



# Challenges of service export - insights from Bavaria

Research results



**Hogreve & Cie.**  
Gesellschaft für Unternehmensberatung

# We are living in a globalized service economy

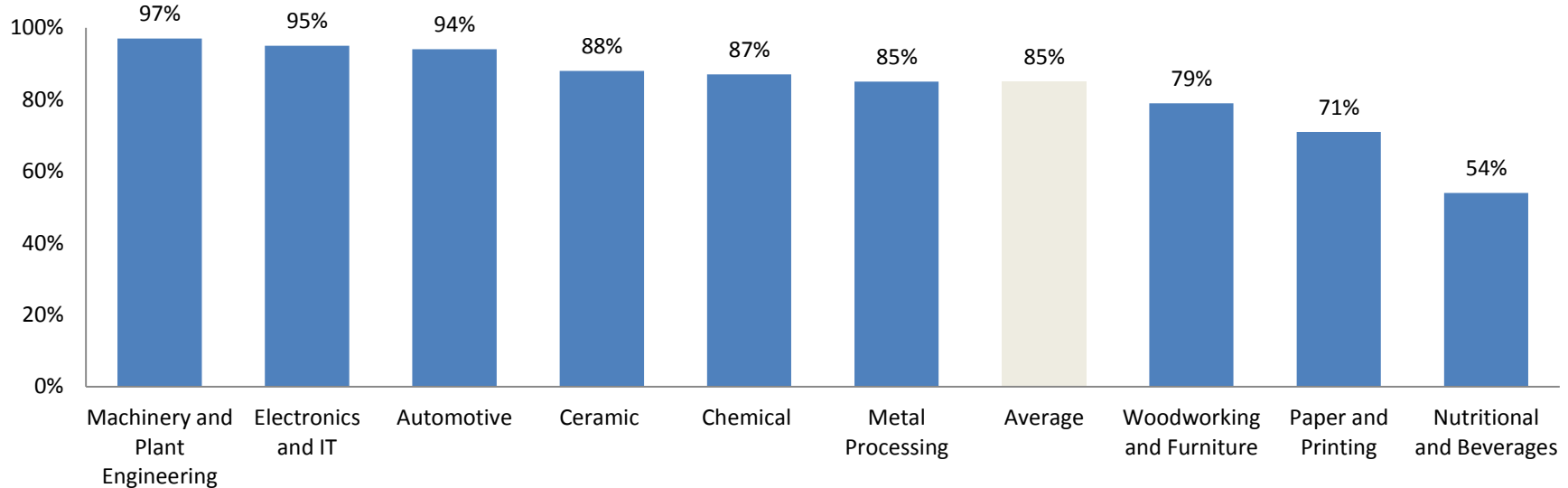


	Service Export (in billion US Dollar)		Goods Export (in billion US Dollar )		Diff. Service Exports	Diff. Goods Exports
	2013	2014	2013	2014		
USA	687,4	709,5	1577,6	1619,7	3,2%	2,7%
China	208,1	233,5	2209,0	2342,3	12,2%	6,0%
France	254,9	268,4	581,0	580,5	5,3%	-0,1%
UK	316,4	341,5	548,0	511,2	7,9%	-6,7%
Germany	260,8	271,5	1451,0	1498,2	4,1%	3,3%

- Increasing economic importance of services and globalization
- Service economy with 70% of gross value as key antecedent of economic growth
- Large growth rates of services export, esp. compared to goods export

