

Internationalisation through Digitalisation

Interreg DigitSME

Workshop series 5 manual A quick guide to EU trade

It pays for companies to be digitally well positioned and internationally active. "Digital competence and international strength"
This initiative was launched by the partners in the Euregio Meuse-Rhine, Hogeschool Zuyd, Agence du Numérique, Basse-Meuse Développement, Voka Kamer van Koophandel Limburg, IHK Eupen and IHK Aachen.
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1. Building business contacts in the region

You can develop new business prospects, enter into collaborations and exchange valuable information simply by building a strong business network. The IHK Aachen (Chamber of Industry and Commerce) offers a variety of platforms and events to bring entrepreneurs together and promote the interaction of information. Digital company databases represent one such possibility. For an overview of the various networks, please check:

<https://www.ihk.de/aachen/servicemarken/unternehmensdaten>

Internet-Business-Network (IBN)

The IBN offers you an extensive database in which you can search for specific companies. Whether you are looking for customers in a specific sector, suppliers with specific products or strategic business partners, the IBN database will help you find the right contacts.

Automotive Network

The Aachen chamber district is home to around 200 companies from the automotive industry, which collectively employ more than 15,000 people. Within this region you will find detailed information on manufacturers and service providers in the sector.

Energy Network

The energy sector is considered one of the industries setting the pace for the future. Which companies from the region are active in this field? The network offers answers to precisely that and other questions on the topic of energy.

IT Security Network

As digitisation in companies continues to grow, so do the requirements for the security of the systems used. In the region there are a large number of players from science and industry who offer services and know-how in this area.

Here are other such networking activities...

- Networking for Building Competences
- Networking for Health Services
- Networking for Engineering Services
- Networking for IT Services
- Networking for Plastics Technology
- Networking for Life Science
- Networking for Textile Technology
- Networking for Environmental Technology

Entrepreneur exchange (nexxt-change)

The "Nexxt Change" Entrepreneur Exchange is a platform of the Federal Ministry of Economics and Climate Protection that helps entrepreneurs to establish new business contacts and find potential cooperation partners. The emphasis here is on connecting established entrepreneurs with founders. Different sectors and areas are covered in order to offer a broad spectrum of opportunities for business succession. Through active participation in Nexxt Change, companies can be successfully developed and their future secured.

German-Dutch Business Club

With its cross-border entrepreneurial forum, the German-Dutch Business Club provides a valuable platform for companies in the Aachen and Dutch-Limburg CCI district. The club serves as a meeting place for company representatives and other economic factors from the cross-border region. They meet four times a year, alternately on the German or Dutch part of the country, to discuss current information and share experiences. The forum includes not only company visits, but also themed events that focus on Dutch-German business relations. This business club initiative thus promotes cross-border dialogue and enables the development of strong business contacts between German and Dutch companies.

IHK Junior Circle

The Junior Circle is a dynamic network consisting of aspiring young professionals and managers from companies in the Aachen region. It offers its participants a valuable forum in which they can share experiences, discuss current issues and benefit from the experiences of other members. What particularly sets the Junior Circle apart from the others is its diversity, as it does not impose any restrictions on certain sectors or topics. As a result, it provides a refreshing perspective from different angles.

Some other networks are:

- MedLife (medlife-ev.de)
- car e. V. (car-aachen.de)
- REGINA e.V. - Regional Industry Club for Informatics Aachen
- AACHEN BUILDING EXPERTS e.V.
- digitalHUB Aachen e. V.

Find suppliers abroad

Find your suppliers abroad through the network of the 37 accredited Belgian-Luxembourg Chambers of Commerce Abroad. The Chambers of Commerce Abroad help to promote bilateral trade between Belgium, Luxembourg and the country in which they are based (<https://belgianchambers.be/en/>).

You can use *Euregiolocator* to find companies based in various sectors in the Euregio Meuse-Rhine: <https://www.euregiolocator.eu/>

The combined nomenclature for cross-border trade

2. The initial stages within the EU

The European Union (EU) statistical nomenclature for customs tariffs is a system for classifying and coding goods that is used in the EU to set tariff rates and to record international trade in goods.

The system is based on the Harmonised System (HS) of the World Customs Organisation (WCO) and is implemented in the EU through the so-called Combined Nomenclature (CN). The Combined Nomenclature consists of a six-digit code for the classification of goods. This code is used on customs related documents and enables customs authorities to apply the correct duty rates and compile relevant trade statistics. The code is further subdivided into eight- and ten-digit subheadings to allow a more precise description of the goods.

