



GOING GLOBAL EXPORTING TO GERMANY

A guide for clients





Capital city

Berlin



Population

82.7m in 2018

(31/01/2018)



GDP per capita

€46,974



GDP growth

2.2%



Unemployment

3.7%



Number of people employed in Ireland by German companies

12,000

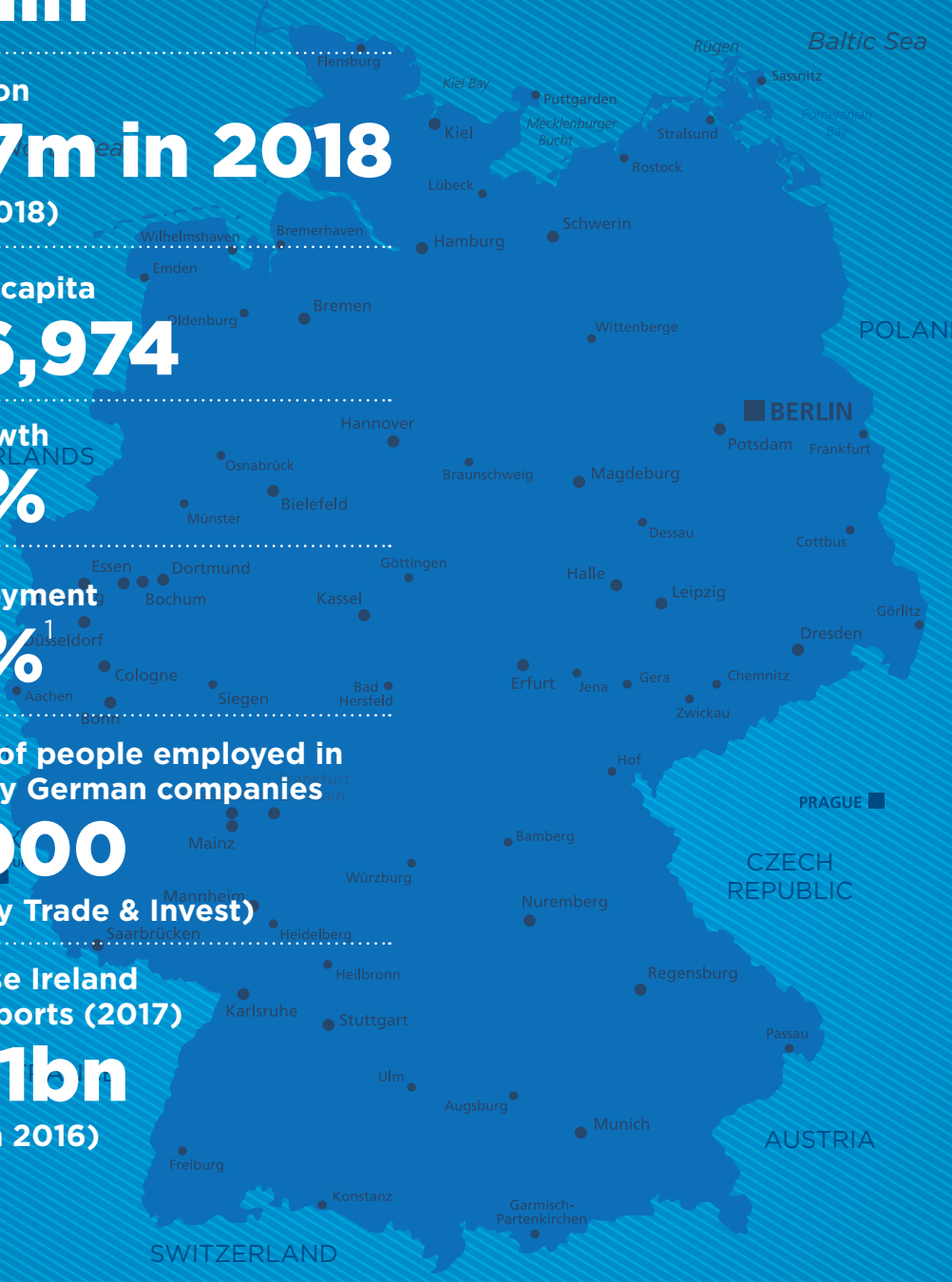
(Germany Trade & Invest)



Enterprise Ireland client exports (2017)

€1.11bn

(+14% on 2016)



WHY EXPORT TO GERMANY?



