ACCESS BENELUX

A Guide to Doing Business in the BENELUX Countries
ACCESS BENELEUX: OPEN FOR BUSINESS

70,273 km²

74,273 km²

Dutch GDP
€585.6 billion

Belgian GDP
€371.2 billion

Luxembourg GDP
€44.2 billion

Together, the Benelux countries were the third largest export market for Enterprise Ireland client companies in 2013

27,847,384
Population of Benelux

4,593,100
Population of Ireland

€1.03bn
ENTERPRISE IRELAND CLIENT EXPORTS TO BENELUX IN 2013

33%
Sales growth to Belgium & Lux. 2012-2013

17%
Sales growth to the Netherlands 2012-2013

430
EI client companies selling into the Netherlands

350
EI client companies selling into Belgium

BENELUX BENEFITS:

1. Rotterdam is Europe’s largest port
2. Antwerp is the second largest port in Europe

HUB FOR HEADQUARTERS

820
Company headquarters within a 50km catchment area around Amsterdam, the Hague and Rotterdam

30
Fortune 500 Companies

300+
Multinational HQs located between Brussels and Antwerp

CONSTRUCTION
FINANCIAL SERVICES
LIFE SCIENCES
ENGINEERING
DIGITAL MEDIA
TRANSPORT & LOGISTICS
ENTERPRISE SOFTWARE
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1. Introduction

“The Benelux market in general is very well served and competitive. To be successful, you have to focus on your specific strengths – your USP – and not on areas where you can’t make a difference.”

Hans Peeters, Benelux General Manager, PM Group

The Benelux markets comprise the countries of Belgium, the Netherlands and Luxembourg. Although small in area, the region’s combined population of almost 28 million people presents a series of prosperous markets in their own right, and an opportunity to develop exports further into mainland Europe. The strength of the economies can be seen in 2013 GDP estimates of €585.6 billion for the Netherlands, €371.2 billion for Belgium and €44.2 billion for Luxembourg. Together, the Benelux countries were the third largest export market for Enterprise Ireland client companies in 2013. For the first time, total Irish exports to the region exceeded €1 billion last year. Between 2012 and 2013, EI client exports to Belgium grew 33 per cent – joint highest of any market worldwide – and the Netherlands was one of the top five performing territories with a 17 per cent increase in the same period.

A note on naming conventions

Benelux is the term coined to refer to the region’s economic union. As the text of the report will make clear, there are distinct cultural and regional differences both within and between the three countries. It is not the intention to portray the markets as a homogeneous unit, nor should they be treated as such. Where making general points about the market, this report will refer to the Benelux market; otherwise when making specific comments on a country or region, we will use that country’s name as applicable.

Why this market is important

Economic stability and openness to foreign trade are two of the factors which make the Benelux market especially attractive to Irish companies. Recent studies have found the Netherlands and Belgium in particular to be attractive investment climates. With English widely spoken in business circles, the markets don’t present the same linguistic barriers that exist in other European countries. The region is geographically close to Ireland. As a major logistics centre with two of the continent’s largest ports – Rotterdam and Antwerp – as well as a major air travel hub at Amsterdam, the transport facilities around the Benelux region are excellent.

Owing to the many diverse tastes and regional differences to be found in a relatively small geographical area, the Benelux region is a very effective test market. It’s telling that major consumer brands such as Coca-Cola, for example, base their product marketing functions out of Brussels. More broadly, there is a high concentration of decision-making centres in the Benelux region and it houses headquarters for many European, US and Asian companies. By virtue of doing business there, your company will already be preparing to sell into other countries.

Speed of decision-making is another positive element about selling in the Benelux market. Prospects there tend to follow up quickly; but by the same token, Irish companies should be quick to respond to interest. As countries that are heavily reliant on exports themselves, the Dutch and Belgians are open to being prospected for business by international companies, and this attitude extends to their willingness to meet with Irish companies and discuss possible opportunities for partnerships or sales. That’s not to say sales will be easy: Irish companies must still bring something new to the table –
expertise or innovative features that are not easily found locally – while meeting the same levels of service that customers would expect from a locally-based supplier. This report hopes to show where some of the opportunities exist, along with advice about how best to capitalise on them.

**Purpose of the report**

The objective of Access: Benelux is to give practical and up-to-date information on the market for Irish companies. Here you will find useful, easy-to-digest advice on the critical aspects of doing business in the Netherlands, Belgium and Luxembourg for companies at all levels of business development. This guide covers:

- How to get started
- Belgian, Dutch and Luxembourg business culture and how it differs from Ireland’s
- Market research
- Routes to market
- Key legal issues, tax, and recruitment considerations
- Selling to the public sector in the Benelux countries.

**How it was compiled**

Originally written in 2013 and updated in May 2014, this report is based on the practical experience and knowledge of highly successful people in the market, by specialists in areas such as taxation, immigration law and marketing. It is informed by the lessons learned by the many Irish business people who have succeeded in the Benelux market, and this report also includes commentary from a number of these people.

Access: Benelux is intended to be of use to a wide audience, from companies thinking of exporting to the country for the first time, to those already selling in the market and wishing to examine strategic options for further growth.
CRITICAL SUCCESS FACTORS
2. Critical Success Factors

“\nWe expect the Benelux to remain one of our top three markets over the coming two three years in terms of priority and size. Depending on your sector, the level of competition and the size of your own market, Benelux is a very accessible market for Irish companies. But you have to do the research.\n”

Steve Conlon, Director of Business Development, Flashpoint

Introduction

One region, three countries, and arguably five markets: Benelux is more complex than it first appears. As outlined in chapter 1, Enterprise Ireland groups the markets together as one, but in reality, Benelux is a political term. While the area is quite small in geographical terms (see chapter 3), it’s advisable to segment it in order to focus your sales efforts more effectively.

Belgium is a federal country divided into three different regions: Flanders in the north, Wallonia in the south and Brussels-Capital-Region, each with its own budget, regulations and language. Belgium has three official languages (Dutch, French and German) so approaching a certain sector often requires some local knowledge. The Belgian capital, Brussels, is also the de facto capital of the European Union.

The Netherlands is the most populous of the three countries, with more than 16 million inhabitants. The Grand Duchy of Luxembourg is increasingly a magnet for financial services firms, and providers to that sector. It has a population of around 537,000 people.

This chapter addresses some of the perceptions and misconceptions you are likely to encounter when doing business across the Benelux region. It’s intended only as a broad guide: the nuances of a culture can’t be so easily summed up in a handful of pages.

Business culture and practice

Collectively, the countries are home to a very international business community based there, in contrast to other nearby markets which by virtue of their size are frequently more inward-looking. Much like Ireland, Belgium and the Netherlands are primarily SME economies. However, the business climate is dominated by large multinationals. There are important differences between, and within, the Benelux countries. As a general rule, Belgium tends not to be an early adopter market, whereas the Dutch are more likely to pioneer and are more open to innovation and new products.

Language in the Benelux market

Many Irish companies have found it’s not necessary to speak Dutch or French when selling into the Benelux market – surprisingly for a region comprising three countries where several different languages are spoken. For the record, EU figures show that 86 per cent of the Dutch population can speak English, even though it is not listed as an official language. Belgium has three official languages: Dutch (spoken in Flanders) French (spoken in Wallonia) and German (spoken mostly in the East). Geographically, Brussels sits in the north and the formal linguistic divide is to the south of the capital; however, much of Brussels is traditionally francophone, or French speaking. Luxembourg also has three official languages: French, German and Luxembourgish (Lëtzebuergesch). The number of foreign residents in the Grand Duchy is more than 44 per cent of the total population.

The same EU statistics show 52 per cent of Belgians speak English, as do 66 per cent of the population of Luxembourg. In practice, this means English is almost always the default language of
business throughout the region. Be aware that there will be exceptions to this, and when preparing for a meeting you should always ask in advance what language will be spoken. It shows you are aware of the nuances of the issue and are sensitive to the issues, which your prospects will appreciate.

Find out about the people you are meeting and if you’re not sure, don’t take risks: speak in English, and arrange a translator if necessary. You can still damage your chances with an unnecessary misstep: you should not greet a Flemish speaker in French – some of them may take offence. Others may insist that you only speak French to them, not English. In Wallonia, for example, meetings often use French as the default language – even where the group consists of nine Flemish people and one from Wallonia. Equally, although you may be making a presentation through English, it’s a good idea to translate any marketing materials you plan to leave with your prospects. If you are handing out a brochure to a company in Wallonia, use material that has been translated into French; in Flanders, translate it to Flemish/Dutch.

When in Belgium

As outlined above, Belgium is divided into three distinct regions. This report will refer to Belgium when making general points about the country, and will try to make distinctions, where appropriate, in order to take account of points of difference that are particular to Flanders, Wallonia or the Brussels region.

Be aware that you won’t always be selling into a Belgian company in Belgium: there is a high concentration of regional headquarters of multinationals in areas such as IT, telecoms and professional services. Be aware of the two distinct business cultures because of the difference between Flanders and Wallonia. Acknowledge the cultural and linguistic divisions in Belgium, but be aware they are not considered as a topic of conversation. It’s a good idea to take your cue from your hosts as to the formality and style of the meeting.

- Although third-party introductions are not necessary in Belgium, they often smooth the way
- Be aware that there are three distinct linguistic groups in Belgium, each with their own distinct culture
- In Flanders, business organisations are usually horizontal in nature with simple structures where management participates and consensus is sought
- Walloons favour structure, formal organisation, clear hierarchical systems and leadership from the top
- Rules and procedures are important to Walloons, as are job titles and rank
- With Flemish and German speakers, address them as ‘Mr’, ‘Mrs’, ‘Ms’ or ‘Miss’ and their surname
- When meeting French-speaking Belgians, use ‘Monsieur’, ‘Madame’, or ‘Mademoiselle’, followed by their surname
- In Belgium, first appointments are usually more social in nature, to establish a rapport and develop trust ahead of a possible business relationship
- Belgians take punctuality for meetings very seriously. Call to explain if you are delayed
- Belgians are known for compromise, negotiation and common sense
- Personal appearance is important in Belgian business culture; being well dressed creates a good impression
- In a similar vein, many Belgians appreciate high-quality graphics in presentations and marketing material
For meetings, the Irish ‘storytelling’ approach is appreciated in Belgium. Presentation software on a tablet device is useful for small settings, but otherwise it’s best used only for bringing structure to a meeting.

Clear facts and figures are valued.

Belgians prefer subtlety to directness.

Belgian people appreciate detail and good presentation; catalogues or brochures should be pristine.

When in the Netherlands

With a history of trading as merchants that dates back centuries, the Dutch are sophisticated and experienced businesspeople. From an Irish perspective, the Dutch negotiating style can seem direct, and at times even confrontational. Some Irish companies report being asked ‘why did you call us here?’ when meeting a prospect in the Netherlands – even though the discussion subsequently moved along, and the customer bought the product.

Dutch people tend to be direct, giving straight ‘yes’ and ‘no’ answers.

The openness to business works both ways: if the customer or prospect wants more follow-up such as prices or specification documents – indicating interest – you will know straight away.

If your product or service is not of interest, this will be made clear to you on concluding the meeting.

Initial meetings in the Netherlands are likely to be small in number, possibly involving just two people.

In certain organisations, the subsequent decision-making process may take longer, as the Dutch style is to arrive at a consensus before progressing.

Getting a meeting in the first place may be difficult unless there is a clear rationale for it; culturally, the Dutch like to plan and use their time well.

If you are using a meeting purely for general research, you may ruin a potentially good contact. In the Netherlands, you should try and create a situation where all parties benefit.

Set the agenda for meetings in advance: Dutch people prefer meetings with a clear objective.

Small talk at the start of meetings is kept to a minimum; Dutch people like to get down to business quickly.

PowerPoint presentations aren’t recommended for anything other than large groups, as it tends to make the discussion too static.

If you are giving a presentation, keep in mind that discussion is valued in Dutch culture, and people in the Netherlands like to give their opinion.

Punctuality is extremely important at meetings in the Netherlands; if you are delayed for any reason, it’s good practice to call and notify your host.

Dutch people take a poor view of lateness as it suggests unreliability.

Dutch business culture favours facts over emotional arguments – be prepared to support any claim you make with objective data.
• Proof that a product or service can save a verifiable amount of money will get a favourable hearing in the Netherlands. Frame your proposition in terms of what it does for the customer.

• In the Netherlands, you will be taken at your word. If you agree to something, the Dutch person will expect you to do what you promised, and to do so on time.

**NEED TO KNOW**

Although football fans refer to the country as ‘Holland’, the correct term is ‘the Netherlands’. In reality, Holland is just one region to the west of the country that includes the cities of Amsterdam, Rotterdam, The Hague and Haarlem. It’s often used interchangeably with the term ‘the Netherlands’, but some Dutch people – particularly those from outside the region – take offence at this. It would be like calling Ireland ‘Munster’.

**When in Luxembourg**

Privacy and reserve are two hallmarks of people in Luxembourg. Befitting a small country, personal relationships are important but these take time to develop. French and German are the official languages of Luxembourg but most of the population speak Luxembourgish.

• In Luxembourg, businesspeople develop personal relationships with the people with whom they conduct business

• There is a hierarchical culture in Luxembourg, making it important to show proper respect and deference to people who have attained positions of rank

• Appearing impatient can be a barrier to doing business in Luxembourg

• Although more direct than many cultures, people in Luxembourg usually prefer tact and diplomacy when speaking and expect the same in return

• Punctuality for business meetings is valued highly in Luxembourg: your hosts will arrive on time and expect you to do likewise

• Meetings tend to be brief, with little chit-chat. Luxembourgers prefer to begin the business discussion straight away

• People in Luxembourg keep their business and private lives separate.

**NEED TO KNOW**

There is a lot of awareness of and curiosity about Ireland’s economic situation throughout the Benelux countries and for this reason there can be a reluctance to enter agreements with Irish companies. To overcome this, it’s a good idea to include some slides about Ireland in your presentation to prospective clients. Equally, it’s also important to show your presence in other markets and demonstrate that your company is diversified.

At the start of discussions, Irish companies should ask the question directly about how the prospect company’s decision-making process works. It’s a good idea to ask for clarity to understand who in your prospect’s organisation has the power to sign off on what is being discussed, and how many people may be involved in this process. This saves time and unnecessary meetings by understanding the other company’s way of making decisions. The risk is that your counterpart may say ‘yes’ in a
meeting but then come back with some modified terms to be negotiated. In Belgium, for example, the decision-making process may not be direct and is likely to involve many people before moving forward with a proposal.

NEED TO KNOW

A pitfall for some Irish companies has been in getting stuck too long in the pre-sales phase, where the prospect company asks for too much prior to the deal without any cost to them. It’s important to be proactive at this point and make clear the separation between pre-sales and the start of actual business terms. Say how far you are prepared to go during pre-sales but then state your commercial terms clearly and let the customer know when invoicing will start.

CASE STUDY: Bringing Irish experience to the Benelux market

Hans Peeters, Benelux General Manager, PM Group

Founded in 1973, PM Group is now one of the most respected engineering, design, architecture, project and construction management firms in the world. Since its first project in Benelux in 2004, PM Group’s sales have grown to €30 million in 2013 and the company employs 140 people directly in the market out of 2,100 worldwide. Over the past ten years, Benelux has accounted for 20 per cent of the company’s total worldwide revenues.

www.pmgroup-global.com

When did PM Group first consider working in the Benelux market? Was it a response to a business opportunity or part of a planned strategy?

