Challenges of service export - insights from Bavaria

Research results
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

![World Map with Service and Goods Exports](image)

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<tbody>
<tr>
<td>USA</td>
<td>687,4</td>
<td>709,5</td>
<td>1577,6</td>
<td>1619,7</td>
<td>3,2%</td>
<td>2,7%</td>
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<tr>
<td>China</td>
<td>208,1</td>
<td>233,5</td>
<td>2209,0</td>
<td>2342,3</td>
<td>12,2%</td>
<td>6,0%</td>
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<tr>
<td>France</td>
<td>254,9</td>
<td>268,4</td>
<td>581,0</td>
<td>580,5</td>
<td>5,3%</td>
<td>-0,1%</td>
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<tr>
<td>UK</td>
<td>316,4</td>
<td>341,5</td>
<td>548,0</td>
<td>511,2</td>
<td>7,9%</td>
<td>-6,7%</td>
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<tr>
<td>Germany</td>
<td>260,8</td>
<td>271,5</td>
<td>1451,0</td>
<td>1498,2</td>
<td>4,1%</td>
<td>3,3%</td>
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Mirjam Dobmeier
Manufacturers increasingly seek service-led growth

- 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

Provider Rate of Industrial Services in Germany (2012)

- Machinery and Plant Engineering: 97%
- Electronics and IT: 95%
- Automotive: 94%
- Ceramic: 88%
- Chemical: 87%
- Metal Processing: 85%
- Average: 85%
- Woodworking and Furniture: 79%
- Paper and Printing: 71%
- Nutritional and Beverages: 54%
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.

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

14.07.2016  Mirjam Dobmeier
Missing sales structures and missing knowledge about how to export services are major challenges during preparation.

- 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.

14.07.2016
Mirjam Dobmeier
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

- 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

<table>
<thead>
<tr>
<th>Concentrating on structured processes and strategy development</th>
<th>Preparing your employees and administrative processes</th>
<th>Taking benefit from cross-industry synergy effects</th>
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<tbody>
<tr>
<td>▪ Company-specific potential analysis of services</td>
<td>▪ Preparation and motivation of employees for international assignments</td>
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<td>▪ Formulation of an export strategy as a component of the corporate strategy</td>
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<td>▪ Identification and provision of required resources and capacities</td>
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<td>▪ Development and monitoring of service processes in the destination country</td>
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<tr>
<td>▪ Preparation and motivation of employees for international assignments</td>
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<tr>
<td>▪ Establishment of exchange programs</td>
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<td>▪ Taking advantage of existing business support</td>
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<td>▪ Development and establishment of networks</td>
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<td>▪ Establishment of globalization networks in the domestic market</td>
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<td>▪ Joint services along the value chain</td>
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## Tasks for foreign promotion

<table>
<thead>
<tr>
<th>Developing service-specific further training and consulting initiatives</th>
<th>Adapting existing support measures to services</th>
<th>Expanding on-site support</th>
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<tr>
<td>Cross-industry consulting and further training and best practices</td>
<td>Surveys on service-specific challenges</td>
<td>Support the establishment of networks and business contacts through events</td>
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<td>Focus on obstacles of employee postings and preparation of service exports (e.g. by an internet portal)</td>
<td>Optimization of legal environment</td>
<td>Country-specific on-site consulting</td>
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<tr>
<td>Development of tax and legal advisory</td>
<td>Expansion of available range of information</td>
<td>On-site professional development and training</td>
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<tr>
<td>Establishment of cross-industry platforms and learning networks to exchange experiences and for networking (e.g. business delegations)</td>
<td>Expansion of digitalization</td>
<td>Temporary provision of a technical infrastructure on site</td>
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<td>Reduction of language barriers</td>
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Research results


