
Market Development in Germany and Europe

Ways to stimulate exports during (after) the global crisis

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AHP  GRUPPE

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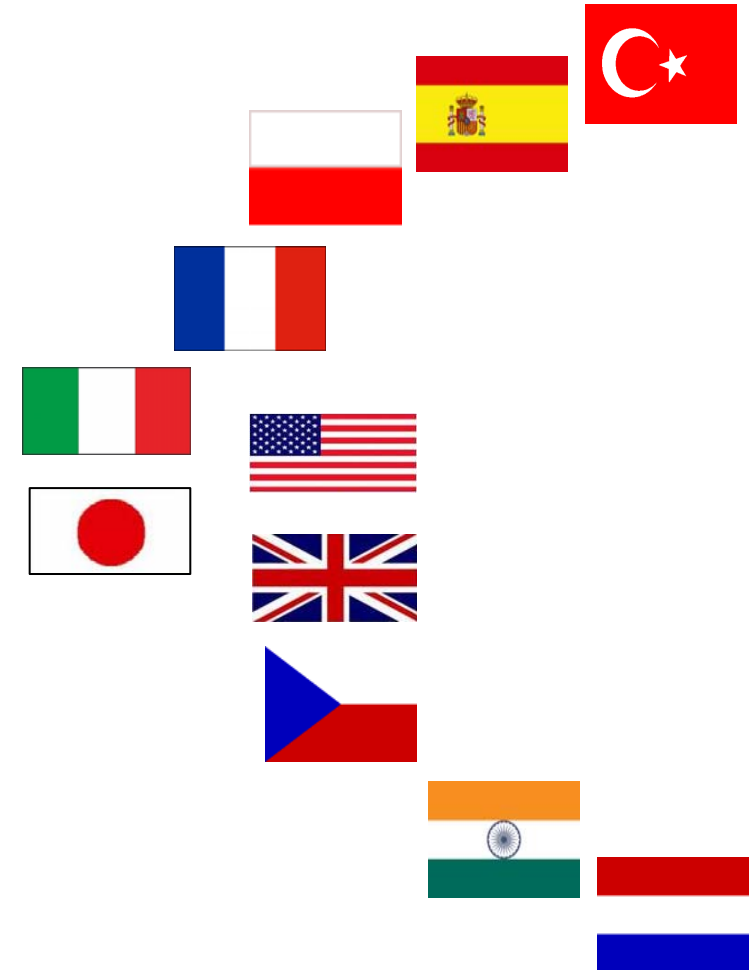
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- ➔ **AHP Group**
- ➔ **Important target markets in difficult periods of time**
- ➔ **Europe as internal market**
- ➔ **Positive effects for your business within Europe 2010**
- ➔ **Selected target markets**
- ➔ **Do you fully exploit your potential?**
- ➔ **We are pleased to meet you!**



- ⇒ **Market research / Selection of target markets**
 - ⇒ **Partner research in foreign countries**
 - ⇒ **Recruiting staff in foreign countries**
 - ⇒ **Founding of companies/ Development of international locations**
 - ⇒ **Supplier search/ Sourcing**
 - ⇒ **Joint Ventures & acquisition of foreign suppliers**
 - ⇒ **Setup of marketing teams in your firm**
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- ⇒ **Worldwide network of partners, main focus regions Europe, Japan, USA**
 - ⇒ **Project management Federal Ministry of Economy – „Vermarktungshilfe“ (PL, UK, NL, TR, E, DK)**
 - ⇒ **Locations: Berlin – Münster – Heidelberg - Leipzig**



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- ➔ To internationalize is a crucial decision in the struggle for existence of SMEs in „Business to Business“ markets
 - Prospects of growth in Germany are limited
 - Potential global markets/Future markets are mainly located outside the EU: Russia, China, India, USA?
 - Market potentials within the EU in “difficult” markets (East/Southeast) or in highly competitive markets (Benelux)
- ➔ Indirect market penetration via German clients is risky just for small firms
 - no possibilities of reacting during downward economic trends

Successful independent market penetration is an obligatory task as well for SMEs.

