

# **Export and import activities of young German enterprises**

## **Executive summary**

### **Considerable proportion of young enterprises are internationally active**

- Almost a third of young enterprises are involved in foreign trade: 9% of young enterprises (up to three years old) were exporters and 12% importers in 2011. A further 9% engaged in import and export activities at the same time.
- With a strongly global mindset, young enterprises use both sales and procurement markets abroad: the average exports of young exporting enterprises amounted to almost EUR 150,000 in 2011, representing a solid quarter of their sales revenue on average. The average import volume of importers was just under EUR 80,000, accounting for a good third of importing enterprises' expenditure on goods and services.
- Not all sectors are equally active in foreign markets. Young enterprises in the manufacturing industry show the strongest engagement in foreign markets. The high-tech sector, in particular, stands out with 56% of start-ups designing their business model with an international outlook, followed by other industrial sectors (43%). In the service industries, the proportion of enterprises with foreign activities is lower, at 35% of the high-tech services sector and 30% of other service providers. Young enterprises in the construction sector are much less likely to have cross-border activities (18%).

### **Neighbouring German-speaking countries are the markets most often developed**

- The most important export markets for young enterprises are the countries that border Germany to the south and west (particularly Austria and Switzerland), the United Kingdom and Italy. Among importers, the USA and China, together with the Netherlands and Italy, are the most significant trade partners. The geographical spread of the key foreign trade partners of young enterprises is similar to that of the German business community as a whole.
- In most cases, young enterprises export to a small number of countries. A good half of exporting enterprises export to a maximum of three countries, with three quarters exporting to five countries at most. The imports of young enterprises are even more strongly focused on just a few countries. Almost half of importing enterprises source their imports from just one country, with a further 37% importing from just two or three countries.

### **The route into foreign markets often begins in the early years**

- If young enterprises are active on the international market, their international business activities usually start very early, often in their first year. It is during this founding year that start-ups put in place the company-specific factors needed to enable or support their export activities. Once export activities have begun, there is a good chance they will continue. It is also unlikely that enterprises will choose to start exporting solely because they are getting older.
- Entry into international markets is not always planned. 55 % of exporters actively pursued their market entry, but the initial exports of the remaining 45 % resulted more or less by chance. If a young enterprise starts exporting at the very beginning of its business activities, it often has an active export strategy.
- Education pays off: a decision to export is more likely if the founders have a university degree or experience of foreign trade. In addition, more innovative and sufficiently large young enterprises with highly qualified employees are more active abroad.
- Young exporters and importers consider industry standards, government regulations and customs duties to be the biggest group of barriers to foreign business. This view is shared by established SMEs. However, in contrast to established enterprises, the next barriers cited are the management's lack of time and capacity bottlenecks. This is understandable, since foreign activities place a heavy strain on the already limited time and financial resources of young enterprises. For importers, the additional costs associated with importing are cited as the second-biggest barrier.
- Young enterprises engage in a considerable degree of foreign business activity. In so doing, they bolster Germany's competitiveness. Young enterprises should therefore be offered the same assistance for their foreign trade as established medium-sized businesses. The current analysis does not pinpoint a separate need for action for the young enterprises segment. Support for exports should be accessible as early as possible, if necessary in an enterprise's founding year.