Germany is Europe's largest economy and the fourth largest in the world. Its economy is expanding, estimated to grow by 2.0% in 2018. Germany's population of 82.7 million - some 20 times larger than Ireland's - is enjoying record-low unemployment and rising wages.³

Germany is Ireland's second largest market for services exports, and Ireland's fourth largest market for merchandise exports.⁴ And they know us - Germany is Ireland's third largest tourism market and the second largest source of inward investment.

Germany is accustomed to international trade, as befits the world's 3rd largest exporting nation. Indeed, German exports increased by 6.3% in the year to December 2017, to a value of €1.279 trillion.⁵

The German economy is expected to grow by 2.0% this year, its fastest level in five years. It's a performance underpinned by a strong jobs market that is supporting consumer spending. Public spending is predicted to grow too. Unemployment (at September 2018) stands at 3.7% of the labour force according to OECD data, with employment levels at a 25-year high.

It's a market that is familiar with Ireland. Germans have long had an affinity for Ireland and there is a strong cultural interest in Irish literature and music, as evinced by the fact that Germany is the 3rd most important holiday market to Ireland, and the most important one on mainland Europe.

Total bilateral trade between Ireland and Germany is estimated at approximately €29 billion.⁶

Germany is also the 2nd largest source of Foreign Direct Investment in Ireland, after the US, with 96 German companies - including SAP, Deutsche Bank, Allianz and Liebherr - employing more than nearly 14,000 people in Ireland.⁷

Those links work both ways too, with around 60 Irish indigenous companies employing thousands of people in their operations in Germany, including large employers such as CRH, Smurfit Kappa and Glen Dimplex.

Enterprise Ireland's mission is to help Irish exporters to even greater success there. Even before the Brexit vote, Irish companies were increasingly accessing the German market. Enterprise Ireland client company exports from Ireland to Germany in 2017 totalled €1.11 billion, representing a growth rate of 14%. With uncertainty hanging over Ireland UK trade, there has never been a better time focus on the giant opportunity that is the German market.

MANY ENTERPRISE IRELAND CLIENT COMPANIES ARE SELLING INTO GERMANY, SO WHY AREN'T YOU?

Germany is a **leading industrial nation** in **automotive, life sciences, Agritech, software and engineering services.**



1st in Europe and 5th in the world for dairy production.⁸



1st in Europe in the semiconductor industry.⁹



1st in Europe for construction investment, valued at over €200 billion annually, and growth of over 5% last year.¹⁰



The **largest financial services sector** in the Eurozone.¹¹



2nd largest European online retail market and 5th largest worldwide.¹²



3rd largest Medtech market in the world and accounts for 40% of the EU medical device market.¹³



3rd largest spender in the world on travel.¹⁴



Leads the way in renewable energy, with 45% of its energy consumption coming from renewable sources by 2035.¹⁵



KEY GROWTH OPPORTUNITIES IN GERMANY

Germany is the third largest **medical device** market in the world and one of the largest manufacturers of **pharmaceuticals** and **biologicals** worldwide.

Irish companies are successfully tendering for construction and project management projects in Singapore, Russia, India, Netherlands, UK, France, Africa and China, all through **partnering with German companies** such as Voith, Siemens, M&W, Uhde and ABB.

Germany is the second largest market for **data centres** in Europe, offering opportunities for Irish **construction and engineering** companies to win building projects in Germany.

Germany controls 14% of the global market for construction and material handling equipment. Irish companies are successfully targeting this sector, worth an estimated €15.8 billion.

One small step, one giant stepping stone

Successfully selling into the German market earns you credibility internationally. Apart from being a large market in its own right, Germany is a gateway to many other international markets, by virtue of German companies' strong exporting culture - the country is the world's third largest exporter.

Having German reference customers and/or German certification for your products helps build international credibility and enables you to win business in other markets.

Entering the supply chain of an export-orientated German company can open international opportunities too. Irish companies that have successfully worked with German multinationals and been accepted into their supply chains have often found that this can be leveraged to enter their German customer's international supply chain.

SECTORAL SUCCESSES: GERMAN / IRISH BILATERAL TRADE

€29 billion - German/
Irish Bilateral trade.¹⁶



€10.5 billion - services
exports to Germany in
2016.¹⁷



3rd largest export
market for **indigenous
Irish goods**.