1. France
2. **USA**
3. Great Britain
4. Netherlands
5. Italy
6. Austria
7. Belgium
8. Spain
9. Poland
10. Switzerland
11. **China**
12. **Russia**
13. Czech Republic
14. Sweden
15. Hungary



- ➔ ...are situated in 3 continents
- ➔ ...speak 15 languages
- ➔ ...represent at least 12 different business cultures
- ➔ ...are functioning round the clock

Internal costs prior to organize selling activities by support of cooperation partners in the target market

(Alternative with the lowest costs)

➔ Western Europe:	starting from 20.000 €	(Ø 50.000 €)
➔ East/Southeast Europe:	starting from 25.000 €	(Ø 50.000 €)
➔ USA:	starting from 50.000 €	(Ø 100.000 €)
➔ Asia/Pacific	starting from 50.000 €	(Ø 100.000 €)
➔ China	starting from 75.000 €	(Ø 150.000 €)

- ⇒ To set priorities !
- ⇒ Not acting to late !
- ⇒ Not to tackle too many problems at once!
- ⇒ Select the appropriate markets !
- ⇒ To act global within one's own possibilities !
- ⇒ To cover the expanding European Union as home market !
- ⇒ To act systematically – External trade activities = Investment

Present situation: economic slowdown – reduction in orders

- ➔ **Confirmation of orders in the 2nd half of 2010**
- ➔ **Cash reflow from new customers and new orders in 2010**
- ➔ **Low financing necessities**
- ➔ **Simple and manageable structure of risks**
- ➔ **Handling without complex modifications of products and performance**
- ➔ **Controllable with daily routine**

Wanted are markets with an early break-even-point for short-term investments supplementing the companies' development.

In other words: Solid business is wanted – „Cash Cows“, no „Stars“

What potential is offered by Europe?

Growth Markets

Rumania: 8,5%
Slovakia: 7,0%
Bulgaria 6,5 %
Poland: 5,4%
Czech Republic: 4,4 %
Slovenia : 4,4%
Lithuania: 3,8 %
Cyprus: 3,7%
Turkey: 3,4 %
Greece: 3,1%
Finland: 2,4%
Luxemburg: 2,5%
Malta: 2,4%
the Netherlands: 2,3%
Austria: 1,9%
Norway: 1,9%
Switzerland: 1,8%
Hungary: 1,7%
Belgium: 1,4%
Spain: 1,3%
Germany: 1,3%
Sweden 1,0 %
France: 0,9 %
Great Britain: 0,7%
Denmark 0,7 %
Portugal: 0,5%

**EU-25
GDP-Growth Rate
2008
real: 1,3%**

No Growth Markets

Italy: 0,0%
Latvia: -0,8%
Ireland: -1,6%
Estonia -1,8%

Source: own drawing up according to data of Eurostat

„Growth Markets“

Poland 1,6% (2,2%)

Denmark: -4,5% (1,5%)

France: -2,2% (1,2%)

Great Britain: -4,3% (1,0%)

Norway: -1,8% (1,2%)

Austria: -3,4% (1,0%)

Rumania: -7,5% (1,0%)

Germany; -5,0% (1,2%)

Sweden: -4,7% (1,5%)

Slovakia: -5,8 % (1,9%)

Czech Republic: -4,2% (1,6%)

Turkey: -5,8% (3,0%)

**EU-25
GDP-Growth Rat
2009
real: - 4,2%**

No Growth Markets

Belgium: -3,5% (-0,2%)

Bulgaria: -5,7% (-2,0%)

Estonia: -13,6% (-0,1%)

Finland: -6,7% (0,7%)

Greece: -1,1% (-0,1%)

Ireland: -7,2% (-1,1%)

Italy: -4,7% (0,7%)

Latvia: -18,0% (-4,0%)

Lithuania: -18,1% (-3,9%)

the Netherlands: -4,5% (0,4%)

Portugal: -3,0% (0,2%)

Spain: -3,7% (-0,8%)

Switzerland: -2,4% (-0,1%)

Slovenia: -4,7% (0,6%)

Hungary: -6,0% (0,0%)

Source: own drawing up according to data dbresearch, gtai

Top-ranking import countries in Europe

- ➔ Germany
- ➔ France
- ➔ the Netherlands
- ➔ Poland
- ➔ Italy
- ➔ Belgium
- ➔ Spain
- ➔ Austria

How long does the market access to European markets take?

