

**Speech: Dietmar Erwin Ruttensteiner, May 2017, Almaty KZ  
“Opportunities in the German-speaking areas of the European Union”**

14,800 (fourteen thousand eight hundred) billion US dollars

That’s the amount of money we are talking about when we refer to the performance or GDP of the European economy.

In comparison, the economic performance of the United States of America is some 18.500 (eighteen thousand five hundred) billion dollars while the People’s Republic of China has a performance or GDP of around 11,300 (eleven thousand three hundred) billion US dollars.

Now, what are your opportunities to participate in the second largest market in the world and how can you take your first steps in that direction?

My name is Dietmar Erwin Ruttensteiner, I am the chef of a business consultant group from Austria and we focus on the topic of market entries to German-speaking areas of the European Union,

1 The great diversity in Europe - which is due to the (still) 28 member states - is one of the major advantages and a major challenge at the same time to become active in Europe. It is precisely this diversity that on the one hand allows smaller companies to do profitable business and on the other hand offers enough potential for multinational companies to accomplish the required growth rates. However, it is also this diversity that makes it difficult to opt for the “right“ target market in the European Union.

One of the biggest sub-markets in the EU is the German-speaking market with an economic performance of 4,700 (four thousand seven hundred) billion US dollars. It represents almost one third of the total European GDP and is very likely to provide opportunities for all of you. It is this market that I will focus on, for other countries please ask during the break.

The German-speaking market comprises not only the core countries like Austria and Germany, but also the German-speaking areas near the borders of Southern Tyrol or Northern Italy, as well as Liechtenstein, and even Switzerland thanks to its bilateral treaties with the EU.

Although Switzerland is not a member of the European Union, treaties have been signed over the past decades between the Swiss government and the European Commission which – from an entrepreneur’s point of view - make Switzerland benefit from a status equivalent to that of a member state.

Together, these few countries represent a business potential that can be depicted as follows:

Approximately 5 million companies as the potential for B2B (Business to Business)  
Approximately 98 million inhabitants as the potential for B2C (Business to Customer)  
And all this with just one single and common official and everyday language: German





Knowing that the short time available here does not allow me to present all the opportunities in all business branches, I will focus on some selected fields. Should there be any business branch that I do not mention but that would be interesting for you, please come and see me during a break or after the official part, then I will take the time to answer your questions.

Let me start with the secondary sector first. The industrial sector in Austrian and German regions along the Danube River are strongly related to the steel, automotive and plant engineering industry.

I would like to use and present the Austrian automotive industry as an example. In Austria, there are some 400,000 (four hundred thousand) people working in the automotive business, which means that some 10% (percentage) of all people employed in Austria work in jobs directly linked with the automotive industry. And roughly the same number of people works in jobs indirectly linked with this business. Austria companies



produce more than 2.2 (two point two) million motors a year for German premium manufacturers and generate an annual sales volume of more than 43 (forty-three) billion euros. Austria's focus is on the supply of components, which means that if you produce components such as suspension systems, interior equipment for cars, electronic components or motor and gearbox components, Austria is your target country. In addition to global players such as Voestalpine, BMW, Opel, Magna, Kapsch and Infineon, you will find many smaller companies here that might enable you to enter the Austrian market.

## 2

If you start your activities in this business field, you can use Austria as a hub towards other German-speaking countries, and later even to the whole European Union. This is how you may get access to a global sales volume of some 6,000 (six thousand) billion US dollars according to McKinsey's forecast up until the year 2030 (twenty thirty).

The next sector that we are going to look at is the service sector. As this so-called tertiary sector is the one that generates the biggest share of the total economic performance (GDP) in the European Union, it will be particularly interesting for companies that are active in the distribution/retail ? business to end consumers. In Austria and Germany, every citizen has an average nominal purchasing power of some 22,000 (twenty-two thousand) euros. Just for you to remember: the German-speaking market includes 98 (ninety-eight) million potential end customers.