6th largest export
market for Irish food
and drink worth almost
€600 million.¹⁸



2nd largest source of
foreign direct investment
in Ireland.¹⁹



3rd most important
source of tourists to
Ireland.



680,000 visitors from
Germany to the island of
Ireland in 2017.²⁰





So, as a strategy to internationalise your business, gaining a foothold in Germany can be an extremely useful first step to selling your product or service around the world.

Life Sciences

Germany offers the largest market for healthcare and life sciences products within Europe, driven by the necessity to adapt to global trends such as the demographic change or technological developments as digitization.

Valued at more than €41.5 billion in 2017, the German pharmaceutical market is the largest in Europe and the fourth largest in the world. Germany hold the same title in the medical technology sector. Germany reached an estimated record high of €36 billion in 2017, which in Germany is made up almost entirely of small and medium-sized companies. With approximately 1,250 medical technology manufacturers, German companies employ more than 200,000 people of which 15% work in the field of R&D (Germany Trade and Invest (GTAI) 2018).

The industry is well connected between private sector companies, hospitals and academia and home to more than 30 specialised cluster networks focusing on medical technology. One of the largest clusters in Europe is the region of Tuttlingen in the south-west of Germany with more than 400 Medtech companies.

Consumer Retail Markets

With a revenue of €538 billion in 2016, the retail industry is the third largest industry sector in the German economy, making up 16 % of total GDP. Germany remains the largest consumer market in Europe – in terms of both population size and purchasing power. The German population is affluent and current trends point to continued development and growth.

A strong trend in the German consumer goods market is the trend to “go green.” Consumers in Germany have become increasingly environmentally

conscious in recent decades, and companies able to manufacture sustainable and environmentally friendly products find themselves at a significant competitive advantage.²¹

Electronics

As Europe's biggest electronics market with a turnover of €192 billion in 2017 representing 11% of total German industrial production, the opportunities in Germany are significant. Subsectors range from microelectronic components to electrical household appliances, automation systems, electronic medical equipment, and automotive electronics. This industry accounts for 24% of all R&D expenses in Germany (€26.5 billion innovation expenditures).²²

Internet of Things (IoT)

The Internet of Things (IoT) is of strategic relevance for electronic manufacturers. In Germany, IoT-generated turnover is expected to double within the next two years, from €24.5 billion in 2018 to more than €50 billion in 2020 (Deloitte, 2017).

There are a variety of electronic components that enable technologies for IoT. Key components are field bus systems, sensors, semiconductors, cabling for data and information channelling, as well as electrical motors as actuators.

Sensors, for example, are the eyes of Industry 4.0. These small, hidden components are transforming the future of the industrial IoT. IoT is related to the “connected car” and, ultimately, autonomous vehicles, which creates extraordinary opportunities. The digital mobility services sector is set to dwarf the smartphone sector by 2030, reaching \$2.2 trillion in industry value putting it on a par with the e-commerce sector. (GTAI:2017)

Automotive

Germany is by far Europe's leading production and sales market, with 30% of all automotive productions and 820,500 people employed. With a turnover of €423 billion, it contributes around 20% to the total

German industry revenue (VDA 2018). Equipped with a world class R&D infrastructure in 2017, the local automotive R&D expenditure increased by 2% to €21.9 billion. This makes up 35% of Germany's total R&D expenditure (Source: VDA 2018).

Agritech

In 2018 Agritech industry achieved record growth with an increase of 14% in turnover to €5 billion. The strong half-yearly increase is largely due to the dynamic developments in the markets in the Eurozone. The German market remains in a leading position, sales from business with local sales partners increased by 19% in the first two quarters, reaching €1.4 billion.

The big trend last year was smart farming systems and concepts that help farmers more efficiently. Irrigation was also a big topic, because water is an important and scarce resource globally. A third strong trend is urban farming, i.e. the use of roof areas and other unused areas in cities.

Digitisation has arrived in agriculture, however, most farmers are still cautious. Almost 40% of farmers surveyed in Germany by the German IT umbrella organisation Bitkom 2016 use high-tech agricultural machinery. 8% of those surveyed rely on robotics, while only 4% use drones.

Opportunities exist for Enterprise Ireland clients from the AgriTech industry that offer innovative solutions to the actual needs and challenges of the German farmers and agricultural contractors.