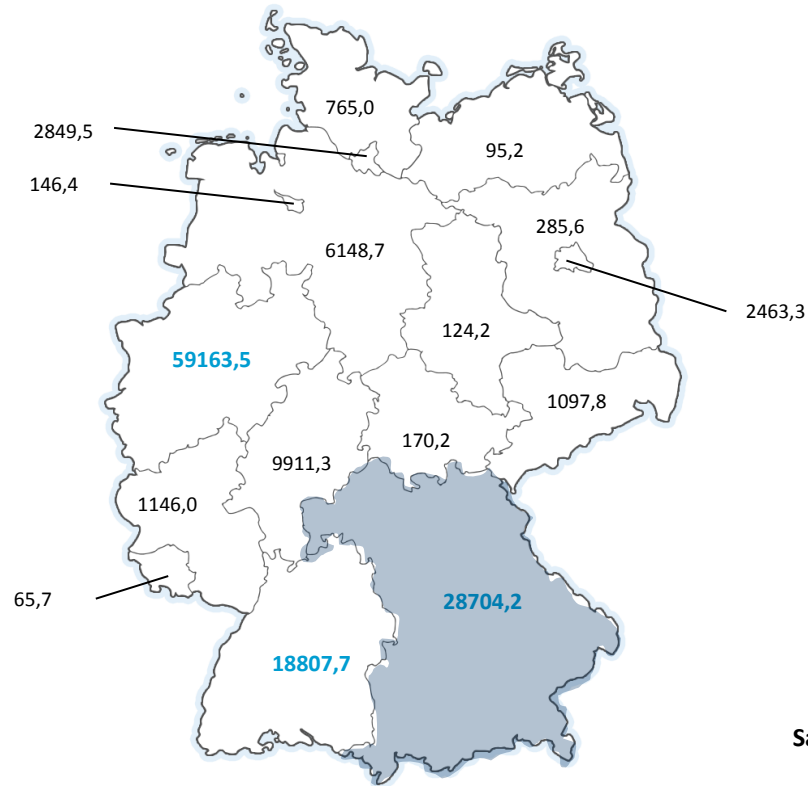
# Manufacturers increasingly seek service-led growth

**Provider Rate of Industrial Services in Germany (2012)**



- Most manufacturers already offer value-added services, e.g. engineering and consulting services, installation and maintenance, documentation and project management, etc.
- Value-added services within manufacturing are important antecedents of export activities

# Bavaria is an important service location within Germany



Sales (in EUR billion) per 1.000 service firms

# Despite several initiatives service export still faces challenges



## Inherent characteristics of services

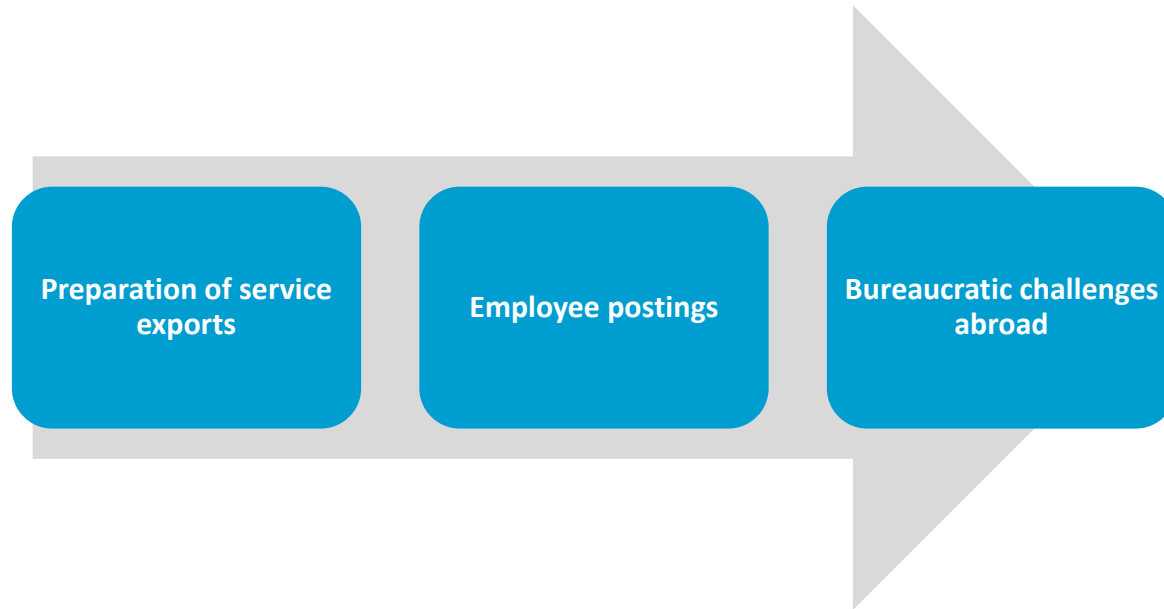
- Intangibility → hard to grasp
- Inseparability → process character and co-production
- Heterogeneity → tailored to individual needs