Fast markets (6-9 month)

- the Netherlands
- Austria
- Finland
- Great Britain and Ireland
- Small countries: Malta, Slovakia, Slovenia, Cyprus, Luxemburg

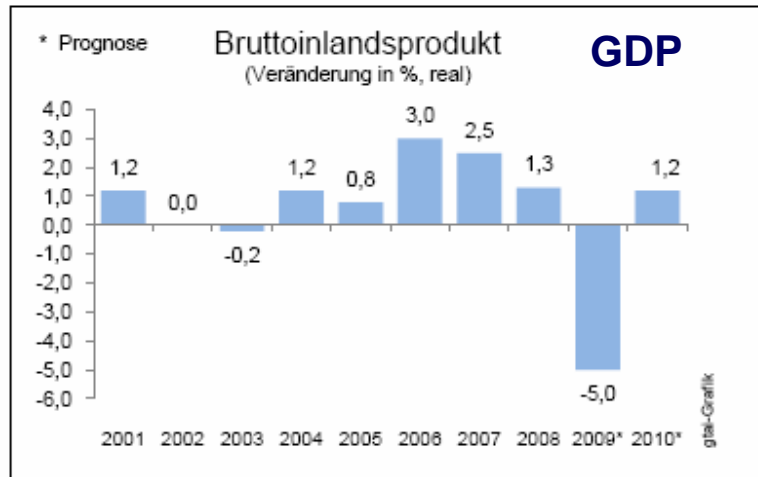
Normal Markets (9 – 12 month)

- Belgium
- Switzerland
- Southwest Europe: Italy, Spain, Portugal
- Eastern Europe: Poland, Czech Republic, the Baltic states
- Turkey

Complex market (> 12 month)

- France
- Greece
- EU-Eastern Europe: Bulgaria, Rumania

- ➔ **Germany (volume & growth 2010)**
- ➔ **Poland (growth & volume respectively potential)**
- ➔ **Sweden (volume & growth 2010)**
- ➔ **Turkey (volume & growth 2010)**
- ➔ **The Netherlands (volume & quick market opening)**
- ➔ **Great Britain (volume & growth 2010)**
- ➔ **France (volume & growth 2010)**
- ➔ **Austria (language & growth 2010)**



- a knowledge-driven economy with a strong tertiary sector
- the world's largest industrial sector
- German industry is very diversified and has a leadership position in many sectors worldwide
- Small growth in 2010
- opportunities can result from almost any macro or micro-economic development in the German economy
- Chances:
 - Aerospace
 - Electronics
 - Healthcare
 - Biotechnology

➤ **Priority for 2010**



Economic Trends

Wirtschaftsdaten Polen (Quelle Deutsche Bank Research)

Last update run: 27. Nov 09

Wechselkurs

		2006	2007	2008	2009f	2010f
Exchange rate	EUR aop	3,9	3,78	3,52	4,32	4,08

Wirtschaftsdaten

		2006	2007	2008	2009f	2010f
Nominal GDP	USD bn	342	425,6	525,2	418,2	561,7
GDP per capita	USD	8962	11162	13784	10981	14756
GDP growth (real)	% yoy	6,3	6,5	5,3	1,2	2,2
Industry	% GDP	31,1	31,8	31,2	28,1	27,9
Agriculture	% GDP	4,3	4,3	4,5	4,6	4,5
Exports	USD bn	117,5	145,3	177,3	136,5	150
Exports	% yoy	21,9	23,7	22	-23	9,9
Imports	USD bn	124,5	162,4	201,7	146	165
Imports	% yoy	25,5	30,5	24,2	-27,6	13
Trade balance	USD bn	-7	-17,1	-24,4	-9,5	-15