Cleantech/Greentech

Environmental technology and resource efficiency are driving sustainable development around the globe. For Germany's technological and industrial base, too, it is impossible to overstate the importance of green technologies.

In 2016, these technologies accounted for 15% of the country's GDP, a figure forecast to rise to 19% by 2025. 1.5 million people already earn their living in this discipline – another number that is increasing.

Management consultancy Roland Berger predicts that, between now and 2025, the green technology industry will grow by an average of 6.9% per annum. The German green tech market is expanding at a rate of 8.8 percent per year – considerably faster than the international market.

In Germany, the market volume for environmental technology and resource efficiency stood at €347 billion euros in 2016. While dynamic development is expected on the international Greentech markets, the cross-sector industry for environmental technology and resource efficiency will also expand in Germany itself. Between 2016 and 2025, the total volume of the country's own Greentech led markets is projected to jump from €347 billion euros to €738 billion euros, an average annual rate of 8.8%.²⁴

Mechanical and Plant Engineering

In 2017, mechanical and plant engineering was once again the most important driver of growth in German industry. Nominal turnover increased to €226 billion euros – a new record that contributed considerably to the upturn of the German economy. The price-adjusted production figure also showed a positive development, up 3.9%.

The main activity sectors are: Mechanical engineering; the electrical and electronics industry; motor vehicles, trailers and semi-trailers; chemical industry; food products and beverages, and manufacturing.

A multitude of opportunities for Enterprise Ireland clients exists in these industry sectors, e.g. as component supplier, provider of logistics solutions, provider of innovative systems and technologies.

Construction in Germany

Revised statistics from the German construction industry association, HDB, from 2017-2018 put growth rates at 6% total.²⁵ The industry had a turnover of €116.6 billion in 2017.²⁶ Although largely driven by residential building, the lucrative commercial sector is forecast to grow by 5% in 2018. Key sectors within commercial construction include

pharmaceutical plants, automotive manufacturing and in particular data centers, while green and sustainable building is a current trend.

Fintech

Germany is an important Fintech market in Europe and the fourth largest in the world. While digital technologies continue to advance, Germany's traditional banks are facing a two-pronged challenge: transformation and disruption. The response of financial institutions to this challenge is to partner, cooperate or partner with FinTechs to develop/or apply new technologies, launch innovative products/services or cooperate with Fintechs to use their products. (Source: EY Germany Fintech)

Irish technology providers have proven successful introducing technologies in the areas of payments, compliance and 'know your customer' (KYC) and are respected for their deep expertise on a global scale particularly in areas such as Regtech.

Information and Communications Technology (ICT)

Germany is home to the single largest software market in Europe - accounting for around a quarter of the European market by value. Innovation comes as standard in an industry best characterised by a thriving Mittelstand of small and medium-sized enterprises. It is the single largest software market in Europe. The country accounts for approximately a quarter of the European software market by value, with the UK and France in distant second and third places (18.6 percent and 13.6 percent respectively). (Source: GTAI)

There is a noted increased in demand for solutions in cybersecurity. As the Association of German Engineers (VDI) has noted, high-profile virus attacks provide just a flavour of the gravity of the damage potential to IT infrastructures when hacked. With 68 million people (84% of the German population) online on a regular basis, Germany is responsible for around one quarter of all European B2C e-commerce turnover. Combined with an extensive,

highly developed logistics infrastructure, Germany is the clear continental leader in this area and offers a myriad of opportunities for Irish technology providers in AdTech, data analytics and Artificial Intelligence²⁷.

GET READY TO DO BUSINESS IN GERMANY

Germany is a mature market with well-entrenched domestic and international suppliers, so you will need to research the market thoroughly to identify a niche. You will also need to assess competitors, both local and international.

Within the German marketplace, long term business partnerships are highly sought after. However, German companies are continuously seeking innovative solutions and products to gain a competitive advantage. Innovation is a key driver for change amongst German businesses.

Germans will make allowances for the *Ausländer* (foreigners) but beware of the assumption that everyone in Germany speaks good English. Many business people do indeed have a good grasp of the language but may not wish to or feel comfortable negotiating a deal or talking through a problem in English.

To be most effective, your sales teams will need to be fluent German speakers and all of your sales, marketing and promotional literature should be translated into German. When it comes to discussing technical details, Germans are far more comfortable doing so in their own language.