The nomenclature includes around 10,000 headings spanning across all types of goods - from agricultural products to industrial goods and services. The associated description of goods is standardised and contains detailed information on the nature, purpose and special characteristics of the respective goods.

The correct classification and coding of goods in the statistical nomenclature is the basis for the application of all trade policy measures relating to the goods. Incorrect classification can lead to incorrect customs rates and, in the worst case, legal consequences. It is therefore important for companies engaged in international trade to ensure that their goods are correctly classified according to the EU statistical nomenclature for customs tariff purposes.

The EU statistical nomenclature for the customs tariff is regularly updated to take account of changing needs and developments in international trade. The updates are published in the form of amending regulations and incorporated into the CN to ensure that the classification of goods is up to date. The last update took place on 20 September 2022.

For more information on cross-border trade, see the Workshop Series Manual 3: Customs, VAT and Export Control in Transnational Activities.

3. Your export measures

1 What is the purpose of exporting? Advantages and risks of exporting

Cross-border trade offers various benefits for small, medium and large enterprises, including:

- Increased turnover
- Increased profitability
- Economies of scale
- Reduced vulnerability
- Acquisition of knowledge and experience
- Competitiveness on the global scale
- Competitiveness amongst countries

The highest risk today is piracy (fraudulent imitation of a branded product) and counterfeiting (unauthorised copying of a product protected by an intellectual property right). The risks cited have reached sizeable proportions and have a significant impact on innovation, growth, employment and the health and safety of consumers.

Many companies initiate complex measures to fight product infringement (e.g. Nike) in order to protect their own brand. For example, patents can be registered, international licensing agreements concluded and structures initialised to prevent or detect product piracy.

2 All set to export? 10 steps - Your export planning

1. Carry out audit export: Are you ready?
2. In order to successfully place your product or service in international markets, it is important to identify and select markets that are specifically suited to them.
3. Once the markets have been selected, you need to assess the demand and need in these markets. Furthermore, you should look for local partners and distribution networks to support the sale of your products and services. In addition, you need to develop a business model for international marketing and distribution, including the design of the value chain and selection of distribution channels.
4. It is necessary to adapt the goods and services in terms of form, brands, laws, regulations, packaging, language, etc. to meet the requirements of the selected export markets.

5. In order to successfully complete the export sale, contract negotiations must be conducted with the local agents. This refers to distributors, affiliates, producers, manufacturers, licensees, etc.
6. Price levels for the various export markets selected must be established, taking into account factors such as competition, costs and customer demand.
7. It is important to establish a financial budget for the export plan and secure the appropriate financing to support the export activities.
8. It is essential to have logistical arrangements in place to ensure that the products are delivered to customers efficiently and on time.
9. It is crucial to advertise and publicise the product/service to the market and make potential customers aware of the benefits.
10. Taking an active part in congresses, trade fairs, exhibitions or other events in the selected market provides an opportunity to present the product/service to a wider audience and to meet potential business partners.

3 Where should it be exported to?

Common mistakes made by small and medium-sized enterprises (SMEs) when selecting international sales markets or supply chains:

- Often the importance of market research and objective analysis is underestimated and/or conducting market research is considered too expensive and therefore neglected.
- The choice of sales market is made on a random, passive or informal basis, with no systematic analysis or evaluation
- The awareness of the differences between national regulations, trading habits and distribution systems in the different markets is relatively limited.
- There is no sense of understanding when it comes to international data sources needed for sound market analysis and decision making
- The knowledge and experience of one market is transferred to other markets without adequate consideration of country-specific conditions and characteristics
- Markets are selected based on personal preferences and inclinations, with no rational assessment of market opportunities and potentials

With the **STRATEX** tool, a market selection can be made on the basis of objective and quantifiable criteria. The criteria refer to the following three parent categories:

- 1 Accessibility of the market
- 2 Market potential
- 3 Market risk

4 What should be exported?

The **USP (Unique Selling Proposition)** of your product or service is the central element that defines the value proposition for your target market. It answers the question of what makes your offer unique and attractive. It is important to formulate the promise clearly and to align it with the specific customer needs.

In order to define the value proposition, you should ask yourself what specific benefits your product or service stands for. What advantages can it offer potential customers? For example, does it mean saving time, cost efficiency, comfort, quality, sustainability or something else? You can create added value for your target group by clearly defining the benefits.

Furthermore, it is important to find out the customers for whom your product or service is particularly relevant. Which target group do you want to address? What needs do these customers have and how can your offer fulfil these needs? It is important to establish a clear segmentation and target group definition to help align your marketing activities.