From this point of view too, and not only thanks to the geographic proximity, Austria would be an ideal starting point for doing business, and a multiplier for opportunities in the whole European market.

So, before we talk about any real-life implementation, I will provide some information on one of the most promising future markets: The quaternary sector of economy, also called information and communication technology sector.

This sector currently provides opportunities impossible to find in any other market. On the one hand because there is a shortage of experts in practically every business model and on the other hand because in most cases you need a minimum effort only to start business relationships. Here too, I would like to present the figures for Austria as one example of the total German-speaking area. The 226,000 (two hundred and twenty-six thousand) people employed in the information and

communication technology sector generate an overall economic production value of 31 (thirty-one) billion euros. Despite the large number of employees, there is still a shortage of 7,000 to 9,000 (seven to nine thousand) employees in Austrian companies in this sector. If we look at the total German-speaking area, there are some 20,000 vacancies. This shortage includes two opportunities for you: You can either offer the required work as a service, or you send your staff to Austria on a project-related basis.

This general introduction and the short abstract of the different sectors have allowed you to get a selective insight into the opportunities in Europe and especially in Austria.

And this finally takes us to the practical part.

A German-speaking business man or customer is generally a person who likes to have a contact person somewhere near. He prefers doing business with someone he knows personally or someone who is near his place to someone he does not know at all and who on top of it is far away. Therefore it is usually important to have at least an office or a representative in your target country. There are only few situations or smaller contracts which allow you to do business without any representation.

Therefore I would like to talk about the most fundamental ways of working in more detail now.

3 So, as in most cases it is not only necessary to get language translation, but to also get information on regional laws, standards and regulations, it is recommended to use a Business Consultant as a representative. He will usually also provide economic and financial data about your customers and will have staff that does not only speak German, but also Russian. This is how you will have someone to represent you and your interests in the target country. This type of representation is well established and quite common on the market. The power and the tasks of the consultant can be defined up-front and then be adjusted to the growing needs as required. Consultant services are usually paid for by a monthly lump sum. The amount of the lump sum depends on the range of services the consultant has to provide, but at the lower end of the price range it will be somewhere between 5,000 and 9,000 (five and nine thousand) euros a month. The upper limit for consultant services is difficult to tell, especially if consultants are asked to provide services for Mergers & Acquisitions which are a topic that I will deal with later on.



In these variant you still don't have your own site in a legal sense in the EU, so you will have to issue your invoices from your country and are therefore a 100% (percentage) subject to all rules and regulations of international business.

But then there are situations where it makes sense or where it is simply necessary to establish and maintain your own site. For this purpose, the EU and Austrian company law offers different options. I will address the two most important legal forms of companies only, which is the limited liability company, in German called GmbH, and the joint-stock company, in German called Aktiengesellschaft. All the other forms of companies, such as the open company, the private limited company and so on will not be detailed here, because they have practically no importance in market entry scenarios, in contrast to the limited liability company, which is the most common legal form.

Its major advantage is the limitation of liability, so the partners of a GmbH will only be liable up to the amount of the initial contribution. And compared to the joint-stock company it requires a lot less formalism. To establish a limited liability company you will only need one natural or one legal person, but you would need at least four individuals to set up a joint-stock company and you would need to have a lot more paperwork done by a notary. The initial contribution to a GmbH in Austria amounts to 35,000 (thirty-five thousand) euros. And just for the sake of completeness: this initial contribution can be reduced to 10,000 euros for reasons of a privileged establishment of a company. But, I would not recommend this option. For a joint-stock company, the initial contribution would be 70,000 (seventy thousand) euros.