Our business development strategy is customer-focused. Our clients are blue-chip companies, mainly American and European multinationals, which we follow worldwide at their request. We were asked to provide the same high level of service for a project in Belgium and this started in 2004. Belgium has a very mature life science industry, and this project opened more opportunities for us, so it was a logical step to establish a local subsidiary, PM Group Belgium NV. Over the past ten years, we have grown in an organic way and we have been involved in over €1 billion worth of investments in Belgium, mainly for biopharmaceutical multinationals including Genzyme, Janssen Pharmaceutica, GSK, Pfizer and Merck Sharp & Dohme. We have one big data centre project in Belgium for a confidential client, and I think there is more work to come in this space. We have also worked in the food sector for FrieslandCampina in Holland.

What advice would you give to other Irish companies that may be thinking about coming to the market?

The Benelux market in general is very well served and competitive. To be successful, you have to focus on your specific strengths – your USP – and not on areas where you can’t make a difference. The other thing is that we started with a local partner. Consider teaming up with a local partner to learn the market and spread the risk. It’s part of our business model to team up. We have a local engineering partner in Belgium that supports us when required with engineering and construction resources. This collaboration also generates new leads and new business for both partners. It’s pretty useful because in the beginning, you don’t know the culture and the local rules in a market. With us, it was a gentleman’s agreement – and we still work with that partner today. Most of those €1 billion projects I spoke about have been in partnership with them.

Of course, selecting the right partner is important. We talked to a number of companies and it is important that you share the same business, but it has to be a win-win for both partners. The size of
the company is important. Our Belgian partner is smaller than us. We bring in the worldwide expertise we have, because we are a global company, and they bring in the local knowhow. We only signed up with them formally in 2009. For the first five years, we had a loose partnership but a very good one.

In an open market like the Benelux region, which matters more: major projects with multinationals in Ireland that showcase what you can do, or local reference customers?

Both are important. Of course, it starts in Ireland; if you have done a project for a multinational in Ireland, you will almost automatically have the opportunity to bid for a similar project within Belgium or Holland. I think multinational companies all have a similar attitude in how they decide, but between those regions, there are some common factors. I would say that the local culture is risk averse. The key thing is to build trust. I think there are a couple of things that are important. We have to have references. What’s also very important is that you have the flexibility to adapt to the local culture and that you can show your added value; you need selling points to show your customers. The more local elements you can add to whatever you’re selling, the better, because decision-making is usually done by the local people. Having a local partner involved in your project always helps. It gives a kind of feel-good factor, and it’s also a question we get asked by clients: ‘how many local people do you have on your team’?

It’s not that if you deliver a project in Ireland that you can do the same in Belgium. There are always local factors to take into account if you want to win the business: knowledge of the local market, knowledge of the local building codes and legislation and people who speak the language and are familiar with the local culture.

What are your observations about the business culture and how it differs from Ireland’s?

You have to be aware that despite sharing the same language (Dutch), Belgium and the Netherlands are different cultures but that they get along very well. Compared to Ireland, the business style in Belgium would be somewhat more informal and less procedural. There is a saying in Belgium that ‘the meeting starts after the meeting’. Teleconferences are not so popular, certainly when in a foreign language. Face-to-face communication is preferred.

The Netherlands has a very open, debate-based culture, there are more meetings and the people use very direct communication. In Belgium, you also have to be aware of the differences between Flanders in the North where Dutch is the official language, and Wallonia in the South where French is the official language. You could say that in Flanders business attitude is more Germanic, structured and hierarchical, whereas in Wallonia it’s a little more Latin – even less formal than in Flanders and more family-oriented.

How did you research the market?

We worked closely with Enterprise Ireland to explore the Benelux market and meet potential partners, clients and competitors. At the local level, we collaborated with Flanders Bio (Flanders) and Biowin (Wallonia) to identify and get in touch with potential new clients in the life science sector. At the Government level we had the support from FIT (Flanders) and Awex (Wallonia). In the Netherlands, we were advised by the Netherlands Foreign Investment Agency. We also took active participation in the IBBA [Ireland Belgium Business Association] whose main purpose is to facilitate and develop business between both countries. This leads to new sectors, clients and opportunities. We also participate in the INBA [Ireland Netherlands Business Association].
CASE STUDY: Starting in the Benelux market

Jon Andrassy, Export Sales Manager, LED Group

Designing and manufacturing products under the ROBUS brand of commercial, residential and retail LED light fittings, the company was established in Dublin in 1984. The group’s Rotterdam office serving the Benelux market is one of three locations serving the company’s export customers, stocking a combination of catalogue items and local product requests.

www.ledgrouprobus.com / www.robusdirect.com

When did you first consider selling in the Benelux region and how did you go about it?

Benelux is not our first export market – we had already been selling in the UK. We approached our main European customer who had a division in the Netherlands and presented to the marketing manager who loved the concept and wanted to move forward in introducing our brand. This was blocked at senior level. He then approached me to set up our division in Benelux which we proceeded to do. You’ve got to change your aim when you first deal in a new market. What’s more valuable than an order in the first six to 12 months is the information you gather; that comes from asking open questions, knocking on doors but not expecting an order, and listening more than talking. You’ve got to be prepared to take the rough with the smooth and listen to what you don’t always want to hear. At the same time, don’t just throw the baby out with the bathwater. It might be that one product you have doesn’t suit, but others will. For example in Holland, white-coloured down-lights are very popular, so if you’re taking shiny chrome finish, that won’t work.

You’ve got to walk into your customers with your eyes wide open: with one eye on them and one eye on their stocks. Look at your customer’s point of sale and see what’s been delivered by your competitors. It’s also about asking the customer for advice. There’s nothing wrong with asking them: ‘We’re looking to come to the market. Can you help?’ You can’t go in there with too much of an agenda. We also had some additional incentives for being one of the first customers to take our product, such as a one-off discount to say thank you.

How have your sales grown since you started there?

From a low base, we had a significant start for the first three years, then stagnation for two years, followed by moderate growth for next trading year and now significant growth of 20 per cent per annum in the last two trading years. Our preferred method for generating leads and new business in Benelux is visiting identified electrical wholesalers that we would classify as our ‘sweet spot’ customer – that is, one where we currently deal with the sister company in other markets, or one where the business owner makes the decision.

How easy or difficult was it to reach buyers and decision makers within your target organisations in Benelux?

I would rate it as 6/10 in difficulty, but our home market for finding new customers would be 4/10, so it’s not significantly more difficult. There was no big surprise here in getting our first sale: initial time to get a proper order from a customer in a new market was between four and six months. Researching to find out about customers and competitors was mostly done on the ground in the marketplace. We created brand awareness for our business in Benelux predominantly by getting products listed and stocked by our key target customers and being included in their publications under our brand name. We also purchased information from an independent research company, with all the trading data from our market sector in Europe.

What are the secrets to appealing to customers in the market, and what have you observed about it generally?

One: having a good person on the ground. Two: having the right product quality and price and making it easy to do business with you. On a personal level, the people are very straightforward to deal with. The Benelux market is not only price-driven: you can win on technical specifications, things like packaging are important and I think one of the biggest things for the Benelux market is service and
delivery. We have a global contract with DHL for delivery and that’s managed from our head office in Dublin. We use air freight rather than sea, because we can deliver in two to four days.

I’d say the biggest key is, tell your customer what your service is: not what you’re hoping to achieve, but what you can actually provide at this moment in time, because if you don’t do that, you’re going to upset your customers very quickly. It’s important for our market. We’re dealing with wholesalers and they’re dealing with customers so you’ve got to understand the consequences of your promise.

**Are there any major barriers to entry that people should be aware of?**

You might find there are some small product specification requirements. Although this is the same in most markets, adequate research is required to ensure the product fits the market. You’ve got to identify that your product fits to what customers need. To do that, you’ve got to have thick skin, and ask the questions that you would not normally necessarily ask. You’ve got to be ready to take criticism – ask customers ‘is this suitable for your market and if not, why not?’ You’ve got to take a full 360 degree view of the market, and you’ve got to do that for some period of time. You have to eradicate personal opinion over market perception.

**What advice would you give to other Irish companies that may be considering the Benelux market?**

Make sure your product is 100 per cent tried and tested and you don’t have even a small percentage of failures as this will damage the brand. You must have a national on the ground, and have internal support who can speak fluently in Dutch.

If you’ve got something unique to offer that can not only save money but improve your customer’s ability to make a profit, this market is definitely worth pursuing. You would start with Holland, and then develop into Belgium, you would need a second person in the market because of the language barriers. But it’s definitely worth doing, but you’ve got to be prepared for to be patient for decisions to be made. The Dutch like to analyse fully before making a decision, so the more information you give them, the less time you’ll be waiting for a decision to be made. Our trademark for any new market has become the three P’s: patience, persistence and perseverance.
STARTING IN THE BENELUX MARKETS
3. Starting in the Benelux market

“
The first thing you can say about the Benelux market is that is readily accessible from Ireland. And as they’re relatively small countries, you can do a lot of business in relatively small geographical spaces which you couldn’t do in other countries.
”

Brian Fogarty, Director of Sales and Strategic Partnerships, Pixcelldata

Introduction

Much of the attraction of the Benelux countries as a market lies in the concentration of large numbers of companies and decision makers in a small geographical area. Conversely, as long-time exporters, the Benelux countries are sophisticated markets where your offer will need to stand out from the crowd in order to be noticed. Thorough research is vital to understanding where the opportunities exist and how best to take advantage. The proximity of the market makes it ideal for combining desk-based research with meeting partners and potential customers.

Geography

At just 74,760 km², the Benelux countries are collectively of a similar size to Ireland, but that doesn’t tell the full story. The countries are much more densely populated than our own, with close to 28 million inhabitants combined. Moreover, from a business perspective, the region is a decision-making centre with more than 320 EMEA headquarters of multinational corporations based in the region and more than a thousand corporate head offices overall. Many Irish companies target the European headquarters of multinationals in the region, having sold successfully into the same corporations in Ireland.

Within a 300km radius from the region’s eastern seaboard, there is onward access to almost 80 million consumers, and five European capitals, making it an ideal strategic gateway into continental Europe for export-focused Irish firms.

The Benelux region is on Central European Time: that is, one hour ahead of Ireland.
Getting there

Belgium and the Netherlands are both extremely accessible from Ireland, with multiple flights most days from Dublin, of usually around an hour and a half’s duration. Since 2014, there are four flights a week between Dublin and Luxembourg with Luxair. From Dublin, Aer Lingus serves Brussels and Amsterdam. Ryanair flies from Dublin to Eindhoven and Maastricht in the Netherlands and Charleroi in the southern part of Belgium.
Belgium. Some flights are also available from Cork. Other flight options can also be found through travel aggregator sites such as Ebookers and Skyscanner.

Where to go

Belgium’s location and wide network of roads, rail and inland waterways put many of Europe’s biggest cities within easy reach and makes Belgium a major logistical centre, with easy access all across the continent. The port of Antwerp is the second largest in Europe and fourth in the world. Canals are another very important transport option for industry, providing seaport access for inland industries. In fact, it is possible to travel by barge from Antwerp across Europe to the Black Sea. Brussels is an international business hub and is an obvious focus for those selling into the EU institutions.

Belgium has also attracted NATO and SWIFT, the bank clearing house. Antwerp is strong in the chemicals sector, while Belgium generally has made great strides recently in the life sciences sector and it is now Europe’s second largest pharmaceuticals manufacturer.

The Netherlands similarly styles itself as a gateway to Europe; Rotterdam is Europe’s largest port by total freight shipped. The transportation infrastructure is highly developed and Amsterdam is a major decision-making centre for a range of sectors. Much of the business activity centres on the 50km region known as the Randstad – covering Amsterdam, Rotterdam and the official capital The Hague. The agriculture sector is strongest in the north, while sectors such as electronics have a hub in Eindhoven, thanks in large part to the presence of Phillips.

Early-stage market research

When undertaking early-stage market research for the Benelux region, it’s worth looking to answer questions such as market landscape and structure, trends, target customer profiles and identify competitors.

- What is the structure of your target market?
- What are the major trends in this market?
- How do your target customers buy?
- What does your ideal customer look like?
- Who are your competitors?

The following information sources might be useful. Be aware that in Belgium, in particular, the country’s regional structure can sometimes make it difficult to obtain data about the country as a whole.

Belgium
The Federal Government’s portal has an English-language site. While much of the site is concerned with general life in Belgium, there are links to sections about working in the country, as well as creating and financing a company there. The Dutch equivalent is more obviously tourist-oriented but still contains useful information about the main cities in the Netherlands.

Flanders Investment & Trade
The Flanders Government agency acts as a contact point to put readers in touch with Flemish companies serving the northern region in Belgium. This site, available in English, includes sourcing guides, a list of trade events in the area, news on the general economy as well as specific sectors and industries. It also publishes guides on setting up in Flanders, legal steps for foreign employees in the region, and it provides a database of suppliers in the market. A slightly different version is also available at www.flanderstrade.com.

Wallonia Export & Investment
AWEX is the agency tasked with promoting investment into the French-speaking southern half of Belgium. Its site includes an interactive map, a list of services available, a directory of events and a profile of key sectors as well as outlining the region’s “Marshall Plan” for economic development.
Brussels Invest & Export
This is the English-language version of the Brussels-Capital Region website to attract companies to do business there. It includes links on company types and registration, employment, an overview of the tax system and incentives, along with a database of advisors and foreign investors. The site also has information about the city as a strategic location and details about living and working in Brussels.

Netherlands Foreign Investment Agency
While aimed predominantly at companies looking to set up offices in the Netherlands, this English-language site nevertheless has a range of useful market information, including a regularly updated news section, information on logistics, R&D, marketing and shared services. The site also has a ‘resources and links’ section to answer frequently asked questions about doing business in the Netherlands, covering a range of topics from labour, tax and corporate issues to property, location and living in the Netherlands.

Luxembourg for Business
Managed by Luxembourg’s Ministry for the Economy and Foreign Trade, this site has market entry guides as well as a directory of companies and news about general exports as well as sector-specific information covering ICT, life sciences and logistics, among others.

The World Bank
Information on ease of doing business in Belgium, the Netherlands and Luxembourg is available from the World Bank, with high levels of detail.

Eurostat
The European Commission’s Eurostat portal provides a comprehensive range of statistical data including macroeconomic factors, GDP, employment levels, inflation rates and consumer prices, in addition to more closely surveying sectors ranging from internet usage and e-commerce to renewable energy.

Google.nl / Google.be / Google.lu
Rather than using the Irish version of the search page, visit Google’s Dutch, Belgian or Luxembourg homepages to get more relevant, focused results for your research. A good tip is to combine it with Google’s Translate tool: find out how to say your important terms in Dutch, Flemish or French, and then use those to refine your search.

Enterprise Ireland’s Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets. Please visit www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available, and for a database of sector-specific information that will indicate whether there is research available for the market you wish to target.

Networking in the Benelux countries
Connections through Irish networks can be valuable in becoming known in the market, and some of the main organisations are listed below. If you’re looking to sell into a particular industry sector, it’s also worth checking to see what chapters of international associations or clubs are active in the region, which can be valuable in establishing connections with key decision makers in a new market.

At last count, there are more than 1,000 such groups in the region, due to the international nature of many of the businesses operating there. These events are best suited to a slower approach rather
than the hard sell – taking a stand at a conference will help to make members aware that your company from Ireland is interested in pursuing opportunities in the market.