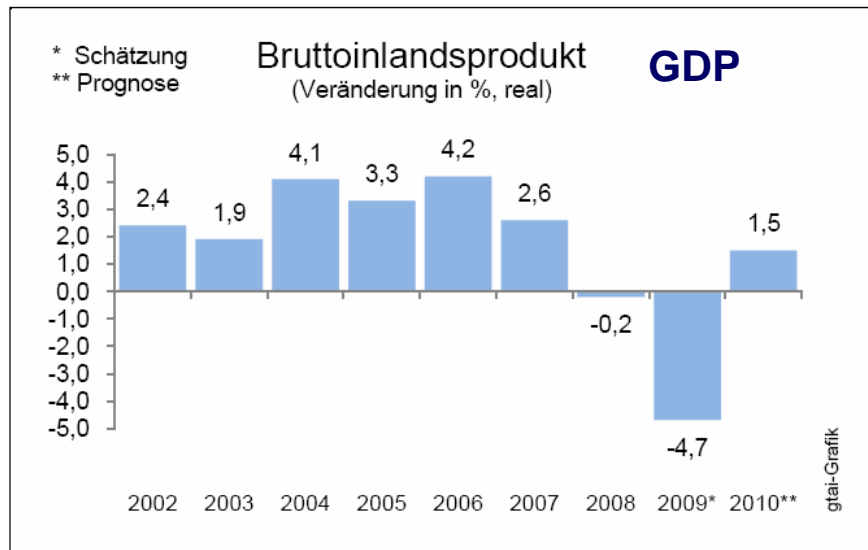
- ➔ The „Weichsel Miracle“
- ➔ Best economic trend data in Europe
- ➔ Easy logistic accessibility
- ➔ Chances:
 - Development of infrastructure (environment, esp. Water supply and sewage)
 - Transport und logistics (equipment)
 - Supply of building material/domestic automation
 - Energy supply/Renewable energy (wind & solar energy)
 - Automated production process, mechanical engineering
 - Services for firms

➔ **Absolute Priority for 2010**



- ➔ Most rapid economic recovery in Scandinavia
- ➔ Distribution structure could rapidly be installed
- ➔ Chances:

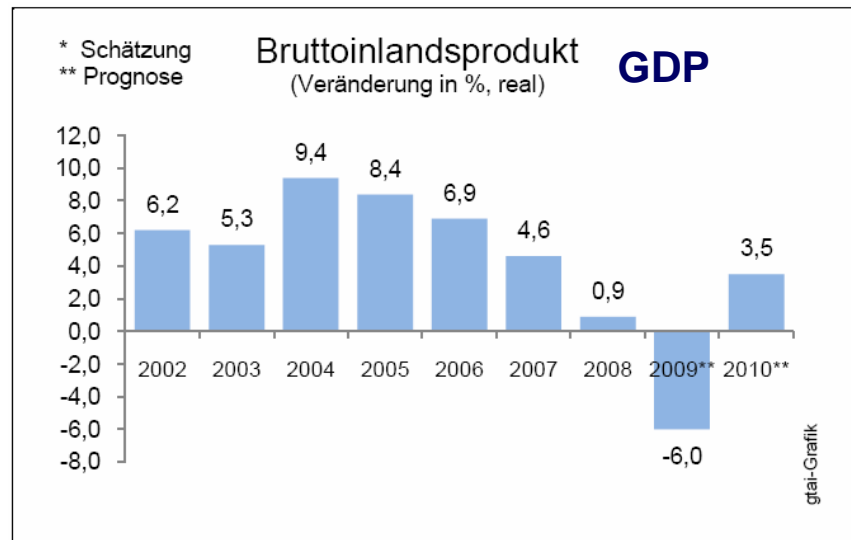
- Subcontracting
- Logistics
- Machinery and facilities
- Supply of building material
- Biotechnology/Chemistry
- ICT