- Increase freedom for service import and export
- Positive development, esp. in financial, transport, postal, and telecommunication services

## European Union: 1992 single market programm

Identification of current **challenges** of service export and deriving **implications** for **managerial practice** and **economic development** in order to **realize opportunities** of service export.

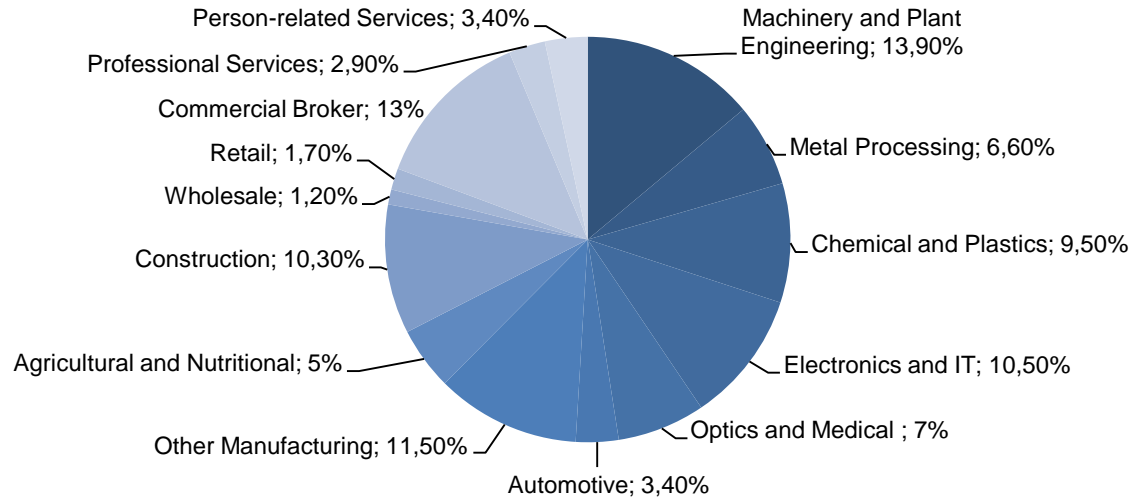
# Expert discussions were the basis for the survey structure



- Additional questionnaire of the „Going International“ foreign trade survey of the German CCIs 2016
- Multiple-choice questionnaire, with multiple nominations