**Ireland Belgium Business Association**
Currently accessible online through LinkedIn, the Ireland Belgium Business Association aims to connect businesses people working between the two countries for mutual benefit. The group currently has more than 140 members.

**The Ireland Netherlands Business Association**
This group's mission is to facilitate business networking between member companies and individuals in the Dutch and Irish business communities. INBA works closely with Irish state agencies and the broader Dutch and Irish business communities in the Netherlands. Membership spans the business spectrum from international public companies to SMEs and semi-state organisations. It holds periodic networking events, and can be reached through its own website and via LinkedIn and Facebook.

**Belgian Luxembourg Chamber of Commerce**
Operating out of Ireland, this group can help Irish companies to find trade partners in Belgium and Luxembourg. Members can request to be regularly informed about trade proposals, applications for Irish people seeking work in either of the countries, as well as trade events organised by the Brussels, Flemish and Walloon trade offices in Ireland.

**Building market presence**

As an English-speaking region that is known for being open to being prospected for business by foreign companies, the cost of marketing in the Benelux countries should be less than in other European countries. There are smart ways to market your company cost-effectively using inbound marketing techniques, or social media. Video is also a good way to explain your product or service simply in a short, catchy format that gets to the point.

This material can then be supported with other media such as brochures when you attend trade shows or meet new clients in person. While English is widely spoken in the Benelux countries for business, it's worth having your marketing collateral translated into Dutch or French, as it shows a level of cultural awareness as well as commitment to the market.

**Web presence in Benelux**

More than 90 per cent of citizens in the Netherlands and Luxembourg have internet access and 80 per cent of Belgium’s population are online, according to Internet World Stats. Therefore, having a strong web presence in your new target market is critical to export success, irrespective of whether you operate in the B2B or B2C space. What's more, research has shown that companies looking for a new B2B supplier will have made about 60 per cent of their decision before making contact with or inviting proposals from potential vendors. Most of this initial fact-finding and due diligence is based on what they find online, which is why it is vital to have a competitive, compelling and highly visible web presence in your target market.

**Competitive**

- Who are your main online competitors in Benelux? How do they articulate their USP on their website? What is their approach to Internet marketing?
- What content and features does your website in Benelux have to provide so that it can successfully compete with its competitors online?
- What Internet marketing strategies do you need to adapt to stand out amongst the noise created by your online competitors in Benelux?
Compelling

- Trust and credibility: What content and features does your Benelux website need to provide to build trust and credibility in your company and offering, given your brand is likely to be unknown or less well known in Benelux?
- Culture: How can you adapt your Benelux site to the country’s specific cultural requirements?
- Language: What changes are required to written and spoken text on your website to adapt the language of the Benelux website to your target audience (see below)?
- Standards and conventions: What adaptations do you have to make to the website content and design with respect to standards and conventions in the Netherlands and Belgium?

NEED TO KNOW

Taken as a whole, the Benelux market is very open to doing business in English, so that localising your web presence for the market need not involve translating content into Dutch or French straight away. A minimum first step is to have a country-specific domain with local contact details – for example, companyname.nl/companyname.be. It’s cost-effective and also good practice as it shows cultural awareness of, and commitment to, the market. As your business develops, you should consider translating your country-specific website landing page and, at a future point, to localising it further.

Highly visible

- How do you optimise your Benelux website for the leading search engines in Benelux: eg, domain strategy, keywords, links?
- The Dutch top-level domain is .nl, the Belgian top-level domain is .be and the Luxembourg equivalent is .lu. It’s preferable for Irish companies to use one of these addresses when marketing in Benelux, as appropriate
- What other Internet marketing approach do you need to implement to make sure potential customers in Benelux become aware of and visit your website: eg, search engine marketing, social media, online directories, price comparison engines etc.?

NEED TO KNOW

Customer case studies you feature on your website need to be relevant to the intended audience, because of a connection to the Dutch, Belgian or Luxembourg markets. The more local these examples are, the better – if possible. If you are marketing to multinationals, you may be able to use a UK customer reference, or a large-scale customer in Ireland if you plan to target similar projects in Benelux.

“Working with an Irish company like Agtel made me realise that Irish and Belgian people have many great things in common, but one in particular is telling stories with impact. Every story is different, but a good storyteller always picks one that makes a point and that is relevant to the listener. How are you going to tell the story about your brand in the Benelux market?
Guy Ooms, Owner, Sigmund
www.sigmund.be
**Hard copy**

High-quality, well-produced marketing material such as brochures will be expected in the Benelux countries and they are a useful sales tool at events such as trade fairs. Your copy should focus on the benefit to the customer rather than the features of your offer.

**Social media**

Social media can be a useful way of building up and consolidating your contact network. According to ComScore, the Netherlands has the highest global usage rates for both LinkedIn and Twitter. Usage rates are considerably lower in Belgium and Luxembourg but both sites may still be a useful part of building your contacts in the respective markets.

**Trade shows**

There’s no substitute for face-to-face networking, and with such a confluence of international companies selling in the Benelux market and using it as a springboard into other European countries, trade shows are an essential part of your marketing mix. There are a range of conference venues in the Benelux region. RAI, the primary convention centre in Amsterdam, hosts a range of well-known international events such as IBC, Broadband World and the information security conference RSA Europe. Along with Barcelona, it is one of the continent’s leading business conference venues. Another listing for Dutch conferences can be found here. There is a portal site for trade fairs covering Belgium and Luxembourg at exhibitions.be.

Trade shows and conventions are an excellent opportunity to build on your desk research, allowing you to assess customers and competition up close, to validate early assumptions about the market and to build a sales pipeline. The key is to be focused as to which events to attend, and prepare a schedule in advance. If possible, obtain the exhibitor list and use it to plan who you intend to see; then set targets accordingly – whether they are prospects or potential rivals.

For more information on events in which Enterprise Ireland is involved, visit here.

**CASE STUDY: Research to understand the Benelux better**

**Steve Conlon, Director of Business Development, Flashpoint**

A high potential start-up with clients based mainly in Europe, Flashpoint provides technology and services to ensure efficient deployment and management of social media campaigns worldwide. Its flagship product BIONIC allows clients to automate management of large volumes of Facebook advertising campaigns. It started in the Benelux market at the end of February 2014.

**www.flashpoint.ie**

**What made the Benelux market attractive?**

The reason why we’re focused on Benelux is, the percentage that digital ad spend makes up of the overall ad spend is around 40 per cent, which is very high: in the average market, it would be 18-25 per cent. Other factors were the sophistication of clients in social media advertising, the number of our target ‘sweet spot’ customers in the market, and the lower level of competition in comparison to other markets and the accessibility of the market if we were to service it from our Dublin office. It was a huge benefit that English is widely spoken in Benelux, because when you’re in start-up mode, localising your product and hiring local speakers before you have established clients in the market is an extra cost you don’t have to take on – especially when you’re selling a technical product, using terms that aren’t commonly used, such as ‘cost per click’.

**How did you research the market to decide whether it was worth pursuing further?**

Our Enterprise Ireland mentor, Michael Banks, really pushed us hard on that. He saw the products and asked us what our target markets were. We were talking about Germany, the Middle East and
Australia, but we were just making assumptions on the level of competition there. Even before you go into the detail of a product, I think the most important thing is telling a client how you’re different to other platforms in the market. And the only way you can do that is by researching in advance the strengths, weaknesses and selling points of all your competitors. And before you start building the product and sales scripts, you need to identify two to three key differentiators that you will push with clients. You have to find out what they really need that they’re not getting. For us, that was: one, ease of use; two, team collaboration and three, intelligence in the platform.

The approach was a combination of the experience of our CEO, and from my doing the International Selling Programme with Enterprise Ireland. We listed 10 criteria for each markets, and went from there. I took ten different countries, found out their overall ad spend, and what percentage of that was digital, then researched the number of competitors, the number of key targets, and their openness. I found the data through a combination of the internet and the Enterprise Ireland market research centre, and then sourced information about our competitors through Facebook’s Preferred Marketing Developer centre which lists a huge volume of their technology partners. It’s open to any agency or advertiser to access.

How did you decide which route to market suited you best and how have you fared?

We had limited contacts in the Benelux market, or access to decision makers. The risk was if we decided to hire someone and they couldn’t self-generate sales. So we decided to hire a business development agency who we vetted and were recommended to us by Enterprise Ireland. This agency, Sigmund, were really good. They identified all of the target customers and key decision makers in those agencies, and they initiated a marketing and prospecting and arranged meetings for us. In terms of meeting clients, or demoing the product through webinars, we could easily facilitate the next stage of they decided to trial the product through our client services team in Dublin. Already, we have a good few clients from the Dutch market setting up to do trial.

The nature of our market is that you don’t require too much face time to secure customers. It’s also easy to get over to visit prospects from Ireland, and there are a lot of flights. One day I flew into Amsterdam, had two meetings, took a train to Rotterdam, had a 2pm meeting there, and then caught a train to Eindhoven for a 5pm meeting, and then flew home. It’s perfectly manageable. There are also good train connections between Amsterdam and Brussels. You can work on a train and the flight’s only an hour and half.

What’s the key to getting the most out of a partnership arrangement?

The problems and the risks of hiring a business development partner versus a dedicated salesperson is that you’re only a client and you’re not necessarily going to get 100 per cent focus of their time. Some companies set partners up on a retainer basis, but if that partner loses interest and is still getting the same money, that’s obviously not going to work. We were really careful about who we decided to hire, based on their track record. Enterprise Ireland had worked with them before and advised us. I’m from a sales background and so is my CEO and we were quite aware of the benefits and risks of a route to market like that. Enterprise Ireland’s International Selling Programme covers that point, and I have to say it’s quite a practical and useful course.

We based our partner’s remuneration around the targets we wanted them to meet. We set out very clearly how we wanted them to achieve that, and we set out a flat fee structure along with rewards based on certain targets achieved. It’s a win-win if they give our product more effort and focus. It’s about sticking to a timeline of what you want to achieve by then, and setting times to communicate with each other, once or twice a week. Usually, we have a brief phone call on a Monday morning talking about the week ahead, and on the Friday, talking about the week just gone. It’s very easy once you set all the objectives and the commercial side from the start.

How important will the Benelux market be for you, and what advice would you give other Irish companies before starting out?

I’d like at minimum to have 15-20 clients in the market and be coming close to being the leading social media and Facebook ads platform provider in the market. And also establishing a dedicated 1-2
people on the ground in the Dutch market, along with a client services team for that market in the Dublin office. The vast majority of our team will be based in Dublin in the coming years. Our technology and client services and account management will be based in Dublin.

We expect the Benelux to remain one of our top three markets over the coming two three years in terms of priority and size. Depending on your sector, the level of competition and the size of your own market, Benelux is a very accessible market for Irish companies. But you have to do the pre-research. You have to make sure the rest of the boxes are ticked. The most important thing you do has to happen before you even enter the market.

CASE STUDY: Business development in the Benelux market

Robert Shine, Director, Samco Agricultural manufacturing

Based in Adare, Co Limerick, Samco Agricultural Manufacturing produces and sells a three-in-one machine and degradable film to guarantee local farmers a crop of quality forage maize in cool climates. The machine sows maize corn seed, sprays a pre-emergence herbicide on the soil and lays a thin layer of degradable mulch film over the soil to protect the crop from adverse weather. www.samco.ie

What’s your preferred route to market in the Benelux region?

We were working with a big seed company, so we had contacts of people on the ground we could work with. We then contacted an agricultural adviser who pointed us in the direction of customers. We have eight dealers who sell the product on, but a lot of the work goes through an agent we have in the country, who takes the orders and does a lot of co-ordination. We have one agent in the north of the country who covers just the Netherlands; one agent in the west of Belgium, covering the Dutch-speaking part; and another agent in the east, in the French-speaking part.

What we did from day one was to get a trial machine, and we probably invested about €10,000 in the Dutch market to see the possibilities of the market. We did the same in each region in Belgium. Anything after that we could invoice for, the customer paid for. How we serve the market varies – the dealer in the French-speaking part of Belgium keeps stock, but our dealer in west Belgium only buys as he needs and in the north of Holland, the dealer buys to order and if there is any machinery left afterwards, he can be credited.

What was the cost in terms of money and time to build your business in the market?

The first two years were important because our sales are seasonal – you have one time a year to get it right as we plant the crop in the spring and have to wait until autumn to harvest the crop and know results. We probably made eight visits a year for about two days each time, in the first two years. We have probably scaled back since then, to about four visits per year. You’re talking flight costs and car rental, and these are a lot better than Ireland. We’ve found in the more rural areas, people are open and appreciative to meet you. They’ve no problem travelling half an hour to do so – they are willing to put some work on their side.

We didn’t anticipate how much resources we needed in returning technical information and undergoing technical trials. If I was going again, I’d be better prepared to do those trials earlier, rather than in the second or third year. You should be prepared for a little extra heartache and longer emails to get the technical information across. The Dutch especially prefer to have local trials and results to compare and they need to be technical to stack up afterwards to scrutiny.

What’s your preferred method for generating leads and new business?

Eighty per cent is working through the dealers, but you still have to have some understanding of the market, so we still attend exhibitions with the Samco name on a stand. We have no direct competition in the market – anything we have is new and different, so we have to work twice as hard because we have to convince people. In the Netherlands, they don’t mind being innovative but they have to have
the backups and the ability to show that you can do what you say. If you claim your system increases yield by 30 per cent, it had better do it by 32 per cent to be sure.

**How did you research to find out about customers and competitors: were you able to do some of this from Ireland, or did it involve spending a lot of time travelling to the market?**

There was a lot of desk-based research, as we had to find out what capacity there was in the market. We’re only based in the top two provinces in the Netherlands, which was our first region before starting in Belgium. We wanted to pinpoint more accurately where we had to go. We had to justify our staff time as well. I would say it took a lot of desk work first, but there’s nothing like marching the pavement and seeing the market out there. Only you know your product, and if you can see the market, you get a better understanding of where it fits. It was the same as when we went into Belgium and further to France and Canada – we target an area and get it right. You can fire a double-barrelled shotgun and chance everything, but it’s better to target, for example, five key areas.

When we came back, we understood the mentality of the area, and what farmers were paying for crops. By going and speaking to these guys, and going to a trade exhibition, it gave us an idea of how to position ourselves in the market. Seeing the soil type and meeting the farmers was important: it was about matching what they wanted with what we could offer. We had to change the benefits we spoke about in the south, because the soil is different and the harvest is later.

**What are your impressions of the market, and what advice would you give to other companies?**

It can be very technical with the Dutch: they require papers and trials. They’re such a high-output agricultural sector, so they have to have results and figures. In the Netherlands, we got our agent to apply for a local provincial grant to prove our technology would work there, and they got a large agricultural university at Lelystad to conduct trials and produce independently-supported figures.

I think the Belgian people are quite open: they are professionally relaxed, it’s not ‘business, business, business’, but they are keen to have things just right. In the Netherlands, they would be a little less open. At the end of it all, both countries are quite forward thinking, quite outgoing, and they do ask questions. I wouldn’t take offence if I was asked a direct question: I take it that they’re trying to fix a problem or clarify an issue for both sides.