There are various aspects to consider when adapting your product to the respective market. This may include adapting the taste or colour, which is demonstrated by the example of the Coca-Cola brand. In addition, compliance with VAT regulations, legal requirements and other local regulations is of utmost importance. Colour, packaging design and climate aspects should also be taken into account.

With a clear definition of the unique selling propositions and the adaptation of the product to the respective market, you establish a solid basis for the success of your international business activity, as well as a targeted marketing strategy that focuses on customer benefits and at the same time takes local market conditions into consideration.

Assessing market size correctly

1. Define your target customer
2. Estimate the number of target customers
3. Determine your penetration rate
4. Calculate the potential market size: Volume and value
5. Then apply the market size data

5 How should it be exported?

There are many possible ways to enter a foreign market. It depends on a number of factors which one is right for you. Before deciding on a strategy for entering a market, you should take the time to evaluate your business and its strengths and its weaknesses. In order to do this, ask yourself the following questions, among others:

- How is business done in your industry and target market? What is the need for customer support?
- Does your company have any experience in exporting?
- How much time can you spend travelling to the market?
- What level of time and effort are you willing to invest? What is your current, medium-term and long-term capacity?
- How many financial resources do you have at your disposal?
- Which market entry strategy is best suited for your product or service?

A variety of entry strategies and the degree of control available to you:

Taking full control with your own sales force and an international online presence, in cooperation with strategic partners, licensing models or franchising, or in cooperation with established representatives, e.g. sales agents or resident distributors:

1. Online presence - advantages and disadvantages:

This export strategy is a passive approach that does not require a physical presence in the target country and requires minimal commitment. The advantages of this strategy is that it is low cost and low commitment, leading to a cost-efficient solution. It also allows for an easy exit if market conditions change or other options prove to be more appealing. Another advantage would be that it is a quick and easy way to be active in the market and generate initial sales. In addition, you retain direct control over your marketing and can communicate your message in a highly targeted way.

However, there are also some disadvantages to this passive export strategy: One major disadvantage is the complete lack of control over who buys your product and how it is used. Since you have no direct presence in the target country, you cannot effectively engage with your target audience and have to rely on the market to attract potential customers. This can produce uncertain and unpredictable results. Furthermore, customers may feel uncomfortable buying from a company without a local presence. Instead, they may prefer to have personal contact and the reassurance that there is customer service they can contact if they have questions or problems. Providing good customer service and effective customer support can be a challenge because you are not on the ground. Another disadvantage of this strategy is potentially higher freight costs if you have to ship individual items directly to customers. With no local presence, products may need to be shipped from the country of origin, which can incur additional costs.

2. Using sales agents - advantages and disadvantages:

A more 'proactive' approach is to use a sales agent who finds customers in your target country and negotiates sales.

The agent acts on your behalf, but you retain ownership of the goods, control over your product (e.g. final price and brand image) and are in charge of shipping, customs formalities, taxes and any costs incurred.

An export agent is typically a third party who represents other companies, whereas commercial agents are salaried employees.

The company pays agents a commission, salary, advance or a combination of these.

Advantages:

- Signing a contract with someone exclusively can be more expensive, but it also means a greater commitment to generating revenue.
- You can interview and select someone who knows your industry and target market and aligns with your business vision and strategy.
- You can choose to combine base salary, commissions and small equity stakes to find the right person.

Disadvantages:

- Losing interest is a very real risk.
- It can take a while to realise you are not the right person for the job.
- You have little control because people are acting on your behalf.

3. Having your own market presence - advantages and disadvantages:

Having a presence in the market entails employing a member of your staff or a member of your company's staff on the ground, which allows for a more direct way of selling. This gives you greater control over the presentation and marketing of your product or service, but is usually the most expensive option.

This option requires a greater commitment as you will need to open an office in the market and set up a distribution centre. This limits your flexibility and this option should only be considered if you are sure that the market will accommodate your product or service needs.

The advantages of having a market presence include full control over marketing and distribution, higher profit margins as there are no middlemen to deal with, and better protection of your intellectual property as only trusted people have access to the core aspects of your business.

However, there are also disadvantages. Setting up in the market makes you vulnerable to local political and economic fluctuations. This option is costly and time-consuming, as extensive resources need to be spent on market research and validation. The exit costs are high, so it is essential to thoroughly mitigate risks by conducting extensive research.

4. Resident Distributors - advantages and disadvantages:

In this option, you sell your goods directly to your distributors, who are in charge of reselling to final consumers or other intermediaries. An overseas distributor can take care of shipping and customs clearance, buy your goods in bulk, store your goods and market your product. This is another way to enter a market quickly.