4 Anyway, for both options you will need a managing director under commercial law. This can be someone of your existing company who does not live in Austria. However, to comply with the provisions of Austrian Trade Law, you will need one person living near the Austrian site and hire that person as a managing director under trade law. So this means that you will need two people for managing an Austrian limited liability company, a managing director under commercial law and a managing director under trade law. Additional costs or fees for a standard establishment of a limited liability company, including notary fees, may amount to some 1,500 or 2,000 (one thousand five hundred or two thousand) euros. The ongoing operating costs will of course depend on your individual business model. Therefore I can only provide figures for the lower level. If the Austrian subsidiary is used as a mere interface between the two markets, the administrative handling can usually be done by the consultant of your choice. This consultant will then typically also be the managing director under trade law and will take care of all formal paper work. This constellation provides you with a legally correct subsidiary which you can keep lean and efficient at the beginning, and at the same time use it as a basis that can be expanded in the future, whenever you wish to do so. For these additional services, you should expect monthly costs of 5,000 to 8,000 (five thousand to eight thousand) euros.



To put it in a nutshell, setting up a representation suitable for the needs of your business model can be accomplished in a relatively cost-effective way for just a few thousand euros, and if you have the right support, the formal and administrative efforts won't be too much of a challenge either.

A major challenge, however, is what needs to be done up-front, which is the establishment of contacts and relationships.

In other words, the access to potential customers, partners, suppliers and the respective knowledge for a know-how transfer.

For this purpose, you can of course use the generally known official way via the national economic chambers, public representations of interests and different associations. All of these options are fine to get a first impression on a country and may even provide a contact or two. The problem with all of these channels is that everybody gets the same contacts and that one usually ends up with a superficial exchange of information and contacts. Please don't misunderstand me, I firmly believe that these institutions are good and important and I myself work together with them occasionally. But a sustainable business development requires a more in-depth or a different type of commitment.

This is why I recommend starting the first steps towards expansion with a screening stage. The screening stage is offered by selected business consultants who specialize in market entries like me and its advantage is that you can check your opportunities at a very early stage and keep your risk calculable.

At this point, the consultant and his client can define the requirements that any potential customers must meet in order to be an interesting candidate for the client. These requirements may include a minimum sales volume, a particular production technology, a certain sales network and many other parameters. Using these basic data, the consultant can now search for potential customers and partners. The collection of these data will not only be done statistically, but also empirically, so later on they can be used as a basis for developing a strategy. Based on this information, a first profitability check will be done. If the general result is positive, we the experts for market entries will proceed with our primary domain activities. We will identify potential customers by their name, have first talks with them and prepare them for the upcoming market entry of our client. This means that the consultant will prepare the ground for you to do business. Thanks to the consultant's activities you will get a positive standing at your potential customer's even before your first meeting and you will get access to the employee relevant for you in the target company. In addition, the consultant will provide important regional information on your customers and their current business procedures. Thanks to these services, the client will have very precise information about his potential business volume and together with the consultant, he can develop an implementation strategy that leads to real business transactions and maybe even to an own business location in the target country. The fees for an expert team in this field will again depend on the business branch and on the complexity of the job, so I can only specify a fee for the lower end of the range, which would be starting at around 12,000 (twelve thousand) euros for the industrial sector. Other areas may be cheaper but also more expensive.

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The same facts and procedures as just mentioned are also valid for any special know-how not freely available that you may wish to buy. In this case the business consultant will find the companies for you that can provide the know-how and products you are looking for. However, the consultant's job here is not to establish contacts, but to identify ways for you to transfer that know-how to your company. For this purpose, he will check in an informal way which options there are for co-operations, shareholdings or takeovers and he will present the different scenarios, how they could be implemented and above all, how much they would cost and what the chances of success would be. If one of the scenarios is suitable for you, then the consultant will of course support you all along the implementation process. The fees for this type of services, just like those for typical mergers & acquisitions, are usually a combination of a fixed amount plus a certain amount that depends on the purchasing price; therefore I cannot provide any precise information on this point, unfortunately.

So, if you wish to participate in the biggest sub-market of the European Union, take the opportunity and start your expansion towards Europe now.

If you have any questions, please don't hesitate to talk to me during a break or after the official part.

Thank you for your attention.