My advice would be to have your figures correct and don’t blow the figures out of the water. Be very professional, be organised, and be on time. They’re very direct and precise in their meetings; there’s not so much small talk unless you are in rural Belgium. Be able to give technical information back when they ask a technical question – and don’t take a month to reply to a question they ask. Preparation is nine-tenths of the law."
CASE STUDY: Preparing to export to the Benelux market

Derek Conway, Operations Manager, Iron Images

Founded in 1989, Iron Images specialises in design, manufacture and installation of high-security steelworks products such as prison cell windows, ballistic security windows and heavy-duty security doors for clients including prisons, detention facilities, police stations, mental health units, banks, transaction counters and areas with high security concern. Its work in Belgium came about after its security window product was specified in tender documents for four prison building projects. Since then, the company has doubled sales in the market and been approached for work in other countries. www.ironimages.ie

How did you prepare for the possibility of having to scale the business quite quickly if your export sales took off?

That was a big thing for us: there was talk at one time that these three projects had to start at the exact same time and we thought, ‘how are we going to manage it’? And we didn’t want to jeopardise the relationship with all our Irish clients. Through Enterprise Ireland, we went through a lean business programme, where a specialist came in to evaluate our material ordering, to the manufacturing, planning, assembly work or preparation of units, the delivery and installation on site in Belgium. We structured that so we understood how long it took to move a quantity of windows through our whole facility and have a finished product. Once we realised what our capacity was, we decided how many production lines we would need.

As it happened, the contracts happened separately so we didn’t have to expand our floor space capacity to facilitate the large volume of work. So we re-structured our facility and increased employment to accommodate the work but it was important to have contingency plans in place to be able to scale up if required. Our three clients in Belgium all knew the other projects were going on. They came back at different stages to meet us in Ireland. We showed them our facility and we said ‘if we get the three projects, here’s how we’re going to do it’. Some of them wanted to see our suppliers’ facilities too, so they went back to Belgium, confident that we could supply if all projects happened at the same time.

What’s your preferred method for generating leads and new business in Benelux?

We work closely with a local consultant in Belgium who is bilingual and we used Enterprise Ireland’s contact base and our current relationship with each of the various building contractors, to generate contacts and leads to target the personnel responsible for each of the new developments and projects that take place.

How did you source your in-market consultant?

Through using Enterprise Ireland’s Brussels office and the Enterprise Ireland Strategic Consultancy Programme to source suitable candidates, we chose the preferred consultant based on reviewing CVs and we decided on someone who we thought had the best background and would best represent our company in Belgium. We found someone who was very technical and who knew about the construction trade and had relationships with Irish companies in their areas. Enterprise Ireland’s Strategic Consultancy programme helped to part fund the consultant which was a great benefit to us. It was very hands-on and technical from day one as we needed our potential Belgian clients to gain confidence in us and our business so they could be confident in placing an order that we would be able to deliver. We had meetings arranged in their offices at the start and then we brought over a sample of our product and demonstrated it to them in our consultant’s office. We were in constant email and phone contact and also in Belgium once every month or two, for intensive consultations and meetings and in the meantime, our consultant worked on our behalf. There was a lot of responsibility put on him, but we were confident that he could work on his own expert initiative. Our clients were very comfortable with working that way for language purposes but they also wanted to have direct contact with us directly so they knew they could always speak to the source.
With the benefit of experience, is there anything about your business in the market that you might do differently if you were starting again?

We did not envisage such a long period of time before we received an order, so I would have strict structured budgets before entering new markets again, based on the lengthy periods to get orders and the financial gain at the end. I would have spent more time on market research. You need to ensure all test requirements are reached so you don’t go six months down the line and have to do more expensive testing. Although our Limerick prison window was specified in tender documents, we had to have our products approved to the local Belgian prison standards before our clients could place an order. It was a long approval process in which we had to manufacture samples, deliver to Belgium, send over employees to install in mock up cells, organise consultant to visit the locations, organise the testing authorities and test days. All this had costs in excess of €100k which would also include your own personal time, flights, accommodation, expenses and so on. Thankfully, we secured all local testing requirements. There were other tests for acoustics and daylight control, and we used the Limerick Institute of Technology to do those tests in Ireland which they could certify.

My advice would be to structure out a full budget plan, and ask yourself: what if I don’t get an order in 18 months and I spend €100,000 – can the company take it? Research the area well, and agree a suitable fee with the consultant that is affordable and of value to the company. You don’t want to be in a position that you are six months into the project and realise you can’t pay them after them building up contacts. We used company finances to fund this at the start and we had multiple prison projects to look forward to which would provide a return eventually.

From the projects we have completed in Belgium, we now use them as our signature buildings when entering new markets across Europe to show we have been able to deliver on time and to a high-quality finish, meeting the local and European standards. It has been a great benefit to us to have succeeded in Belgium which will inevitably open more markets for us. We look forward to the challenge.
4. Routes to Market

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You’ve got to change your aim when you first deal in a new market. What’s more valuable than an order in the first six to 12 months is the information you gather; that comes from asking open questions, knocking on doors but not expecting an order, and listening more than talking.

Jon Andrassy, Exports Sales Manager, LED Group
"
Keep in mind the cultural differences between the regions in the Benelux market: this may necessitate having to employ different agents depending on the region you intend to target.

CASE STUDY: Developing reseller relationships in the Netherlands and Belgium

Brendan Carroll, Head of Marketing, Episensor

*Formed in 2007, EpiSensor applies wireless sensor networks to reduce its customers’ costs, particularly energy costs. Focused on exports from early in its development, EpiSensor sees the appointment of resellers as key to the growth of international sales.*

www.episensor.com

What has your experience been so far in looking for resellers?

We have been working very closely with three in the Netherlands and two in Belgium. We don’t give exclusivity, we use lead registration. It is very important for EpiSensor to clearly understand how the reseller delivers value to its customers and to clearly agree how EpiSensor’s products can contribute to delivering that value. That clarity will impact right through to the customer and will ultimately reduce the sales cycle and deliver value quickly to the end customer. A reseller relationship that is working quite well is a company called Sun Solutions: their core expertise is consultancy in energy saving. The fit between our companies ticks a lot of boxes: they can offer the full suite of services while our system efficiently carries out energy monitoring. Sun Solutions transforms the data from our system to information using eSight Energy software, they analyse that information using their deep knowledge and experience and define energy saving actions for their customers, which releases value to the customer in the form of increased energy performance and reduced cost.

Sun Solutions translated our website into Dutch: with their assistance, we now have episensor.com/nl. There is a lot of proper marketing, mailshot and phone campaigns going behind the product, but it is still in the early stages. The website translation was the first step; the next was to work with their support team. Good technical translation costs money: it includes proper, relevant information, done by people already in the industry. All of our product literature and collateral has been translated by them, they have our price list, so they now how to quote our goods without having to come back to us. We have grown Dutch sales in 2013 by linking with excellent partners. We have great expectations to double or triple sales in 2014.

What have you learned about this process?

Appointing a reseller and getting to know them is not something that happens overnight. It’s positive, it’s going well and we have achieved a lot in a short space of time. Improving energy performance and reducing cost through energy saving has been an objective for a long time, but recently a clear consensus seems to be emerging as to how those objectives are achieved through a four-step process of producing accurate data quickly from monitoring systems, using software to mix financial and KPI data to produce information, using energy analytics and expertise to define energy saving actions and finally executing those actions to release real customer value.

In order to get mindshare, you have to work at it. You need to invest money in visiting them but also in training: you need to win them over at every level of their organisation, not just sales. You need to win over the technical team. That means regular contact: phone calls, face-to-face meetings, webex conferences and even time over a meal where you can relax and you have time to talk. Last year, we attended Energie 2013 in Den Bosch. That was an important point in the relationship, to be appearing on one stand, jointly prospecting customers.

You’re also working with a consultant in the Belgian market. Can you explain why?

In Belgium, we are working with a couple of people: Enterprise Ireland located a consultant to work for us, trying to identify new resellers and end users. Initially we felt that we had enough people lined up
to be our reseller that there was no need for a consultant but in reality, not all of the leads are delivering regular orders.

What are the main differences about doing business in the Benelux countries compared to Ireland from a cultural perspective?

Dutch people tend to be very straight and that, I think, is a huge plus because you don't waste time. You don't get the 'nod' that you can get in other countries. You might not like the openness and the frank conversations, but it’s something I welcome immensely because if you know of an issue, you can address it. I much prefer that ‘in your face’ positive or negative comment because you know where you stand.

The availability of the Internet and modern communications has transformed how companies do business remotely from their locality. Despite this, regular face to face meetings are vital in building a long-term reseller relationship. I think at least two visits per year is the minimum that’s required. It’s relatively easy to make progress in the Benelux region. They are very open minded, straightforward people to deal with. The other side of that, which the Irish need to learn, is that in return you must be extremely straight with people from that region. I think they much prefer a yes or no answer to a long debate that’s diverting from the truth. This thing of saying 'I'm likely to be a month late' goes down a lot better than 'we're doing our best to get it delivered' or 'we'll be back to you shortly' and missing that target. The honesty that you give, you get in return as well. When signing a contract in the Netherlands, there’s often no opening a bottle of wine: it was just water and sandwiches, very much matter-of-fact and down to business. You agree and you implement. It’s the logical next step. Belgium is a lot like France where the social aspect is very important. You really do need to achieve the personal level of the relationship to ensure things move to the next stage.

Partners

Partnership agreements with an established company in the Benelux countries can be a way to gain a foothold in the market or to build sales opportunities in sectors that might be difficult to crack as a new entrant. Ensure you have a proper partnership agreement in place, setting clear targets for each party and outlining responsibility for particular functions such as co-operative marketing. Enterprise Ireland can help with identifying potential partners. Keep an open mind on the type of organisation you plan to work with – it could be a company where your product or service would form part of a wider solution.

Distribution/logistics

The advantage of a distributor that purchases the product from you and then resells it in the foreign market is that it has an extensive list of leads and potential clients, a strong distribution network and facilities to serve large areas. Belgium and the Netherlands, in particular, are extremely well served in this respect, with the ports of Rotterdam and Antwerp ensuring easy access for physical goods into the markets, and established routes onwards to Germany and France if needed. Enterprise Ireland’s offices in Brussels and Amsterdam can assist in identifying distributors. Once that initial contact has been made, it’s important to maintain regular contact with distributors which are effectively representing your brand in international markets. In the past, some Irish companies have focused on getting to the deal but that’s only the start of the work.
When cultivating relationships with distributors or agents, regular contact is essential both by phone and e-mail and meeting them frequently is also advisable, particularly as the market is within easy reach from Ireland. Keep in mind that distributors are likely to be carrying multiple product lines, some of which may compete directly with your own. For that reason, your company is competing for mind share with a direct rival. It also a common mistake not to provide marketing support to the distributor in country. Don’t leave this as an issue for your distributor to sort out: this risks them seeing you as too much work for too little return and business which you could be winning goes instead to your competition.

**NEED TO KNOW**

When cultivating relationships with distributors or agents, regular contact is essential both by phone and e-mail and meeting them frequently is also advisable, particularly as the market is within easy reach from Ireland. Keep in mind that distributors are likely to be carrying multiple product lines, some of which may compete directly with your own. For that reason, your company is competing for mind share with a direct rival. It also a common mistake not to provide marketing support to the distributor in country. Don’t leave this as an issue for your distributor to sort out: this risks them seeing you as too much work for too little return and business which you could be winning goes instead to your competition.

**CASE STUDY: Working with distributors in the Benelux region**

**Niall Kavanagh, Managing Director, McKeon Stone**

*McKeon Stone has been supplying Irish limestone products to the Irish and European markets since the 1950s. The company has been selling to Belgium for more than 20 years and the market accounts for more than half of its total turnover. From there, it has also won sales with customers in the Netherlands and Germany.*

www.mckeonstone.ie

**What is your preferred route to market?**

We have a combination of some distributors covering geographical areas in Belgium, the Netherlands, and along the German border with Belgium – the Aachen-Maastricht area. There is a market for our limestone, probably within a 200km radius of Brussels. It’s a developed market. We also have a couple of customers where we would sell directly – larger customers that are stone companies that have a lot of on-going business, so it’s not just a one-off sale.

We don’t have a physical presence in the market. That was a deliberate choice: it was easier at the start to have a distributor and someone that knows the market, knows the customers, and can deal with them and can deliver and all of the things involved in having a stockyard and trucks for delivery. That would have been a big cost for us to take on. A lot of our distributors don’t just stock our stone, so there are economies of scale at work. It would have been difficult for us to set up a company just to work on our product. Our distributors would take weekly shipments, ordering as required – anything from three to five containers of stone per week, and everything is paid for after shipping, on an invoice basis. Transport to Belgium is about €900-€1,000 per container of around 24 tonnes of stone. It’s not a cost we have to absorb; the distributor pays that and then incorporates the freight costs in their price.

We do customer visits regularly, every two months for three or four days at a time. Usually while visiting I go and visit the end-users. There may be issues and you’re learning about opportunities and sometimes new products are required and they want to know if it’s something we can make or do.

**What are the secrets to impressing buyers in the market?**

Because we’ve been at it a while, we’ve probably jumped some of the hurdles a new company would have. I would say you have to earn your credibility in terms of what your capabilities are. Some Belgians might see Ireland as a nice tourist destination, but in terms of manufacturing, it wouldn’t have a very strong reputation. It’s very important when you start to do a good job, to deliver well and meet their expectations because if you don’t do that early on, you wouldn’t last long.

We’ve found people are very keen to come across to Ireland, so we do inward buyer visits. Most of our customers would visit us at least once a year and that’s certainly important. Or, we would always make a point of bringing any new customers over. It convinces them that we have capability and we
can do what we say. It opens their eyes to show them the set-up we have, and give them a comfortable feeling that it would be OK to do business with us.

What are the main differences about doing business in the Benelux countries compared to in Ireland from a cultural perspective?

First things first, they take their payment seriously and they pay on time, which is a huge benefit. And payment is done electronically – there are no cheques. The Belgians won’t get into something if they don’t believe they can fund it. In all the years we’ve been working in Belgium, the bad debts have been negligible. Beyond that, we’ve had almost a perfect record in terms of getting paid. That’s certainly a reason to be involved in that market. We found the Belgians, in particular, are quick to make their mind up and they’re efficient to deal with. Things aren’t strung out and there are no major delays in our experience. The culture is quite friendly. Fortunately, business has always been done in English, so that makes it very easy on us. They’ll speak French, or Flemish/Dutch, but language has never been a problem for us.

There’s not a huge amount of formality, particularly in our business. We regularly use email and Skype to talk to customers and have production meetings, which is very helpful. We’re constantly in touch with them. We use email a lot for transmission of data and drawings and files. It helps in terms of having records of transactions too.

What advice would you give to other Irish companies considering the Benelux market?

On the positive side of things, it’s very accessible as a market. There are lots of flights, it’s inexpensive to fly in to Brussels and it’s very well serviced as an airport. When I go there, I pick up a rental car. You can cover a lot of ground; it’s got a very good road network so you can go from Ostend into Germany in a day, and up to the Netherlands. Basing yourself from Brussels and getting a car for three days, you can get around easily on toll-free roads once you have a good sat-nav. That’s a big advantage of the country.

Once you’re there, you could potentially see a lot of customers in a short space of time. For someone starting in the market, you have to go there and meet people. Get on the ground and travel around – you can do that very efficiently and not take a lot of time to do it. The whole of Belgium is less than the size of Munster. There’s no substitute for pressing the flesh and talking to people. Much as we use Skype and email, you need the personal contacts and to build and develop those personal relationships. When you go and talk to people, you might learn things that you weren’t expecting, or you hear of other opportunities that might be outside of what you were thinking of, that could possibly work for you. You’re always coming back with something new or unexpected. I’ve found it very positive.

