany?
6. Is there a market entry strategy?
7. Are the employees trained and prepared for an international project?
8. Are the company processes aligned to international procedures?
9. Is there a business plan? Budget? Clear objectives with a realistic time scale?
10. Is the company really prepared to demonstrate the necessary endurance?
Schedule for international expansion – to Hannover

1. Positive market analysis of the product in terms of competitiveness in the EU market
2. A business plan outlines the required resources and timing
3. The managers decide to pursue the project
4. Registration for the Plug&Work programme offered by hannoverimpuls
5. Preparation of the necessary documents for the new company
6. Executive management register the company in Germany
7. Opening of a bank account, tax advice, notary appointment
8. Registration in commercial register, application for a company registration number
9. Preparation of all other documents for the local tax office, employment office and other authorities
10. Start of HR appointments, visa registrations and work permits
11. Moving into office/ work space