449 mainly small and medium sized firms participated in this study

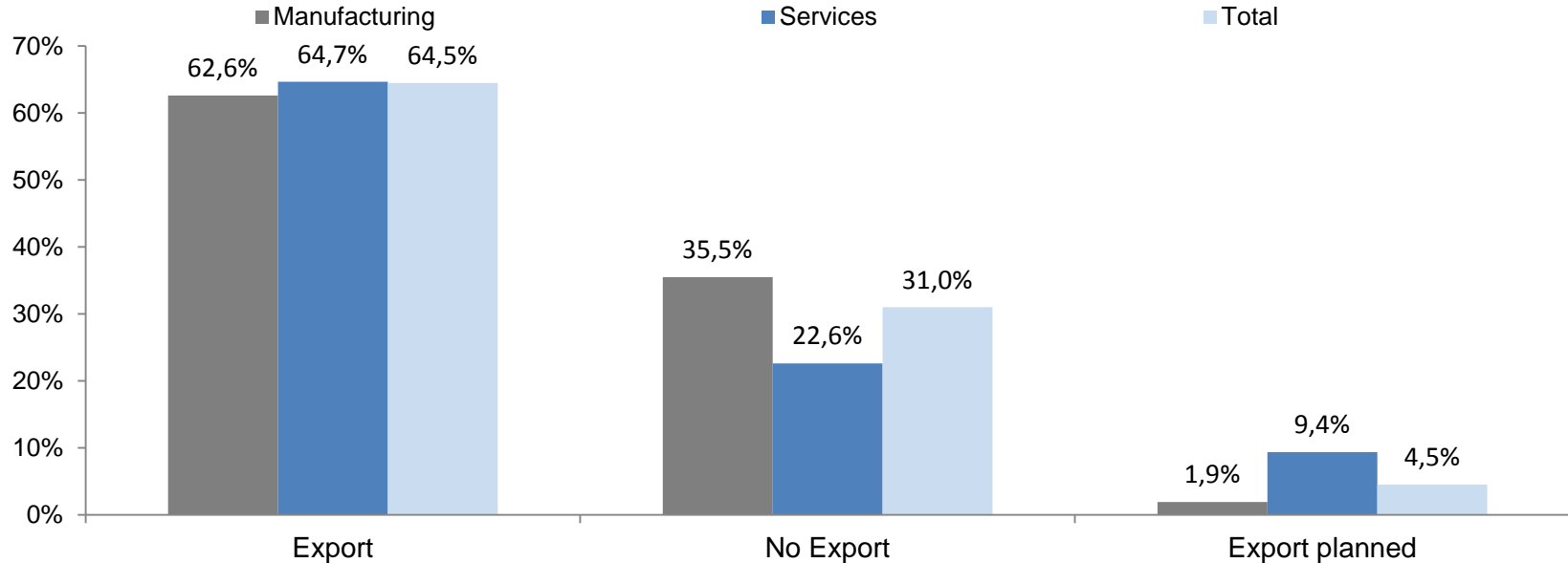
## Sample by Industry



- 77,8% are manufacturing firms, esp. machinery and plant engineering (13,9%)
- Within the service industry, esp. commercial broking firms participated (13%)