Joint ventures

Joint ventures and acquisitions can be a successful route to market in the Benelux countries, and a number of Irish companies have already used these options. In September 2013 the telecoms provider Digiweb acquired the retail assets of the Belgian internet service provider Mondial Telecom. The case study below outlines how Crest Solutions invested in a complementary machine vision company based in Belgium. Either option can be a fast way of gaining a foothold in the market, with the advantage of bringing on board established contacts, customers and market knowledge – all of which would be much harder to achieve either remotely from Ireland or setting up a brand-new office in-country.
Case study: Buying into a Belgian partner

Frank Madden, CEO, Crest Solutions

From its head office in Cork, Ireland, Crest Solutions supplies machine vision, pharmaceutical serialisation, and automation and software solutions to regulated industries including pharmaceutical, medical device and food and beverages. In April 2011, Crest invested in VistaLink, a machine vision engineering firm based in Mechelen, Belgium that serves the pharmaceutical, automotive and distribution and logistics industries in mainland Europe. The investment brought total headcount to over 50 engineering and sales staff and added a second base for operations in Europe.

www.crestsolutions.ie

When did you first consider selling into the Benelux market and why? Was it a response to a business opportunity or part of a strategy?

In fact it was both, really. From a strategic point of view, the access we have to industry in Ireland can be somewhat limiting, with a huge amount of pharma and medical devices operations but little to no activity in industries like automotive, electronics, glass and paper production, etc. We had been considering expansion outside of Ireland when a business opportunity presented itself in the Benelux region. Our customers in the pharmaceutical industry in Ireland had other sites and facilities in the region and were requesting repeats of systems that had been installed in Ireland on their other sites, so the Benelux market very quickly became something we needed to consider.

We looked at the area and I suppose because of factors such as the logistics and languages that are required, we didn’t see it as the best option to set up over there ourselves. Coincidentally, in the past we had partnered with a Belgian company, Vistalink, on a number of installations and when we investigated, we discovered that there was an opportunity to invest in that company. Immediately we had insider knowledge that helped us to overcome many challenges associated with entering the market and we got started with full infrastructure.

How long was the acquisition process?

I would say, from the initial meeting, through the whole due diligence process to finalising the deal, it took about three to four months – and a lot of that would have been the exchanging of information, rather than full-time involvement.

We found our Belgian contacts very straight, very easy to do business with in that way. Belgium’s legal system isn’t very expensive. They have notaries, so it wasn’t overly complex from a legal perspective, despite the language barrier – all of the legal documents were in Flemish. For legal assistance, we worked with our own solicitors in Ireland and we needed a Belgian legal firm to close the deal so we worked with one that was recommended to us. A lot of work went into the due diligence process. We moved a forensic accountant for a period of time to go through absolutely everything and we had no issues at all. We had worked with the company before and we knew what a solid reputation they held in the marketplace.

What’s your impression of the Belgian market, and why did you take this approach?

As an business owner, Belgium can be a difficult place to do business: there are extremely high taxes and it can be difficult to make money there. I would consider the tax punitive, mainly the taxes around employing people. It is difficult to hire people, and extremely expensive to let people go, if you have to do that.

What I would also say is the standard of the work force is very high in Belgium. They are very well educated and the engineers are highly competent. Also, every member of our team there can speak at least four languages. This is hugely attractive to an Irish company working to access these markets. From a sales perspective, the Belgians are very successful because they can interact well with the French, the Germans and the Dutch, just to begin with. It is a ‘neutral’ country in terms of selling and we have seen that our Belgian colleagues are very well accepted in the market, with strong relationships and connections with their contacts.
How has the investment helped your sales?

Since the joining of Crest Solutions and Vistalink, we have captured many global contracts for serialisation. Our combined business has doubled in two years and we expect a further 4-50 per cent growth in 2014. From our perspective and for the positioning of the company, it has been very significant for a number of reasons. For one, it now allows us to demonstrate the size and scale of the business. We can share with prospects and current contacts that there is an international side to the business, and this changes how people regard Crest Solutions. It assures customers that we have the key factors needed to supply to them at the highest standards for years to come, with the added value of local support along the way. From an operational point of view, there is now a team of over fifty working between our offices. This means a huge amount of resources and expertise resulting from the investment that have already been of great benefit to us.

From a strategic point of view, one of the primary reasons Crest Solutions was looking to expand outside of Ireland was to become one of the leading providers of a solution for serialisation to the pharmaceutical industry. This is currently a highly-active market as pharmaceutical companies are moving to comply with legislation that states that every single product has got to have its own unique barcode, to allow for full traceability through the supply chain. That’s definitely going to be a multi-billion euro market over the next number of years and our investment in a company on the continent was part of a strategic move to offer customers the best solution and support in the marketplace. This move has paid off as we are now the exclusive partners of a market-leading Italian company, Antares Vision, in Ireland, the UK and the Benelux.

How has the investment helped our sales? This year we’ve really grown. For the first year, we left both companies to function as their own and now we’re beginning to merge them. At the outset we decided not to make any hasty moves – we would leverage each other’s knowledge base and customer relationships. We’re very happy with how this is going and how our Belgian counterparts are progressing. They are growing that business and we have a combined strategic plan that will see them doubling revenues in the next two years. At various stages along the way, Enterprise Ireland has been very helpful – not for grants, but for advice and guidance. They helped us to hire key people in Belgium and they have presented opportunities to integrate and progress in the market by inviting us to various functions and events both here in Ireland and on the continent.

What advice would you have for other Irish companies thinking of setting up in the market?

In the UK, for example, we had no problem setting up a local office as the cultures are so similar between there and Ireland. When you go to continental Europe, especially in the Benelux countries, it isn’t as straightforward and I would be much more inclined to see what companies you could partner with or buy into, rather than setting up yourself. With challenges such as cultural and legal differences, lack of local knowledge and language barriers, it would be a much slower process to set up alone without a party on that side to oversee the process. I would partner first and if there’s a good relationship, see if you can solidify that through ownership or a buy-in – it’s a much more efficient strategy as you can avoid common pitfalls that cost time and money.
Recruiting in the Benelux countries

A useful halfway point between selling directly from Ireland and setting up a more permanent base in the region is to recruit a Belgian, Dutch or Luxembourg national who has industry expertise in their target sector. The advantage is that while the recruit is unlikely to be familiar with your company’s product or service, they will know the market and your potential customer base. However the cost of employing staff and the tax system may present barriers. Some Irish companies have found Belgium in particular an expensive country in which to recruit. In Belgium, employers’ social security contributions are equivalent to approximately 35 per cent of their employees’ pay, depending on the employment circumstances. Employees contribute 13.07 per cent of their pay to social charges.

In the Netherlands, if you hire a foreign national, they don’t pay any income tax on their wealth. They can claim tax-free interest on dividends and their portfolio. Social security premiums in the Netherlands are not especially onerous for employers. The contributions are usually calculated as a percentage of employees’ gross pay up to prescribed maximum levels, and percentages vary by industry sector. If you send staff from Ireland or another EU country on secondment to the Netherlands, there is a social security directive that allows them to stay insured socially as an employee in their home country for a maximum of five years.

NEED TO KNOW

It is important to ensure regular, organised communication to manage a remote relationship. Regular visits to the market also help to reassure the partner or staff member that they have the backing of the organisation in Ireland. Driving this communication requires dedicated management time but has been proven to lead to stronger relationships and consequently, higher sales. Otherwise, the relationship is at risk of breaking down: your agent or representative may start looking for alternative partners to work with, or your employee could under-perform or become open to being poached by a competitor.
LEGAL ISSUES IN THE BENELUX COUNTRIES
5. Tax and legal issues in the Benelux countries

Introduction

The closeness of the Benelux countries to Ireland, and the relative ease of doing business there, means that unlike in other markets, you may not need to be aware of the respective countries’ tax codes at the early stages of business development. However, as your sales grow this will change and you are likely to need advice on tax and legal affairs. Like most countries in continental Europe, Belgium, the Netherlands and Luxembourg operate a legal system based on the civil code rather than the common-law system found in Ireland. Enterprise Ireland can assist with making introductions to professional services firms in the Benelux countries, should you need this.

This chapter outlines some of the details you will need to know. The material on company formation, taxation and social security costs is reproduced with kind permission of Baker Tilly International, and more detailed outlines on Belgium, the Netherlands and Luxembourg, can be downloaded from the firm’s website. Additional commentary on the Dutch business and tax environment was also provided by the tax law firm Luminous Tax Matters.

Ireland has double tax treaties with all of the Benelux countries.

Belgium

Corporate income taxes

Resident companies, defined as those which have their headquarters in Belgium or have their principal office or place of management or administration in Belgium, are liable to corporate income tax on their worldwide income. Non-resident companies are taxed on their income from sources in Belgium, subject to the terms of any relevant double tax treaty.

The basic rate of corporate income tax is 33 per cent on taxable profits of over €322,500. Currently, there is an austerity surcharge of 3 per cent of the tax payable, giving an effective tax rate of 33.99 per cent. Companies with taxable profits of not more than €322,500, and which comply with prescribed conditions, are taxed at the following marginal rates:

<table>
<thead>
<tr>
<th>Taxable profits</th>
<th>Marginal tax rate</th>
<th>Effective rate with 3 per cent surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to €25,000</td>
<td>24.25 per cent</td>
<td>24.98 per cent</td>
</tr>
<tr>
<td>€25,001 – €90,000</td>
<td>31.00 per cent</td>
<td>31.93 per cent</td>
</tr>
<tr>
<td>€90,001 – €322,500</td>
<td>34.50 per cent</td>
<td>35.54 per cent</td>
</tr>
</tbody>
</table>

Companies may deduct from their taxable profits an amount equivalent to 95 per cent of their dividends received on domestic and foreign shareholdings, provided the conditions for the participation exemption are satisfied in relation to the holding:

- The recipient of the dividends must hold the participation for a minimum of one year and must have:
  - A minimum participation level of 10 per cent, or
  - Shares with an acquisition value of at least €2.5m
- The paying company must be subject to taxation at rates which are not substantially more favourable than the Belgian tax regime.

This is known as the Dividend Received Exemption (DRD). If dividends received exceed taxable profits, the excess, to the extent that it is attributable to shareholdings in companies in Belgium or elsewhere in the EU/EEA, may be carried forward for relief against future profits.
Capital gains on the disposal of shares in Belgian or foreign companies that qualify for the DRD (or would have qualified if no minimum participation level had existed) are subject to a minimum one-year holding period.

For shares sold within the one-year period, the capital gain is taxed at a rate of 25 per cent plus a 3 per cent surcharge (an effective rate of 25.75 per cent). Gains realised from shares sold after the one-year holding period expires are taxed at a rate of 0.4 per cent plus a 3 per cent surcharge (an effective rate of 0.412 per cent) from 1 January 2013 (previously such gains were exempt from tax). Small companies are exempt from the 0.4 per cent tax. Other capital gains are taxed as ordinary income.

Losses may be carried forward indefinitely for relief against future profits. There is no provision for losses to be carried back against the profits of earlier years. Restrictions apply in some cases on carrying forward losses for future relief if there is a change in the company’s ownership. Tax consolidation for group companies is not permitted.

Companies must generally file a tax return within six months of the end of their financial year, which need not be the calendar year. Tax returns may be filed on paper or electronically via Biztax, although electronic filing will be compulsory from 2015. A company can apply for an extended period in which to file a return.

Companies must make quarterly payments of their estimated tax liability during the course of their financial year. Any remaining tax due is payable within two months of the receipt of an assessment.

**Personal taxes**

Resident individuals are liable to income tax on their worldwide income. Non-resident individuals are taxed on their income from sources in Belgium, subject to the terms of any relevant double tax treaty. The personal income tax rates for 2014 are as follows:

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Marginal tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to €8,680</td>
<td>25 per cent</td>
</tr>
<tr>
<td>€8,680 – €12,360</td>
<td>30 per cent</td>
</tr>
<tr>
<td>€12,360 – €20,600</td>
<td>40 per cent</td>
</tr>
<tr>
<td>€20,600 – €37,750</td>
<td>45 per cent</td>
</tr>
<tr>
<td>over €37,750</td>
<td>50 per cent</td>
</tr>
</tbody>
</table>

A communal tax of up to 9 per cent of income tax, payable by resident individuals, is charged by towns and municipalities. The communal tax is fixed at 7 per cent for non-residents.

Capital gains from the sale of private assets are generally exempt from tax unless they are of a speculative nature, in which case they are taxed at 33 per cent. Gains from the sale of land less than five years after its acquisition are taxed at 33 per cent, or between five and eight years after acquisition at 16.5 per cent. Gains from the sale of property (unless it is the individual’s private residence) within five years of acquisition are taxed at 16.5 per cent. Gains from the sale of shares in a resident company to a foreign entity outside the EEA are taxed at 16.5 per cent if the seller has owned more than 25 per cent of the company’s share capital at any time during the five years preceding the sale.

Capital gains from business activities are taxed at income tax rates.

**Employment-related costs and taxes**

**Fringe benefits**

Employment income is widely defined and includes most fringe benefits provided by an employer. Certain benefits such as a company car, mobile phone or free housing are determined on a favourable lump sum basis. The cost or a percentage of the cost of fringe benefits is generally deductible for the employer.
Payroll tax

Employers are required to deduct a professional withholding tax from their employees’ monthly salaries and remit it to the tax authority. The withholding tax is offset against the final tax amount due from the employee. If too much tax has been withheld, a refund is made to the employee. If not enough tax was withheld, an additional amount must be paid to the tax authorities.

Social security costs

Employers must pay social security contributions equivalent to approximately 35 per cent of their employees’ pay, depending on the employment circumstances. Employees contribute 13.07 per cent of their pay.

Withholding taxes

Domestic payments

The withholding tax on dividend payments to companies and individuals is generally 25 per cent (although see “Corporate Income Taxes” above in relation to the DRD tax regime). No withholding tax is levied on payments between Belgian companies. Dividends from property investment funds (SICAFs) may be exempt from withholding tax or subject to a reduced rate of 15 per cent if certain investment conditions are satisfied. A reduced withholding tax rate of 15 per cent applies to dividends from shares issued against a new cash contribution made in small and medium-sized companies from 1 July 2013.

Generally, Belgian recipient companies can offset withholding tax paid against corporate income tax. The withholding tax on interest payments to individuals is 25 per cent.

Interest paid to Belgian companies, Belgian banks, Belgian financial institutions and Government bodies is exempt from withholding tax. The withholding tax on royalties paid to individuals is 25 per cent.

Payments abroad

Dividends paid to companies and individuals are, in general, subject to a 25 per cent withholding tax. No withholding tax is levied on payments between Belgian companies and other EU companies under the EU Parent-Subsidiary Directive if the recipient company has owned 10 per cent or more of the share capital of the paying company for a period of at least one year and subject to certain other conditions.

Dividends from SICAFs may be exempt from withholding tax or subject to a reduced rate of 15 per cent if certain investment conditions are satisfied.

Interest and royalties paid to companies and individuals are generally subject to a 25 per cent withholding tax. Under the terms of the EU Interest and Royalties Directive, interest and royalties paid to associated companies in the EU are exempt from withholding tax, subject to conditions. Companies are associated if one owns directly or indirectly 25 per cent or more of the share capital of the other company.

