

*Prepared by Young Business Leaders Exchange Programme Manager, New Zealand Embassy Berlin.*

## Summary

- Berlin has one of the most inclusive and diverse start-up ecosystems in the world. Ranked #1 as the most active start-up location in Germany, 2nd in Europe and 8<sup>th</sup> globally (Startupblink, 2020), it has no shortage of activity and support structures in place to help tech companies succeed. Some of the key considerations for Kiwi companies to note are factors such as the language barrier, time zone challenges, cultural differences (e.g. formality), and time investment into building and maintaining long lasting relationships and partnerships, which German firms truly value. Overall, New Zealand has a positive perception within the German market and stands to gain further value if the right support structures are put in place in both New Zealand and Germany respectively.
- This scouting report is intended as an introductory guide for those who are new to the German market and are looking at future potential markets. It has been prepared primarily through desktop research as COVID-19 has restricted the physical contact in between interviews and meetings.

## Report

There are a number of factors that were identified during the market scan that has contributed to Berlin being one of the major tech hubs within Europe, in comparison to other European cities such as Paris, Madrid, Amsterdam, or Rome:

- **Accessibility.** Berlin's geographical location contributes to the ease of doing business within Europe. Even in the tech sector, location matters when it comes to establishing relationships – face to face contact will always be important. Germany shares its borders with nine neighbouring countries as well as being situated right in the heart of central Europe. Its world class infrastructure is well connected around the cities and between cities with examples such as their world-famous 'Autobahn' and extensive railway network across the country. The cost of living is relatively low compared to other major European hubs ([worlddata, 2020](#)), ranked 27th below the likes of the UK, Netherlands, France, Ireland, and all of the Scandinavian countries. And finally, the density of start-up activity has Berlin ranked 2nd most active ecosystem in Europe (behind London) and 8th globally, with a number of accelerator/incubation programmes (e.g. Silicon Allee, Hubraum), grants available and mentorship on offer for entrepreneurs.
- **Demographics.** With 3.7 million people living in the German capital, the city is populous and geographically large. There are around 190 nations living in Berlin, making it one of the most international and diverse hubs within Europe. All up over 777,000 (around one fifth) foreigner-born residents call Berlin home. 55% of the population is under the age of 45 ([businesslocationcenter, 2020](#)), making it a relatively youthful city that attracts people to the active social scene, and those looking to experience major festivals and events held in the capital annually. This diverse and youthful population contributes to the vibrancy and activity of the tech scene.
- **Structure.** Germany is not just Europe's largest economy but also the strongest, and has been for some time. On the global scale, it is the fourth-largest economy in terms of GDP, estimated at \$4 trillion dollars ([Investopedia, 2020](#)) only behind Japan, China, and the USA, and the flow on effect of this can be seen around Berlin. Private

companies such as Axel Springer, Porsche, and SAP have long established roots in the market and have consistently invested in funding programmes that encourage entrepreneurial ventures and innovative thinking such as [APX](#) and [SAP.io](#), while public organisations such as [Germany Trade and Invest](#) (GTAI) also have services and resources available to help support entrepreneurs wanting to invest in Germany. Berlin Partner, a Government organisation, has also shown they are investing heavily in helping attract the right businesses internationally by creating a dedicated [start-up unit](#) internally. On a federal level, funding has been increased through the Ministry for Economic Affairs and Energy to promote digital innovation by creating [12 interconnected hubs, each with specialty in a different vertical](#) across a range of industries to promote technology innovation.

Against this backdrop, there are a number of key considerations for New Zealand companies looking at entering the German market, and a raft of opportunities for Kiwi businesses to capitalise on:

- **Favourable brand image.** New Zealand has a positive brand association in the German market (e.g. sustainability and creativity), which gives Kiwi businesses a competitive advantage. This is a market opportunity that sets New Zealand companies apart when competing with local premium products or services, especially if the business has a sustainability focus or clean/green tech aspect. This can also be seen in the [German perceptions of New Zealand research report](#), conducted by New Zealand Story in early 2020.
- **Understanding the market.** Germany has a long standing tradition of trusting what is known, and deeply rooted relationships that stand the test of time, over anything transactional. Germans prefer to see products and services that offer high value than cheaper alternatives. Kiwi companies looking at exporting or expanding into Germany are strongly advised to conduct in-depth research on market conditions, understand aspects such as customer needs and trends and important aspects such as regional differences within the country. German business owners and management often emphasise seeking partnering opportunities before rushing into the market due to the collaborative approach that is favoured in this market.
- **Trade-show hotspot.** Germany is a global market leader in trade shows, which are held throughout the country to showcase products and services in any number of different sectors and to explore business opportunities face-to-face. The German market operates very differently to other countries – in Germany, trade shows are a very important avenue for building profile and creating networks and connections in the European industry and beyond. Identifying which trade show to attend ahead of time to effectively prepare and ensure the right audience is targeted is highly recommended. The lead time into the German market is considerably longer than establishing connections in New Zealand, so starting early and with a plan is advised for any company, as well as considering how to position your product and service to suit the needs of the German market.

Some other relevant organisations include [Bitkom \(the German tech association\)](#), Berlin Partner's [Start Alliance](#), [Silicon Allee](#), and entrepreneurship hubs [Factory](#) and [Betahaus](#).

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