# Companies within the service industry export more services than manufacturing

## Service Export by Industry

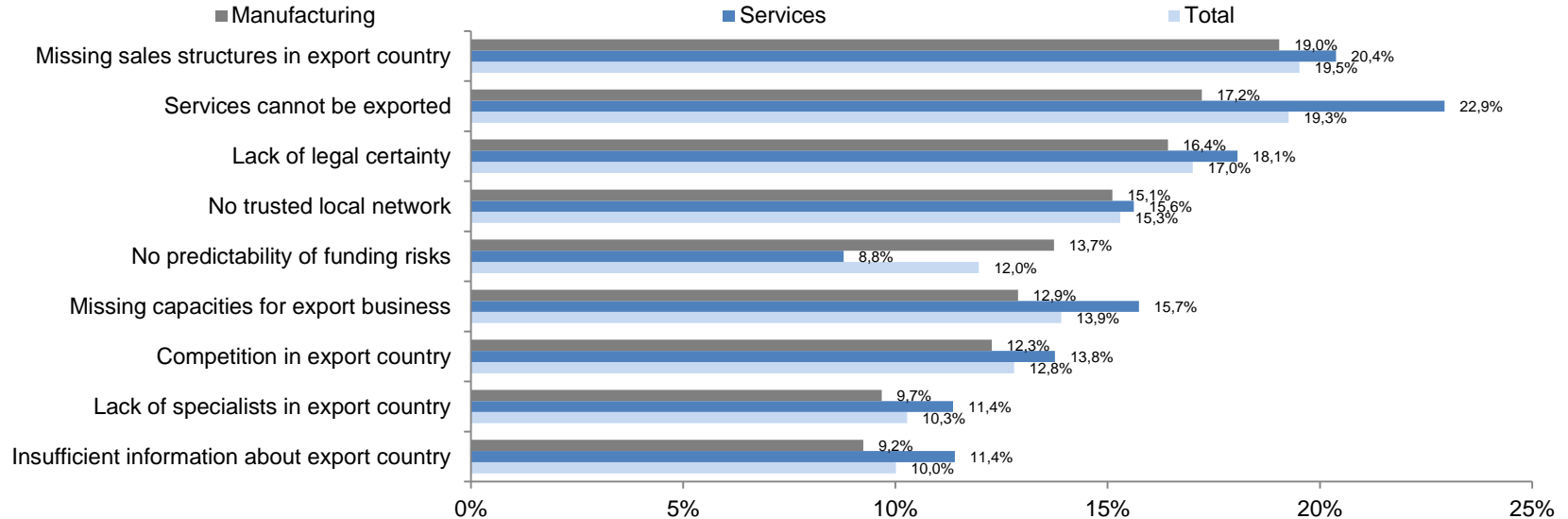


- Service firms export services more often compared to manufacturing
- Export activities planned within the service sector indicate higher dynamics concerning cross-border service activities



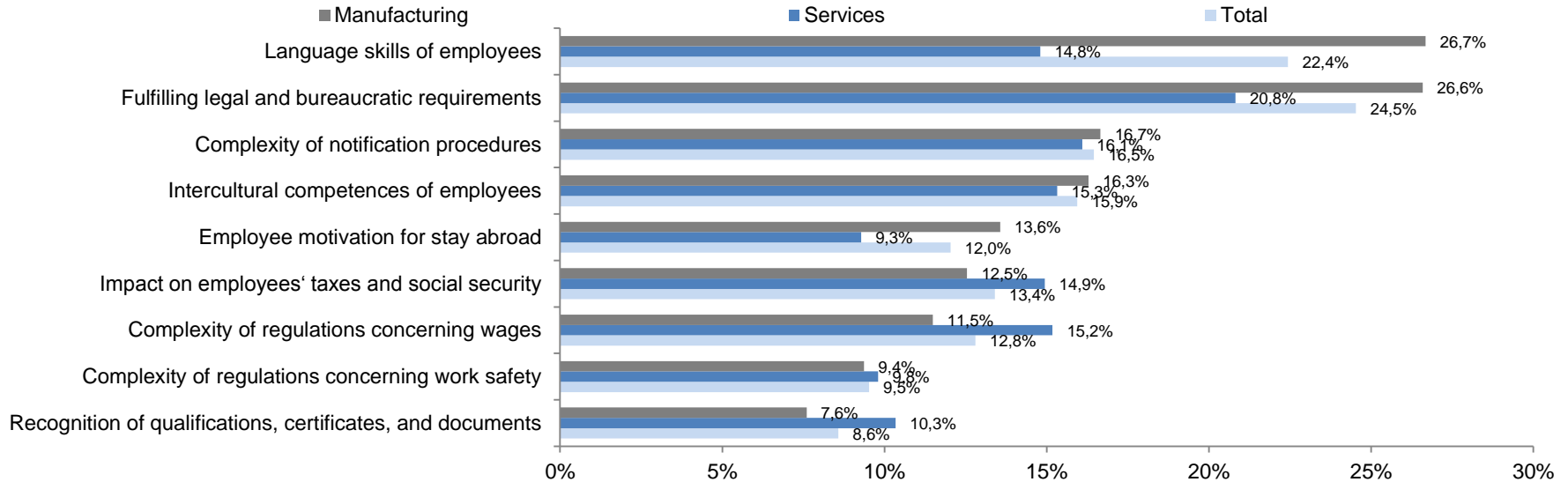
# Missing sales structures and missing knowledge about how to export services are major challenges during preparation

## Challenges during preparation of service exports



- Making services ready for export is crucial for the service industry
- Missing sales structures are a major challenge
- Manufacturing firms suffer from funding risks during preparation of service export