A tax credit of 15/85ths of the value of royalties received by Belgian companies from abroad is available to offset withholding tax paid abroad. For payments made to recipients in countries with which Belgium has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

VAT

VAT is levied on the sale price of goods and services and on the value of goods imported into Belgium. Businesses must register for VAT if their annual sales turnover exceeds €15,000.
The standard VAT rate is 21 per cent. There are reduced rates of 12 per cent and 6 per cent for some commodities. Exports, certain newspapers and periodicals and scrap metal are zero-rated. Some supplies are designated as exempt, including insurance services. Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

**Tax incentives for businesses**

**Research and development (R&D)**

Fixed assets used in Belgium to promote R&D into new technology that is favourable to the environment are eligible for an investment deduction of 14.5 per cent. Such deduction may also apply to investment in other specified assets.

Some taxpayers can benefit from a one-off or spread investment deduction. Generally, the deduction is applied in the tax year in which the investment is made (one-off deduction). Some taxpayers, however, may choose to take the deduction over the duration of the depreciation period (spread deduction).

Belgian companies and Belgian branches of foreign companies are eligible for a special tax deduction for patents, if prescribed conditions are satisfied. As a result of this deduction, patent income is subject to an effective Belgian tax rate of 6.8 per cent.

Belgian companies and Belgian branches of foreign companies that invest in fixed assets eligible for increased investment deductions for patents and for R&D, may instead obtain a tax credit equal to 14.5 per cent times by 39.99 per cent. These credits can be carried forward for the next four years where there is insufficient income for offset in the current year. After five successive tax years without sufficient set-off, the taxpayer will receive a refund for the remaining tax credit.

**Payroll-related incentives**

So-called “young innovative companies” are allowed an exemption of 80 per cent of the payroll withholding tax for research workers in the R&D department.

**Investment incentives**

As an incentive to reinvest profits, resident companies and branches of non-resident companies are permitted a notional interest deduction (NID) in computing their taxable profits. The notional interest is calculated on the company’s equity capital. The notional interest rate is calculated by reference to the rate applicable to 10-year Government bonds. For 2014, the rate is 2.742 per cent or 3.242 per cent for small and medium-sized companies.

**The Netherlands**

The Dutch tax system is straightforward, and uses tax treaties that conform to the OECD model. Generally, if an Irish company wants to set up in the Netherlands, the first stage is normally to have an employee, then to have its own permanent office, which sometimes needs to be registered with the Dutch Chamber of Commerce (KvK). Only at this stage, it may become necessary or desirable to incorporate a Dutch entity. With Ireland’s corporate income tax rates lower than in the Netherlands (20-25 per cent) or the rest of Europe, it may not be useful to start with a permanent establishment in the Netherlands and/or to incorporate a Dutch BV, as the profit will be taxed in the Netherlands. A more suitable option may be to do business from Ireland, with employees based in Ireland or in the Netherlands (preventing the ‘Dutch’ employees from creating a permanent establishment or becoming permanent representatives).

The most common private company form in the Netherlands is the BV. There are more than 550,000 BVs in the country, compared to its public company equivalent, the NV. A BV can be incorporated with only €1 capital, and the process can be completed within a week. Since October 2012, it’s now easier and cheaper to incorporate a BV in the Netherlands. The cost paid to a notary and other advisors may be as little as €1,000, or less in some cases.
The Netherlands operates participation exemption, so that if a Dutch company holds at least 5 per cent of the shares in an Irish active company, all of the gains at the end or the dividends during the process are free from Dutch corporate income tax. If structured in the right way, this should prevent any taxation on dividends to the Dutch company. Dutch companies owed by Irish companies may pay out a dividend – in most cases – without any Dutch withholding tax. The Netherlands is often used as an (intermediary) holding-country: the Dutch holding owns all European and/or worldwide group companies. Dividends and capital gains can be received tax-free.

Furthermore, there is no withholding tax on interest and royalties, so that using a Dutch company to finance other companies worldwide can be very attractive from a tax standpoint.

### Corporate income taxes

Resident companies, generally defined as those which are incorporated under Dutch law, or which are incorporated under foreign law but which have their place of effective management in the Netherlands, are liable to corporate income tax on their worldwide income. Other companies are taxed on their income from sources in the Netherlands, subject to the terms of any relevant double tax treaty.

Corporate income tax is charged at 20 per cent on profits up to €200,000, and at 25 per cent on profits in excess of this sum.

Dividends received from other companies are not taxed if the conditions for the participation exemption are satisfied in relation to the shareholding.

Capital gains from the disposal of shares in other companies are not taxed if the participation exemption applies. Other gains are taxed at the same rates as other profits.

Losses may be carried back for relief against the profits of the previous year or carried forward for relief against future profits for up to nine years. As a transitional measure, losses in 2009, 2010 and 2011 may be carried back for relief against the profits of the previous three years, in which event the period for which losses may be carried forward for relief against future profits is reduced to six years.

There are restrictions on the carry forward of losses for relief against future profits if there are material changes in the ownership of a company. Groups of companies may apply to be treated as a fiscal unity, in which case the parent company of the group files a single consolidated tax return. Fiscal unity has the effect of pooling the profits and losses of group companies for tax purposes, and transfers of assets between group companies are disregarded.

Companies must file tax returns by reference to a tax year, which will be the calendar year unless an alternative financial year is specified in their constitution. The period given for the completion of a return is shown on the tax return form and must be a minimum of one month.

Applications may be made for an extended period in which to file a return.

Corporate income tax is payable by assessment. Preliminary assessments may be made during the course of a tax year. Final assessments are made within three years of the end of the tax year unless an extended period has been granted for the completion of the tax return.

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**NEED TO KNOW**

A VAT ruling in the Netherlands (known as Article 23) allows that if an Irish company enters with goods from outside the European Union through Rotterdam – for example if an Irish company wants to ship products from China to sell to a customer in France – it doesn’t have to pay that import-VAT and doesn’t have to reclaim it later. This assists cash flow. Few countries besides the Netherlands operate this system.
**Personal taxes**

Resident individuals are liable to income tax on their worldwide income.

Non-resident individuals are taxed on their income from sources in the Netherlands, subject to the terms of any relevant double tax treaty.

Income tax is charged generally at graduated rates with a top rate of 52 per cent on taxable income in excess of €55,694.

Income from substantial shareholdings is taxed at a flat rate of 25 per cent. A substantial shareholding is generally defined as one of 5 per cent or more, but other rules can apply for family shareholdings.

Capital gains from the disposal of substantial shareholdings are taxed at 25 per cent. Gains from the disposal of business assets are taxed at general income tax rates. Other gains are exempt.

**Social security costs**

Employers are required to make social security contributions for each of health, disability and unemployment insurance, and for child care. The contributions due are calculated as a percentage of employees’ gross pay up to prescribed maximum levels, the percentages being dependent to some extent on the industry in which the employer is engaged. The prescribed maximum levels of employees’ gross pay differ for each element of the contributions.

Employees pay social security contributions as part of the two lowest income tax rates, as do all other individuals. They are also required to pay health insurance of 7.75 per cent of their annual pay, up to a maximum pay of €33,427. For this, they are compensated by the receipt of a similar amount from their employer, which is treated as taxable income.

**Withholding taxes on payments abroad**

Dividends are subject to a withholding tax of 15 per cent. A tax credit may be granted in some circumstances for withholding tax that the paying company has suffered on its own dividend income from foreign companies.

Under the legislation implementing the EU Parent-Subsidiary Directive, dividends paid to a company in the EU are exempt from withholding tax if that company owns 5 per cent or more of the share capital of the paying company.

For dividends paid to recipients in countries with which the Netherlands has entered into a double tax treaty, the rate of withholding tax may be reduced under the terms of the treaty.

There are no withholding taxes on interest and royalties.

**Indirect taxes**

Value added tax (VAT) is levied on the selling price of goods and services and on the value of goods imported into the Netherlands. Businesses must register for VAT, irrespective of the size of their sales turnover. The main rate is 21 per cent. A reduced rate of 6 per cent applies in some cases. Exports are zero-rated. Some supplies are exempt, including health and insurance services. Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

**Other taxes**

**Real estate taxes**

Municipalities impose an annual tax on the ownership of real estate, with the rates varying depending on the location.
Transfer taxes

A tax of 6 per cent is charged on the acquisition of real estate, and in some circumstances on the acquisition of substantial interests in real estate companies. There are no transfer taxes on securities.

Tax incentives for businesses

Employers are entitled to reduced employers' social security contributions in relation to the salaries of employees engaged on qualifying research and development projects. The reduction is 50 per cent, or in some start-up cases 64 per cent, of the contributions payable on the first €220,000 of salary per person and 18 per cent on any excess. The maximum annual reduction per employer, or per fiscal unity group, is €14m.

Income arising specifically from approved research and development expenditure is taxed at a reduced rate of 5 per cent. The reduced rate applies even if up to one-half of the expenditure consists of outsourcing to an entity in another EU state.

Foreign nationals working in the Netherlands and having a sufficient degree of know-how may qualify for a ruling that 30 per cent of their remuneration is exempt from income tax. Rulings can last for up to ten years.

Luxembourg

Corporate income taxes

Resident companies, which are defined as having their registered office or central administration in the territory of the Grand Duchy, are liable to corporate income tax, an employment fund surcharge and a municipal business tax on their worldwide income.

Non-resident companies are taxed on their income from sources in Luxembourg, subject to the terms of any relevant double tax treaty.

The general corporate income tax rate is 21 per cent. A lower rate of 20 per cent applies if taxable income is not more than €15,000. The employment fund surcharge applies to income and gains exceeding €15,000 at a rate of 7 per cent of the corporate income tax liability, giving an effective general rate of 22.47 per cent.

The municipal business tax is computed along similar lines to corporate income tax, but with some exceptions. The rate varies according to the municipality in which the company is located. In Luxembourg City, the rate is 6.75 per cent which, when added to the general effective rate, results in a total effective tax rate of 29.22 per cent.

Companies with financial assets exceeding 90 per cent of their total assets are subject to a minimum tax of €3,000 per annum (plus the 7 per cent surcharge, hence €3,210). Other companies are subject to a progressive minimum tax ranging from €500 to €20,000, plus the 7 per cent surcharge.

Capital gains are in general taxed in the same way as income. Under the participation exemption regime, capital gains arising from the sale of shares by a Luxembourg company, a permanent establishment (PE) of an EU-resident company or a company resident in a treaty country, or by a partnership in which a Luxembourg company is a partner, are exempt from tax under the required conditions.

Losses can be carried forward indefinitely for relief against future profits. There is no provision for losses to be carried back. Relief for losses brought forward may be restricted if there is a change in the company’s ownership.

Group companies, defined generally as a resident parent company and its 95 per cent or more owned resident subsidiary companies, can apply to file a consolidated tax return, which provides the means
for a pooling of profits and losses. The Luxembourg PE of a non-resident company may qualify as a parent company for this purpose in some circumstances.

Companies are required to file their tax returns by 31 May following the end of their financial year.

Quarterly advance payments of corporate income tax and municipal business tax must be made, based on the previous year’s liabilities, with any balance due being payable within one month of the issue of an assessment. Any excess payments on account are refunded.

**Personal taxes**

Resident individuals are liable to income tax and a solidarity surtax on their worldwide income.

Non-resident individuals are taxed on their income from sources in Luxembourg, subject to the terms of any relevant double tax treaty.

Income tax is charged at progressive rates ranging from 8 per cent on income of €11,265 and above, to 40 per cent on income of €100,000 and above. There is a solidarity surtax of 7 per cent or 9 per cent on tax payable, depending on income and the applicable tax class.

The addition of the solidarity surtax produces a maximum marginal tax rate of 42.8 per cent on taxable income up to €150,000 and 43.6 per cent on any excess. A favourable tax regime applies to highly skilled workers newly located to Luxembourg: see “Tax Incentives for Businesses – Expatriates’ regime” below.

Individuals carrying on a business are also liable to municipal business tax on their profits at rates that vary depending on location. The rate in Luxembourg City is 6.75 per cent.

Capital gains from the disposal of immovable property owned for less than two years and other assets owned for less than six months are taxed as income. Other gains from immovable property are taxed at one-half the normal rates. A taxpayer’s main residence is exempt. Gains from the disposal of shareholdings of more than 10 per cent in companies owned for more than six months are taxed at one-half the normal rates. Other gains from shareholdings owned for more than six months are exempt.

Each taxpayer has a €50,000 capital gains allowance per period of 10 years.

There is no wealth tax for individuals.

**Employment-related costs and taxes**

**Income and social security taxes**

Payroll tax is deducted at source from gross employment income and pensions, including bonuses, travel and accommodation allowances and directors’ remuneration. Certain allowances (e.g. for employment-related and travelling expenses) are applied to reduce the taxable base.

Directors’ fees are subject to withholding tax of 20 per cent, except where these are no more than salary in respect of day-to-day management services, in which case they are treated as ordinary employment income. The 20 per cent withholding tax acts as a credit against final taxation.

Employers and employees are required to make social security contributions, calculated by reference to employees’ salaries up to a monthly ceiling of €9,605.15. Contributions include:

- Health insurance – 3.05 per cent or 2.80 per cent each (depending on the type of remuneration) for employer and employee
- Pension insurance – 8 per cent each for employer and employee
- Accident insurance – 1.10 per cent for employer only
- Mutual insurance - between 0.42 per cent and 2.64 per cent for employer only
- Health at work – 0.11 per cent for employer only
• Dependence – 1.40 per cent for employee only.

Fringe benefits

Fringe benefits form part of income from employment and are taxed according to the valuation made by the tax authorities.

The following items (among others) can be considered to be fringe benefits:

• Interest-free loans
• Luncheon vouchers
• Payment of travel expenses
• Low-interest loans for acquisition or renovation of a principal residence or for acquisition of a first residence
• Contributions to a supplementary pension scheme.

All reimbursement of business-related expenses is tax-free. “Unreasonable” expenses are disallowed. Expenses in respect of certain activities can be reimbursed by an employer on an itemised basis, without any tax consequences, provided an expense report is presented.

Relocation benefits

A favourable tax regime applies to highly skilled workers newly located to Luxembourg: see “Tax Incentives for Businesses – Expatriates’ regime” below.

Withholding taxes

A 15 per cent withholding tax applies to dividends paid by a Luxembourg company to a resident company. Dividends paid by special purpose vehicles such as SPFs, investment funds and SICARs (see “Tax Incentives for Businesses – Specialised Investment Funds (SIFs)” below) are not subject to withholding tax. Dividends paid to companies that come under the scope of the EU Parent-Subsidiary Directive are exempt from withholding tax.

There is no withholding tax on interest payments made to corporations. For individuals, a withholding tax rate of 10 per cent applies to certain interest payments.

There is generally no withholding tax on royalty payments.

Dividends paid by a Luxembourg company to a non-resident company are, in general, subject to a withholding tax of 15 per cent.

Under the terms of the legislation implementing the EU Parent-Subsidiary Directive, dividends are exempt from withholding tax if they are paid to a company in the EU which for a minimum period of one year has owned directly or indirectly 10 per cent or more of the paying company’s share capital or which has an acquisition cost of its holding of at least €1.2m.

There are generally no withholding taxes on interest or royalties. However, interest paid in respect of profits from a profit-sharing bond/loan is treated as a dividend distribution and is subject to a 15 per cent withholding tax.

Under the terms of the EU Savings Directive, Luxembourg is required to withhold 35 per cent tax on certain types of savings income paid to individual residents of other EU countries.