➔ **Priority for 2010**

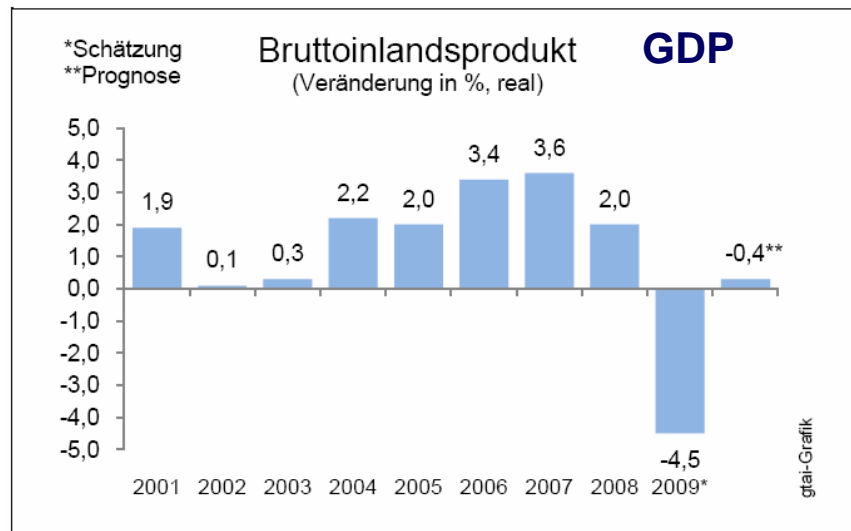


- ➔ Rapid economic recovery
- ➔ Large domestic market
- ➔ Relative young population
- ➔ Acceptance for new products
- ➔ Companies tend to overrate problems for market entry
- ➔ Chances:



- Machinery and facilities
- Automation
- Supply of building materials
- Food processing
- Biotechnology/Chemistry
- ICT
- Environmental technologies

➔ **High priority for 2010**

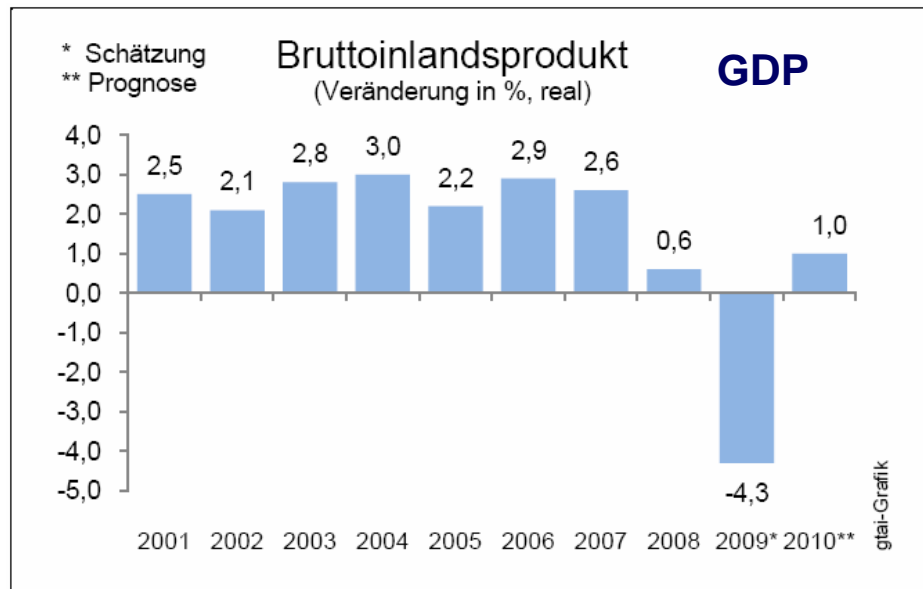


- ➔ Fairly fast recovery in 2010
- ➔ Rapidly accessible market
- ➔ in general Germans do not use their potential (turnover target is at least 50 - 60 % of the Northrhine-Westfalian turnover)