Additionally, it is imperative for Irish companies do deliver on-time and on budget in the German marketplace. Always aim to over deliver rather than under.

Achtung!

Germany is a market with exceptionally high customer expectations of quality and service delivery. The more you can do to prove you are committed to the market over the long-term, the more likely Germans will be to trust your company.

As a mature market, you'll need highly differentiated products. Expect differences in taste, customs and practice within its various states.

Contracts in Germany go into great detail. Equally, detailed documents and product specifications are highly valued. Lastly, German industry is frequently subject to sector-specific regulations, standards and norms. Research these properly before entering the market. German organisations often require a higher standard than EU or international norms.

Getting to grips with the language

Alles in Ordnung is often translated as 'that's fine' but a more accurate reading is 'everything in order' a desire for clarity, method and procedure. Germans will be won over by rational arguments that appeal to logic.

Verlässlichkeit, or reliability, is key. German business culture is risk averse. It is not an early adopter market. Your product or service should be proven in other markets and with other customers. Any claims you make around the superiority of your offering must be backed up.

Pünktlichkeit, or punctuality, is considered highly important and being late is unacceptable.

PreisLeistungsverhältnis means value for money. Germans have a reputation for being price-sensitive but in a business context, it includes expectations for quality, certification and after-sales support.

Make a show of yourself

Germany is the world's number one venue for trade shows - a primary form of B2B communications. There are close to 150 trade fairs there every year, approximately two-thirds of the global total.

Frequent attendance at important trade shows in your sector over a 12-18 month period is advised - Germans will want to see that you are serious about the market.

Trade show stands are a good place to play the Irish card with Irish-themed hospitality which can be effective in Germany.

Geography

Germany has a highly decentralised structure and is divided into 16 Länder or Federal States. From a business perspective, it has no centralised capital equivalent to a Paris or London. There are, however, sectoral strongholds, such as Frankfurt for banking and finance and Düsseldorf for fashion. Many of Germany's leading car manufacturers are based close to Stuttgart and Munich. The capital, Berlin, is the centre of Government and houses many technology start-ups. It's a good testing ground for consumer goods too, thanks to its population of 3.8 million people.

Routes to market

Commercial agents:

Working with a commercial agent or distributor can reduce the risks for an Irish company by providing a presence on the ground.

Distributors:

As the market in Germany is mature, your product is likely to be one of several similar offerings and a nationwide, broad-based distributor will need a major incentive to promote yours over that of an indigenous or incumbent rival. Consequently, the largest distributor isn't necessarily the most suitable for your product - smaller niche players may be the way to go.

Selling online:

Germany's online market is very highly developed and could prove to be a useful channel. Be aware - German sites don't always accept credit cards. Ensure your site is equipped for alternative payment forms.

Get the memo on meetings

- Speculative meetings are not encouraged
- If you get a meeting with a German prospect, chances are they are interested
- Meetings begin and end on time, and follow an agenda
- Negotiating style is cooperative, aimed at an outcome satisfactory to both parties
- Little meeting time is given over to small talk, get to the point quickly using direct, clear, logical language
- Back up your claims
- Germans are generally forthright and expect the same from a potential supplier. It's perfectly acceptable to ask your prospect who will be attending, and what outcome your host expects from the meeting
- Buying decisions are reached collaboratively among several layers of staff and management in medium and large German organisations; expect longer lead times for sales and don't try to circumvent this by going to the top, it won't work.

HELPING YOU WIN IN GERMANY

“Entering any new export market is a big strategic decision. The most important consideration is the market opportunity for your particular product or service - the size of the market, the scale of the opportunity and its fit with your offering,” Eddie Goodwin, Enterprise Ireland Manager for Germany.

Given its size, stability and geographical proximity, Germany makes a compelling option.

“Germany is the 4th largest economy in the world and for Enterprise Ireland clients with a vision to be a world or European leader in their niche they must be successful in Germany,” says Goodwin.

“Germany has become the powerhouse of the EU and is becoming increasingly more influential on the world stage. Its increasing political and economic strength and stability should prove to be a considerate incentive for Irish companies thinking of exporting to a new market,” he says.