For payments made to recipients in countries with which Luxembourg has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

VAT

VAT is levied on the selling price of goods and services and on the value of goods imported into Luxembourg.
Resident businesses must register for VAT if they have an annual sales turnover of €25,000 or more; non-resident businesses must register for VAT, regardless of annual turnover.

- The standard rate of VAT is 15 per cent
- There are reduced rates of 12 per cent, 6 per cent and 3 per cent for prescribed goods and services
- Exports are zero-rated
- Some supplies are designated as exempt, including medical services and most financial services.

Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

**Other taxes**

**Net worth tax**

Resident companies and PEs of non-resident companies are liable to an annual net worth tax of 0.5 per cent of their net assets. The value of shareholding investments qualifying for the participation exemption (see “Corporate Income Taxes” above) is excluded.

**Annual subscription tax**

Undertakings for collective investment in transferable securities (UCITS) are subject to an annual subscription tax on their net asset value. The rate is generally 0.05 per cent, reducing to 0.01 per cent for UCITS investing in specially designated assets.

**Tax incentives for businesses**

**Investment tax credits**

Investment tax credits are granted for eligible investments in Luxembourg companies for purchases of specified categories of depreciable assets located within the EEA (but excluding buildings, motor vehicles, livestock and mines).

These comprise two types of tax credit:

- A 7 per cent tax credit applicable to the first €150,000 invested and 2 per cent for any excess above €150,000, and
- A 12 per cent tax credit applicable to additional qualifying investments made during the financial year.

**Specialised investment funds (SIFs)**

SIFS such as sociétés d’investissement à capital variable (SICAVs) and sociétés d’investissement à capital fixe (SICAFs) are exempt from taxes on income and capital gains. Sociétés de gestion de patrimoine familial (SPFs) are exempt from taxes on income and from net worth tax.

**Intellectual property**

Companies that develop or acquire prescribed categories of intellectual property, subsequent to 2007, are exempt from tax on 80 per cent of their net income therefrom, subject to conditions.

**New ventures**

Companies setting up new activities that are considered important for the economy and which do not compete with existing businesses may apply for partial tax exemption for a limited period.
Expatriates’ regime

A favourable tax regime applies to highly skilled workers newly relocated to Luxembourg. It applies to individuals who, in the previous five years, have not been resident taxpayers in Luxembourg or lived within 150km of the Luxembourg border, or paid Luxembourg personal income tax. Reasonable expenses and allowances paid to, or on behalf of, qualifying incoming workers are exempt from Luxembourg personal income tax but remain deductible by employers for corporate tax purposes.

An individual who is seconded to Luxembourg from a company within the same international group must have five years’ relevant professional experience or five years’ experience within the group and must be allowed to return to work for the seconding company at the end of the assignment. An individual who is recruited directly from abroad by a Luxembourg company must have specialist skills in a business area or profession for which it is difficult to recruit suitable employees within Luxembourg. The employee must not replace an existing employee outside the scheme. The employee’s annual salary must be a minimum of €50,000.

The employer must undertake to employ at least 20 full-time salaried workers, of whom only 30 per cent may benefit from the expatriates’ regime. The 30 per cent restriction does not apply to companies which have been established in Luxembourg for less than 10 years.

Deductible expenses include relocation costs, family travel expenses, cost of living allowances, school fees and housing costs, and cannot exceed either 30 per cent of remuneration or €50,000 (€80,000 if the employee lives with a spouse or partner).

The regime applies until the end of the fifth tax year following the year in which the employee started work in Luxembourg.

Other employment incentives

Companies hiring older and long-term unemployed individuals are eligible for repayment of social security contributions and tax rebates based on a percentage of the jobseeker’s salary. Tax credits are also available for vocational training costs.
6. Growth sectors

Introduction

The OECD consistently ranks Belgium, the Netherlands and Luxembourg among the world’s most open economies for sourcing products and services. For this reason, Irish companies should compete on expertise and USPs when selling into the market, rather than competing on price. The most suitable approach is to position your company as a high-end provider with a product, service or skills that can’t be easily found elsewhere.

Belgium is among the most highly industrialised countries in Europe, and it is the sixth largest economy in the Eurozone. It imports materials in large quantities and processes them for export, due to its own scarcity of natural resources. Exports equal around two-thirds of GDP. Having fared better than many other European economies during the downturn, it is also showing promising signs of growth. Estimates from the National Bank of Belgium show GDP in Q1 2014 increased by 0.4 per cent over the previous quarter. During Q4 2013, the economy had expanded by 0.3 per cent – the fastest pace of growth since Q1 2011.

The Netherlands is the Eurozone’s fifth largest economy and its third largest exporter. Its economy is dependent on foreign trade and derives more than 65 per cent of GDP from both port activities and merchandise exports. The Netherlands’ economy is also noted for its stability, highly skilled workforce and developed infrastructure – as such, it is the world’s sixth highest FDI location. Known for economic stability, the Netherlands’ GDP has risen by 0.5 per cent on average for the past 15 years. Early indications are that growth is returning. The Economist Intelligence Unit says the GDP drop of 0.8 per cent in 2013 will turn into a 0.5 per cent uplift during 2014. It is also forecasting average growth of 1.5 per cent between 2015 and 2018. What also makes the Dutch market attractive is the proportionally high concentration of multinational companies, which frequently establish a regional European headquarters in the Randstad area.

Luxembourg is a high-income economy that benefits from its closeness to France, Belgium, and Germany. Historically its economy has been stable; notable for solid growth, low inflation and low unemployment. Its industrial sector has been diversifying in recent years. Irish companies looking to sell to Luxembourg, particularly enterprise software and related services, should note the impressive growth of Luxembourg’s financial sector, which now accounts for slightly over a quarter of annual GDP. In 2013, GDP growth in Luxembourg was 2 per cent. On average, GDP has grown 0.85 per cent between 1995 and 2013.

As has been mentioned elsewhere in this report, it is important not to treat the Benelux area as one homogenous entity but to be aware of key differences between one region and the next. Enterprise Ireland has identified several specific growth opportunities for Irish companies. Here is a snapshot of some of the key sectors, with subsequent demarcations by country as appropriate.

Financial services

The financial services sector in Benelux is a prime illustration of the differences that exist in such a relatively small geographical area. In the Netherlands, banks are typically large and the scene is dominated by a small number of important players including ABN-Amro, ING and Rabobank. In Belgium, the market is shared more widely between a larger number of banks while in Luxembourg, much of the activity centres on wealth management and private banking. In fact, Luxembourg is one of the top 10 financial markets in Europe, along with London and Frankfurt, and there are opportunities for technology providers to this sector.

- Amsterdam is the ninth largest financial centre in Europe
- The Dutch insurance market is the fifth largest in Europe, and the country is also one of Europe’s largest markets for health insurance
- There are more than 400 pension funds operating from the Netherlands
- Luxembourg is the fifth-largest financial district in Europe and as such, houses many decision-makers in the procurement of financial software and services
- Luxembourg is responsible for 68 per cent of Europe’s cross-border funds distribution
- Brussels ranks 14th among European financial districts.

Opportunities for Irish companies

Stricter regulation is imposing new software deployments among financial institutions across Benelux, leading to increased investments despite lower budgets. Irish companies are already making some progress with offerings in areas such as treasury management, tax management and customer experience improvement. Even more than banking, perhaps a bigger opportunity lies in the insurance and pension market, where risk management and regulatory compliance are some of the main issues for the insurance companies and pension funds. Another area of investment is operational efficiency, which is a key issue for many insurance companies due to the need to maintain profitability in the face of competition and the need to cope effectively with reduced staff numbers.

Despite its growing prominence as a financial centre, Luxembourg represents an under-exploited opportunity for Irish companies, which haven’t focused closely on the market to date. It is an important financial centre, and very active in funds administration and management, insurance and private banking and wealth management. Many European insurers use Luxembourg for certain back-office activities. There is potential in the market for companies operating in areas such as software for managing the changing regulations in the financial services sector, or for managing back-end processes. Services companies in areas such as cross-border funds distribution may also find opportunities in Luxembourg. There are also significant opportunities for Irish companies with organisations that are looking to replace legacy in-house systems such as CRM.

As for routes to market, it is definitely possible to sell direct to this market, and prospects in Benelux are open to working directly with Irish companies as suppliers. While it can speed up the sales process if you find a partner such as a systems integrator or large software vendor that can integrate your offer with their own, previous experience of Irish companies proves that it’s possible to do it alone. In the Netherlands, large banks are not the easiest to sell into, and the process typically involves finding the right person and demonstrating your capabilities to serving a large customer of this size. Irish companies that have experience from the Irish or UK market in selling into big banks will have opportunities in the Netherlands, because the banks are open to international suppliers. Reference clients need not necessarily be Dutch.

Transport and logistics

The Benelux region is a major hub for transport and logistics centred on the ports of Rotterdam and Antwerp, which provide entry to Europe. The shipping sector is looking at ways to improve its throughput in order to reduce waiting time for container ships to unload. Competition from other ports is also driving a need to create additional space for ships to dock.

There are also opportunities in the area of public transportation, with many cities throughout the region looking for innovative solutions around public transport infrastructure.

- Rotterdam is the largest seaport in Europe by total freight shipped
- Every year, around 30,000 sea-going vessels and 100,000 inland vessels call at Rotterdam
- Antwerp is the second largest European port.

Opportunities for Irish companies

With the logistics sector looking closely at ways of improving efficiency, there are opportunities in materials handling, with a strong focus on being able to save the client time or money. In the transport sector, there is a need for fleet management solutions as a way of improving profitability, as margins in this sector tend to be very low. Leading with a ‘green’ sales pitch will also be well received as it ties into the efficiency drive.
In public transport and road management, trends include innovation-based projects aimed at improving customer service and increasing efficiency for users of public transport or the road network. There are several pilot projects and new initiatives and there is openness to innovative offers from Irish companies. Other projects of interest include a new rail line in Amsterdam, which is still under construction and there may be some related opportunities in station fit-outs along its route. There are also plans to increase capacity at Lelystad airport, creating opportunities for construction providers and also to companies delivering products and services relevant to the air and rail sectors. Amsterdam is also said to be considering ‘smart city’ initiatives.

As a market, Belgium is different because there is more regional autonomy than in the Netherlands. Routes to market in this field will depend on your company size and the areas on which you wish to focus. Options include larger system integrators, but at the very least, Irish companies will probably need people on the ground – either directly employed or partners. The latter approach is especially important when selling to the public sector, in order to help your company to get in front of the right people. Using a business accelerator to make the right introductions is also advisable.

**Construction and engineering**

This sector is divided into three principal areas for Irish companies: high-end engineering for food processing facilities, data centre projects and pharmaceutical plants.

**Food processing**

There is great potential in this sector, specifically in the Netherlands, where Dutch dairy processors are expected to invest over €700 million over the coming two years to increase their processing capabilities. These developments are due to the need to cater for the growing international demand for Dutch dairy products and the removal of EU milk quotas as of 2015.

- Seven new dairy processing facilities will be built and further plants are to be refurbished and expanded as part of plans announced by the Dutch Dairy Association (NZO).
- The primary dairy manufacturers involved in these investments in The Netherlands include FrieslandCampina & A-ware Foods who plan to invest over €500 million
- CONO is developing a €80 million new cheese manufacturing plant
- Vreugdenhill is investing €35 million on a milk powder facility

**Opportunities for Irish companies**

Ireland has a great history in the dairy industry and it bears comparison with the Netherlands as a small, dairy-focused country. Many Irish companies have built dairy facilities and so have skills that can be transferred easily to the Dutch market. Moreover, the dairy industry is now improving production standards and is willing to invest in facilities previously seen in pharmaceutical plants. Given the number of Irish companies that have successfully sold into the pharma sector, this is another potential opening for them in the Benelux market.

The opportunity lies primarily in green-field sites and refurbishment or extension projects in the Netherlands, and to a lesser degree, Belgium. There are three significant tiers of Irish companies who are able to take advantage of these forthcoming opportunities: the first comprises Irish companies with an existing track record in the international food industry; the second is Irish companies with Irish food industry clients and the potential to export; the third group is Irish companies with high-tech industry clients such as pharmaceutical providers, where those skills can be transferred to the food sector.

**Data centres**

Benelux is one of many regions with a lot of data centre building activity. Several international players are already in the region, either currently building, or with previously completed facilities. These include Google, Amazon, Apple and Microsoft. As the cloud computing model matures, it is driving further growth in the data centre market throughout Belgium and the Netherlands in particular.
- The Netherlands’ infrastructure makes it well suited for data centres, as it is one of the most densely cabled countries in the world.
- Its central location in Europe and the adequate logistical infrastructure have transformed the Netherlands into the ‘gateway to Europe’.
- The Netherlands has relatively favourable laws and regulations for data centre operations.
- Cloud computing and associated investments in data centres and big data are expected to grow by 16 per cent over the next two years.
- AMS-IX, the Dutch internet exchange, has more than seventy carriers connected to it, ensuring fast and reliable connections within the Netherlands, and to the rest of the world.
- The favourable Dutch tax climate is helping to attract investment by data centre players.

Opportunities for Irish companies

Irish companies have been showing increased interest in this area over the latter part of 2013 and the early part of 2014. There is also growing activity around tenders for such projects. There are many areas with potential for Irish providers, along similar lines to pharmaceuticals, food processing and other high-tech industries. This includes areas such as consultant engineers and project management; mechanical and electrical engineering; energy efficiency, cabling and rack infrastructure and specialist contractors in HVAC, instrumentation and fire safety – covering design, installation, commissioning and validation.

Pharmaceuticals

The Dutch construction industry had been contracting over the past two to three years due to the overall downturn in the economy, and the building materials marketplace saw volumes reduced by 30 per cent compared to 2009 levels. However, pharmaceutical projects were less affected by domestic economic issues because they are usually in multinational hands.

- The sector has a positive outlook over the 2013-2014 period. In Belgium, there is €750 million set aside for sanctioned projects, and €320 million pre-sanctioned.
- Average cap-ex on these projects ranges between €20 million and €25 million.
- Most projects in this space will involve specialised engineering such as production floors and clean rooms for life sciences.

Opportunities for Irish companies

The pharmaceuticals sector in Benelux has been a primary focus for many Irish companies with expertise in this field, although as outlined above, there are many opportunities to transfer this to other sectors with similar needs. There are a number of Enterprise Ireland clients delivering products and services to Irish-based pharmaceutical multinationals, and they continue to find opportunities in the Benelux market. There are growing numbers of life sciences construction projects around Belgium, indicating the strong ongoing potential in this market.

The more specialised the sector, such as life sciences, the easier it is for international companies with relevant references from pharma work in the Irish market, to enter. Irish companies have an advantage because of reference projects won with multinational clients in Ireland, which they can use when selling to many of the same organisations in Belgium and the Netherlands.

Opportunities for Irish companies include cleanroom equipment such as modular, aseptic and sterile suites, isolators, LAF hoods, extract booths, sampling suites and downflow booths; software for managing compliance efforts; consultant engineers and project management skills; specialist contractors (mechanical, electrical, HVAC, instrumentation, fire safety – design, installation, commissioning, validation). Other skills in demand include process control and optimisation and process engineering which covers systems ranging from heat exchangers, storage vessels and spray dryers to conveyor systems and robotic handling systems. Other areas include energy management systems for controlling air handling and cooling plant systems, lighting, power systems, fire systems, and security systems. Environmental consultancy expertise is also sought.
Biotechnology

Directly related to the pharmaceutical sector, biotechnology is growing in importance in Benelux, particularly in Belgium which is the strongest player in the region, having designated it as a priority sector. In a short period of time, Belgium now ranks among Europe’s top three countries in this space. It has had to take this route because it is so dependent on its pharma business; biotechnology offers a way for the country to diversify from its traditional strength.