Advantages:

- Relatively low costs.
- Quick access to a new market.
- Existing knowledge of the chosen market.
- Goods are purchased from the trader, which limits your responsibility and risk.
- You can incentivise continued engagement by setting targets for specific time periods and selling your product for reduced cost if targets are met (e.g. with discounts).

Disadvantages:

- Well, not everyone is imprudent - However, to be on the safe side, get everything in writing and draw up watertight contracts
- Loss of interest is a real risk
- You lose control over marketing, pricing and customer service as you ship the goods and the retailer markets them as they see fit.
- It can be difficult to get to learn more about the end users: who buys your goods, in what way and how often they use them, and how your goods fare compared to alternatives.

5. Strategic partnership - advantages and disadvantages:

Forming a strategic partnership or joint venture with a company that already has the necessary infrastructure to manufacture and/or sell your product in your chosen market can work well or be a hindrance, depending on how carefully you go about selecting it.

A successful partnership requires a significant investment of time and resources to establish effective working relationships and build trust with the local company.

The benefits of a strategic partnership comprise the opportunity to benefit from your partner's established reputation and to use their existing relationships and infrastructure to your advantage. At the same time, you retain a degree of control over your business.

However, there are also disadvantages: Conflicts of interest can occur if your partner deliberately withholds your business to further their own interests. There is also the possibility that your partner's involvement is focused on their own products and services, which can occasionally lead to lower sales for your company.

In addition, it is also possible that your partner has entered into the business relationship to improve their own skills and knowledge rather than to promote your business.

[Germany, Belgium, Netherlands, USA, China](#)

4. Knowing and overcoming cultural differences

Cultural differences have an impact on communication and living together in the globalised world. Cultural differences can open up new perspectives and creative opportunities for interaction and enrichment. However, cultural differences can also lead to misunderstandings and conflicts. It is important to approach cultural differences with openness and respect, to foster intercultural understanding and to value diversity.

Superficial cultural features, e.g.:

- Culinary arts
- Festivals and traditions
- Dress styles
- Games
- Music

Deeply anchored cultural characteristics, e.g.:

- Ways of communication
- Social concepts of justice
- Social roles
- Attitudes towards authority
- Habits and rules of behaviour
- Religious views

The eight dimensions of cultural differences

"Culture creates a framework, and within that framework, each individual makes a choice. It is not a question of culture OR personality, but culture AND personality."
- Erin Meyer

Explanation:

NL = Netherlands

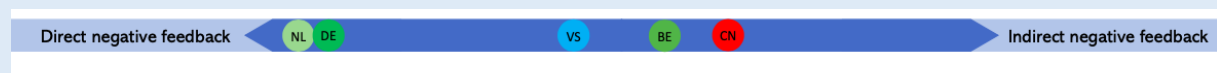
DE = Germany

VS = USA

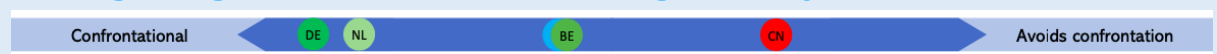
BE = Belgium

NL = Netherlands

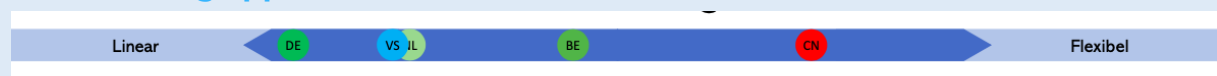
1 Rating: Direct vs. indirect negative feedback



2 Disagreeing: Confrontational vs. needing harmony



3 Scheduling appointments: Structured vs. flexible



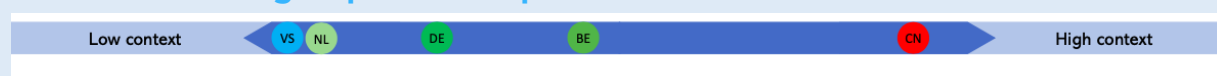
4 Leading: Egalitarian vs. hierarchical



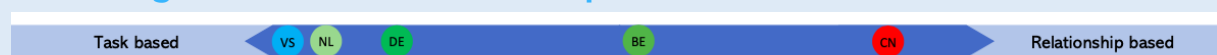
5 Decision-making: Consensual vs. decisive



6 Communicating: Explicit vs. implicit



7 Trusting: Task-based vs. relationship-based



8 Convincing: Principled vs. holistic



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