➔ Chances:

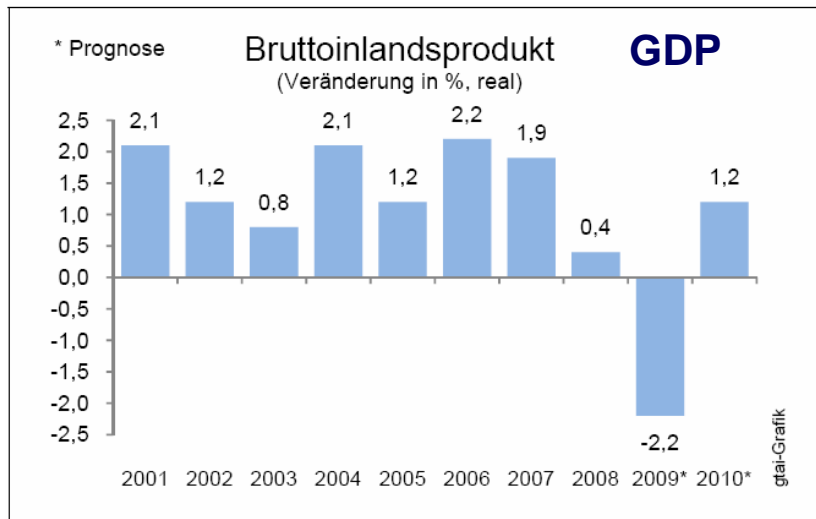
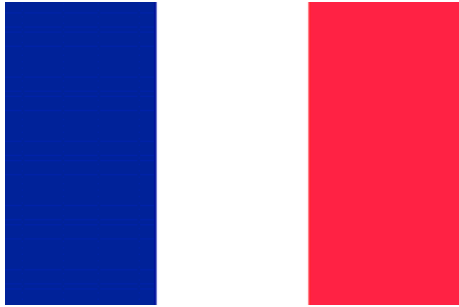
- Energy efficiency
- Supply of building material
- Traffic guidance system
- Convenience
- Logistics
- Biotechnology / Chemistry
- ICT

➔ **Priority for 2010**



- ➔ Recovery in 2010
- ➔ Relatively favorable market trends
- ➔ Building crisis has not been overcome
- ➔ Private demand still weak
- ➔ Chances:
 - Renewable Energies
 - Energy efficiency
 - Waste management!
 - Traffic guidance system

➔ **Interesting in 2010**

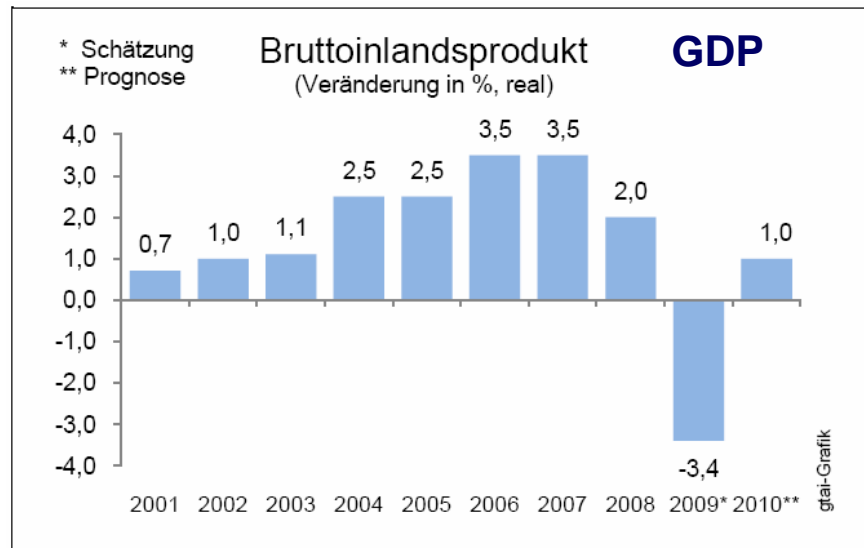


- Largest singular market within the Euro zone
- Economic stabilizing policies have been successful
- Complex market opening and penetration
- No market for short term success
- Chances:

- Energy efficiency !
- Commerce
- Green Biotechnology
- Traffic handling
- Logistics

As well as all traditional German export sectors

- Interesting for experienced suppliers and companies already active in French markets



- ➔ Relative small market with positive trends rather rapid recovery
- ➔ Uncomplicated market opening
- ➔ Bridge head for southeast Europe
- ➔ Chances:
 - Services
 - Industrial equipment
 - Foodstuff

➔ **Medium level of priority for 2010**

- ➔ Bulgaria (slow economic recovery)
- ➔ Baltic States (slow economic recovery, small volume)
- ➔ Ireland (still suffering downward economic trends)
- ➔ Italy / Spain (economic recovery too slow)
- ➔ Switzerland (rather slow economic upturn and at the same time complicated)
- ➔ Hungary (lacking dynamic development)

Starting Point:

Hardly any company has fully exploited the whole potential in Europe or got acquainted with all customers.

There are still some reserves!

- ➔ Orientation towards the final customer – away from distribution partners!**

- ➔ Selective market penetration – focus should be on A-customers!**

- ➔ Acting in a cross-country way – strategies for sectors rather than countries !**

- ⇒ Address end customers directly in the respective markets
- ⇒ Inquire the needs directly and satisfy them
- ⇒ Understand how markets function and what customers want
- ⇒ Include distribution partners, if customers want that and if it is necessary –
recruit partners via customers!
- ⇒ **Within the home market „key customers“ will be served directly!**

2. Address Ideal Customers selectively

- ⇒ Orientation towards most attractive A-customers with the ideal profile or get close to it
- ⇒ Exact description of A-customers (desired profile)
- ⇒ Get into contact immediately with new customers in the Euro zone, if they comply with the ideal profile or get close to it
- ⇒ Not address actively new or prospective customers without A-profile
- ⇒ **Concentrate all efforts – even have the courage to „say no“ despite of decline in sales**

3. Acting in a cross-country way

- ⇒ Traditionally the strategy is to access a whole country
- ⇒ In Europe the focus should be concentrated on regions (such as Southwest, South, Southeast)
- ⇒ Most important targets are groups of customers or areas of business
- ⇒ **Orientation of sales/marketing towards customers – Europe as an „Single Market“**

Programme for a successful exploitation of the (business) potentials 2010 in Europe

- 1. Selection of markets (April)**
- 2. Identifying ideal customers – compile target groups (May/June)**
- 3. Establishing contacts/ addressing potential ideal customers, identification of partners, if necessary (July - September)**
- 4. Handling the first pilot demands/ starting first co-operations (October / December)**
- 5. Managing the current business with orders and turnover (starting from January 2011)**

- ➔ **Free resources for sales**

- ➔ **Sufficient financial means**

- ➔ **Solid knowledge of languages (English!)**

- ➔ **Competitive advantages, attractive for customers in Europe, such as:**
 - **Technological innovations**
 - **Unique offers of services**

- Does your external turnover in Europe correspond to at least 60% of your national turnover?
- Do you actively deal with the most important single markets?
(France, Spain, Italy, the Netherlands, Belgium, Austria, UK, Poland)
- Do you achieve the following percentage in proportion to the turnover in states of the Federal Republic of Germany like Baden-Württemberg and Northrhine-Westfalia?

– France	50 – 60 %
– Spain	05 – 10 %
– Italy	10 – 20 %
– The Netherlands	50 – 60 %
– Belgium	30 – 40 %
– Austria	20 – 30 %
– Poland	10 – 20%
– Great Britain	20 – 30 %



We are pleased to meet you!



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