- There are more than 350 biotechnology companies in Belgium – 7 per cent of the European total, and 10 per cent of European R&D spend
- Belgian biotech companies account for 16 per cent of the sector’s total turnover in Europe
- Belgian biotech companies directly employ 30,000 people
- Belgium has a high-quality healthcare system with one of the highest rates of health expenditure in Western Europe (10.7 per cent in 2010, of which 74.7 per cent was in the public sector)
- Medical device production is low and imports account for a large part of market demand.

Opportunities for Irish companies

The needs of the biotechnology sector are very similar to the needs of the pharmaceuticals sector. Both are strongly regulated, which means processes need to be strictly adhered to; this in turn is creating openings for Irish companies delivering either software or consultancy in the process management area. Similarly, Irish companies’ expertise in large construction projects for pharmaceutical plants also stands them in good stead. Ireland also has a strong cluster that provides various IT systems for pharma needs, and there are opportunities for sales in the pharma sector and in biotech where customers are looking to make their production lines more operationally efficient through automation, or are addressing issues such as packaging and serialisation.

Despite similarities with the pharma sector, the route to market for Irish companies may not be the same with biotech, where businesses tend to have a more entrepreneurial approach and are growing faster than the established pharma players. Consequently, it’s important to work with a local contact who understands the strategy of these companies. This doesn’t necessarily mean using indirect channels such as distribution or partnership, but it’s worth liaising with local market experts. There are slightly different services and consultancy needed for the biotech market, such as quality assurance. The biotech sector’s high growth rate is also starting to result in more building work, although it’s not yet at the same scale as traditional pharma.

Digital media

The main market for Irish companies in this sector is the Netherlands, which is often perceived as a leader. Due to a perception of a strong creative atmosphere, Amsterdam in particular has proven to be very successful in attracting leading brands to use agencies based there.

- The total advertising market in the Netherlands is estimated to grow by 2.7 per cent in 2014, according to data from IAB. Online is by far the most important channel, and is growing
- Dutch ad spending in display and search categories topped €1.3 billion in 2013
- In 2013, tablets accounted for 31 per cent of all Dutch advertising revenue on mobile devices
- The Netherlands is considered one of the leading European countries in roll-out and adoption of e-commerce: 55 per cent of people said they had bought online during 2013
- E-commerce levels in Luxembourg were higher still with 59 per cent
- More than one-third of Belgian internet users bought goods or services online in 2013.

Opportunities for Irish companies

There are a number of Irish agencies that cover the full spectrum of digital media that can compete with Dutch digital agencies. In addition, there are also opportunities for companies serving the agency market, with innovative niche solutions aimed at specific areas such as improving the efficiency of online campaigns, or analysing customer data to improve insights from digital media campaigns. Other
areas include user interface design and website ergonomics aimed at making websites easy to use and consequently encouraging users to buy. Solutions addressing e-commerce fulfilment, or fraud management, are also of interest to buyers in Benelux. Given the size and influence of the Dutch market, the opportunity is considerable, and it is well matched to a growing capability among Irish companies – a consequence of the growth in social media and the presence of major players such as Facebook and Google with major operations in Ireland.

A partnership model will often be the most suitable route to market in this sector. Enterprise Ireland encourages digital media companies that may be targeting the same decision maker to form clusters and present a range of possible options to potential buyers. For example, if a client is looking to develop an e-commerce capability for its online presence, it makes sense to present this as part of a total solution that comprises a payment engine, delivery systems and website design.

A separate but related area to digital media, marketing services, is especially applicable in Brussels which is a major conference venue due to the large numbers of global and European organisations with a presence in the city. The opportunities in this space are a mix of technology, consulting and organisation on the ground.

**Other sectors**

**Enterprise software**

This sector encompasses the delivery of software products to the financial, telecoms and enterprise segments. Large telco-related companies are interesting targets for Enterprise Ireland client companies, given their spending power. Segments forecast to have significant growth include areas around HR services such as HR automation, search and selection services, and talent management. Competition in the market comes from a mix of international and local players; with many of these companies moving towards a partnership model, this presents an opportunity for Irish companies to become subcontractors – particularly smaller providers. Value-for-money positioning has proven to be a successful approach in this market.

**Cleantech**

This sector includes energy efficiency, renewable energy, services, waste-water, water and energy. It also covers electronics – ranging from building management systems and components to electronic data processing and electrical equipment. Belgium’s water sector is considered under-developed, and there are opportunities for waste-water treatment services and products. Key market players include Veolia Water and Aquafin. A green building cluster from Ireland comprises 47 companies in four sub-categories: building energy management systems, HVAC, lighting and energy technologies. Other providers in a position to capitalise on the opportunities include specialists in green building materials, green architecture, engineering and contracting. Companies with waste-water treatment products and services are also likely to find opportunities in the market. In the Netherlands, opportunities exist for innovative companies in biomass, waste-to-energy and water sectors. Green buildings also present openings for specialists in building energy management systems, HVAC, lighting and energy technologies and green building materials. Providers of green architecture, engineering and contracting can also capitalise.

**IT services**

This category comprises several clusters suitable to the Dutch marketplace: IT services, learning and knowledge management, IT outsourcing, and e-commerce. The overall growth rate of the sector represents a significant opportunity for Enterprise Ireland client companies. Services to telecoms providers is another sector with potential; with the Dutch 4G licence issue now sorted out, telcos are investing in new network and middleware infrastructure to deliver new services and improve on customer care. Competition is composed of a mix of international and local players including Getronics, CGI Logica, HP, IBM and BT. Many of the large technology integrators operate a partnership model, which may provide opportunities for smaller Irish suppliers.
SELLING TO THE GOVERNMENTS IN THE BENELUX COUNTRIES
7. Selling to the Government in the Benelux countries

Introduction

Public tenders are well worth considering as a way for Irish companies to start in the Benelux market, and there are many opportunities to win sales to regional or national administration throughout the region. Moreover, the presence of so many European Union institutions in Brussels means that tendering for projects may ultimately lead to work beyond the Benelux region (see ‘EU Procurement’ section later in this chapter). Belgium has not only attracted the EU bodies but also SWIFT, the bank clearing house, and NATO. Even at an individual country level, the scale of some of the publicly funded projects is considerable: there is a lot of activity in light rail, for example. Transport and logistics are regularly being upgraded and these projects are usually driven by public investment. For example, Antwerp recently completed a tunnel project connecting the left and right banks of the river, while in the Netherlands there is investment in waterworks to protect against a rise in the sea level.

Irish companies may find clustering is a good way to access public sector work in the Benelux market, where a prime contractor wins the deal and other Irish companies have the opportunity to supply elements of the project. Partnering with a local company can also provide an ‘in’ to this market.

Framework: Belgium

Belgium is a constitutional monarchy with two legislative houses, the Senate and the House of Representatives. The King is the chief of state and the Prime Minister is the Head of the Government. Reflecting the country’s complex cultural makeup, recent reforms gave rise to a three-level structure aimed at devolving decision-making power away from the Federal Government. The result was the establishment of three regions: the Flemish Region, the Brussels Capital Region and the Walloon Region – each broadly comparable with a US state or a German ‘Länd’. The country is further divided into 10 provinces and 589 municipal councils.

- In Belgium, the Federal State, the Communities and the Regions all have equal legal weight but hold powers and responsibilities for different fields
- The Federal State retains powers in the area of foreign affairs, national defence, justice, finance, social security, in addition to parts of national health and domestic affairs
- The next level of public administration is the provinces
- At the bottom of the pyramid are communes, the level of administration closest to the people. Like the provinces, they are under the supervision of the higher authorities
- In Belgium, local communities and regions have authority to make decisions on education, welfare, public works and investment.

Belgium’s procurement system

Under the reforms, Belgium’s ministries have been renamed Federal Public Services. Links to each of these services is available via the FPS page on the Government website, which is available in English. This page also includes links to all of the various devolved structures of administration outlined above, but these sites are only available in Dutch or French.
Framework: the Netherlands

The government of the Netherlands consists of the King as Head of State, the Prime Minister as Head of Government and the cabinet ministers. In practice, the King's role is limited to the formation of Government and he does not actively interfere in daily decision-making.

- Regional Government in the Netherlands is divided into twelve provinces, responsible for spatial planning, health policy and recreation, within bounds laid down by the National Government
- The provinces oversee the policy and finances of municipalities and water boards which manage the country's dykes and drainage systems
- Local Government in the Netherlands is formed by 418 municipalities which are responsible for education, spatial planning and social security, within bounds prescribed by the National and Provincial Governments
- The cities of Amsterdam and Rotterdam are sub-divided into administrative areas (stadsdelen), which have their own limited responsibilities.

The Dutch procurement system

Overheid.nl contains links to all Dutch Government sites, Ministries, Provinces and Municipalities – most of which are available in English.

Framework: Luxembourg

Luxembourg has a parliamentary Government with a constitutional monarchy. Under the constitution of 1868, executive power is exercised by the Grand Duke or Grand Duchess and the Cabinet, which consists of a Prime Minister and several other ministers.

- Luxembourg’s Chamber of Deputies has 60 members, elected for a five-year term by proportional representation in four multi-seat constituencies
- The Council of State is an advisory body composed of 21 ordinary citizens appointed by the Grand Duke, to advise the Chamber of Deputies in the drafting of legislation.

Luxembourg’s procurement system

The government provides advice and links relating to selling to the public sector at this official website, which is in French.

NEED TO KNOW

As EU members, Belgium, the Netherlands and Luxembourg must publish public tenders online when the value of the contract exceeds a certain threshold, as per the rules and guidelines on EU procurement. This threshold ranges between €130,000 and €200,000 for designated supplies and services contracts with central Government authorities. For other public authorities, the supplies and services being tendered must be valued at more than €200,000. In both cases, the minimum limit for works contracts to be listed on the EU tenders site is €5 million. More information on the public procurement process is available here.
**EU procurement**

Brussels is the *de facto* capital of the European Union. Tendering for work with these institutions presents good opportunities for Irish companies across the continental European market and beyond. For example, the Irish communications consortium Ascent Communications won a framework contract related to digital media with the European Commission’s Director General for Enterprise & Industry, which opens up opportunities for the consortium to compete for business worth €40 million.

- The EU’s broad priorities are set by the European Council, which brings together national and EU-level leaders
- Directly-elected MEPs represent European citizens in the European Parliament
- Interests of the EU as a whole are promoted by the European Commission, whose members are appointed by National Governments
- Governments defend their own country’s national interests in the Council of the European Union.

**TED** (Tenders Electronic Daily) is the online version of the Supplement to the Official Journal of the European Union, dedicated to European public procurement. The site provides free access to business opportunities and is updated five times a week with around 1,500 public procurement notices from the European Union, the European Economic Area and beyond.

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**NEED TO KNOW**

The issue of bonds may arise when doing business in certain sectors such as construction in the Benelux countries. The bond in this case is a form of insurance policy, commonly required by lead contractors in large construction projects to ensure that a supplier company will adhere to strict delivery times and their product will meet the specification. It might occur in a scenario where the Irish company has a significant part in a construction project and the timing is crucial – for example, supplying a HVAC ventilation system that must be installed on site at a specific time before another contractor can begin work.

Buying a bond requires setting aside a significant amount of money that will be tied up for a period of time after a project has been completed. The bond could be 10 per cent of the project cost, which would be held in escrow for two years after the completion of the work. If a part fails before the time period of the bond has elapsed, the supplier would not get its money back. Bonds can have a significant impact on working capital, so it’s worth asking whether this will be a requirement on projects. In business-to-business areas or where services are involved, bonds tend not to arise.
HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN THE BENELUX COUNTRIES
8. How Enterprise Ireland can help you succeed in the Benelux market

Enterprise Ireland is committed to assisting and supporting clients in entering new markets and expanding in your current markets. Our team of experienced marketing professionals in our network of overseas offices is ready to help you. An overview of our service offering is listed below.

Pre-visit support

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources.

In-market support

Services available include:

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites.

International trade events programme

Every year, Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers’ missions to Ireland
- Group stands at important international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts.

Further information is available here.

International market contacts

Enterprise Ireland has built up an excellent network of individuals in the Benelux countries who are available to work with Irish client companies on developing their business. This includes market and sector specialists, business accelerators and members of Irish business associations.

Additional supports

We can offer additional supports in the following areas:

- Access to translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation
• Access to mentors.

For further information on the services of Enterprise Ireland overseas, please visit here.

Financial supports

Enterprise Ireland provides a range of funding supports and programmes for established small and medium sized enterprises in the manufacturing and internationally traded services sectors. Here is a brief outline of financial supports for internationalisation aimed specifically at SMEs.

• The Strategic Marketing Review provides grant support to undertake an approved programme of work in conjunction with Enterprise Ireland advisors and an approved external consultant. This support is targeted at established companies that have experience in selling internationally and who are interested in reviewing and developing their market development strategy.

• The Market Access Grant is designed to assist clients to develop a viable marketing strategy for a new market. It supports a client to undertake all the activities from initial market research to developing collateral prior to market launch. The costs include new or existing staff to undertake the project, consultancy costs, office rental, purchase of market research and databases and selected marketing costs.

• The Internationalisation Grant supports the costs of researching and exploring new international business opportunities. Eligible projects include 1) researching a new market for a new or existing product or 2) researching an existing market for a new product. Eligible costs may include; Salaries & Overheads (for clients with less than 50 employees), Consultancy Fees, Foreign Travel & Subsistence, EI approved Business Accelerator Fees and Trade Fair costs.

• The Business Links Grant is designed to support clients carrying out research to identify potential customers/partners using market research companies or other specialist service providers. This is confined to companies entering new markets.

• The New Geographic Market Research provides grant support to undertake an intensive six-month market research assignment into a new geographic market. Eligible costs include salary costs of an employee placed in the market for up to 6 months, in-market consultancy fees and rent.

• Graduates for International Growth (G4IG) Programme matches graduates with companies to develop and execute plans to grow in key markets. Support available for the graduate salary and training. Call close date applies.

• Acumen Programme is a cross-border Business Development Programme designed to stimulate cross-border trade (between Northern Ireland and the Republic of Ireland) and develop other forms of commercial co-operation amongst SME’s throughout the island of Ireland.

• Excel at Export Selling is a series of workshops aimed at rapidly embedding the proven tools of good international selling practice into the sales teams of Irish companies across all industry sectors.

• Targeting company management and sales staff, the 10-month International Selling Programme enhances company ability to access new markets and accelerates export sales growth. Delivered in conjunction with Dublin Institute of Technology (DIT) in partnership with a panel of world-class experts and practitioners.

This is a summary of internationalisation supports for SMEs. For more comprehensive details about the full grant programme, please visit the dedicated page on Enterprise Ireland’s website. All applications should be discussed in advance with your Development Advisor.
Contacts in Benelux

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Brussels Invest & Export

Luxembourg for Business

Belgian Luxembourg Chamber of Commerce in Ireland
Web: www.blcc.ie

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Web: http://ireland.nlembassy.org/services/economic-diplomacy/the-netherlands-foreign-investment-agency-nfia

Dutch Irish Association
Web: http://dutchirishassociation.ie
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