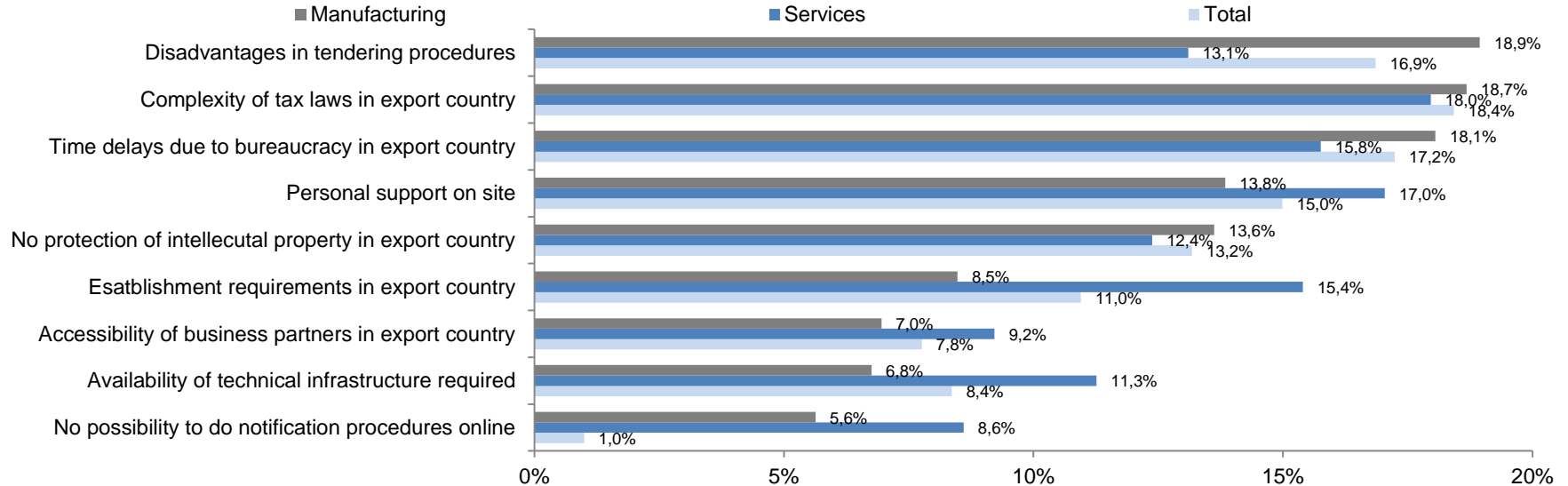
## Challenges during employee postings



- Challenges during employee postings are named the most among both service and manufacturing firms
- Employees' language skills as well as fulfilling legal and bureaucratic requirements are major challenges

# Disadvantages in tendering procedures and complex tax laws are challenging during service export

## Bureaucracy as challenges abroad



- Service as well as manufacturing firms suffer from complex tax laws in export country
- Manufacturing firms perceive disadvantages in tendering procedures as major challenge
- Service firms name establishment requirements in export country as challenge

# We identified several implications for service and manufacturing firms



<b>Concentrating on structured processes and strategy development</b>	<b>Preparing your employees and administrative processes</b>	<b>Taking benefit from cross-industry synergy effects</b>
<ul style="list-style-type: none"><li>▪ Company-specific potential analysis of services</li><li>▪ Formulation of an export strategy as a component of the corporate strategy</li><li>▪ Identification and provision of required resources and capacities</li><li>▪ Development and monitoring of service processes in the destination country</li></ul>	<ul style="list-style-type: none"><li>▪ Preparation and motivation of employees for international assignments</li><li>▪ Establishment of exchange programs</li><li>▪ Taking advantage of existing business support</li><li>▪ Development and establishment of networks</li></ul>	<ul style="list-style-type: none"><li>▪ Establishment of globalization networks in the domestic market</li><li>▪ Joint services along the value chain</li></ul>

# Tasks for foreign promotion



## Developing service-specific further training and consulting initiatives

- Cross-industry consulting and further training and best practices
- Focus on obstacles of employee postings and preparation of service exports (e.g. by an internet portal)
- Development of tax and legal advisory
- Establishment of cross-industry platforms and learning networks to exchange experiences and for networking (e.g. business delegations)

## Adapting existing support measures to services

- Surveys on service-specific challenges
- Optimization of legal environment
- Expansion of available range of information
- Expansion of digitalization
- Reduction of language barriers

## Expanding on-site support

- Support the establishment of networks and business contacts through events
- Country-specific on-site consulting
- On-site professional development and training
- Temporary provision of a technical infrastructure on site



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