“There is no currency risk and it offers ease of access via several main city airports, with direct flights to Dusseldorf, Berlin, Frankfurt, Cologne, Hamburg, Munich, Stuttgart as well as local airports like Hahn and Weeze. German culture is very accessible for Irish clients and entering the supply chain of an export-orientated German company can open up further international opportunities, as Germany is the third largest exporter in the world.”

But in a mature market like Germany, standing out from the competition is key. “Know where your company stands in relation to your competitors and be clear about what your advantage is,” Goodwin says.

Before you go....

Market landscape

What is the size of your target market? Is it dominated by a few strong players or fragmented with many small competitors?

Market trends

What are the current market trends for the sectors you will be targeting? If there is an obvious gap in the market, find out why: it may exist for a reason.

Target market

How does your target market make buying decisions? Who are the relevant decision-makers - what are their job title and responsibilities?

Market segmentation

Who are your most probable customers, where they are located, how and what else do they currently buy, who are their influencers and what “need” are you fulfilling?

Market Competition

Who are your rivals in the market and how do their offerings compare with and differ from yours? It is common that when Irish companies start researching the German market they discover competitors they never knew they had.

Market research resources

Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the German market.

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

See www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available, and for a database of sector-specific information that will indicate whether there is research available for the market you wish to target.

After you get there....

As a first-time entrant to the German market, your brand may be totally unknown. To build market presence as efficiently as possible, take an integrated approach to marketing including:

Hard copy

Corporate marketing materials are an important way of establishing your credentials and are useful sales tools at trade fairs. They must be translated into German and should include an overview of your product or service, contact details and, if possible, a significant customer endorsement.

Company website

must be updated to accommodate international enquiries and sales, as well as being an online brochure. Have a German language landing page with news relevant to the German market and localised functionality, such as the inclusion of an impressum, or imprint. For any business marketing to Germany this is a mandatory page accessible from the front page of your website which provides your company details. Where possible, set up a .de domain, and use localised search engine optimisation and search engine marketing techniques.

Social Media

is a good way of building up a network in Germany. Get active on XING (www.xing.com), the country's business network of choice, with close to 12 million members. Germany's preferred alternative to LinkedIn, XING is home to around 50,000 groups focused on a range of industries and niches.

Helping you succeed in Germany

Enterprise Ireland assists clients entering new markets with

Pre Visit Support

- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary

In-market support

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches and workshops
- Securing reference sites
- International trade events
- Inward buyers' missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Market study visits
- Client knowledge seminars
- Networking events with market contacts

Additional supports

- Access to translation and interpreting services
- Introductions to specialists in all areas, including legal, recruitment, PR and taxation
- Access to mentors

Enterprise Ireland has also built up an excellent network of individuals in Germany who are available to work with Irish client companies looking to develop their business. It includes market and sector specialists, business accelerators and members of Irish business associations.

For further information on the services of Enterprise Ireland overseas, please go to

<http://www.enterprise-ireland.com/en/Export-Assistance/>

LEGAL & TAXATION INFORMATION

Visa requirements

There is no working visa requirement for EU citizens in Germany.

For non-EU citizens, see: <https://www.gtai.de/GTAI/Navigation/EN/Invest/Investment-guide/Coming-to-germany/visa-for-employees.html>

Customs information

As a fellow member of the EU Ireland enjoys barrier free trade with Germany.

Corporate structures-intellectual properties, contractual terms and conditions, employment.

Any entrepreneur who wishes to start a business in Germany may do so. There are generally no restrictions limiting the establishment of new companies. However, choosing the correct legal form and registering with the correct associations is a must and you should seek specific legal advice on this topic.

Enterprise Ireland can help connect you with trusted legal practitioners in the market, see:

<https://www.gtai.de/GTAI/Navigation/EN/Invest/Investment-guide/establishing-a-company.html>

Tax structures

Due to the locally varying trade tax, Germany has a very competitive tax system. The average overall tax burden for corporate companies amounts to 29.83%.

To understand the German tax system, it is important to note that there is no consistent nationwide corporate tax burden. Instead, the overall tax burden for corporate companies can differ from municipality to municipality. The abovementioned overall tax burden rate of 29.83% is an average amount. Significantly lower tax rates are available in certain German municipalities – up to 8% less.

For more information, see:

<https://www.gtai.de/GTAI/Navigation/EN/Invest/Business-location-germany/Business-climate/tax-environment.html>

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