

Get your slice of the DACH pie

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Author
Radek Drsata



Small isn't always perfectly formed, and most businesses are pressed to either grow or dry up. Assuming the first option is preferable, how can you drive your territorial expansion into the DACH countries?

DACH offers a direction for expansion that should not be ignored. But this comes with some caveats.

To succeed in the DACH countries, you should look closely at two connected aspects: a) culture and b) organisational structure.

The big picture

Germany is the biggest European economy with 83 million inhabitants, followed by Austria (9 million) and Switzerland (8.5 million). With regard to GDP per capita, according to numbers from 2022, the Swiss are the richest in the group at **\$94k**, second are the Austrians with **\$52k** and third the Germans with **\$49k** per capita. All in all, **the DACH region has 100 million people producing a total GDP of approximately \$5.38 trillion**. It's no wonder that foreign companies might think about how they can get a slice of the DACH pie.

Culture is moulded by language - German, in this case. Apart from 3 million French- and Italian-speaking Swiss, written German unites all three nations. In the spoken form, however, we could paraphrase Winston Churchill by contending that, "*these three countries are divided by a common language.*" Interestingly, the different dialects reflect the different mentalities of the 3 DACH nations. Understanding the "cultural code" specific to each country is essential to succeeding in DACH.

Your first deal

When trying to land your first deal in the DACH countries, you will need:

- **In Germany:** a reference (yes, difficult for your first deal).
- **In Switzerland:** a high-quality product, ideally Swiss-made.
- **In Austria:** a recommendation, ideally from a friend who's the decision-maker.

Cultural differences



Almost 50% of the German GDP is contributed by family-run businesses. Some are over 100 years old. Many are hidden champions, i.e., relatively unknown midsize companies considered to be world leaders in their specific industries. Germany has more than 1,300 so-called hidden champions – versus 370 in the US or 67 in the UK. Of these 1,300, 400 are family held. **Their success is based on mutual trust and references.** So, don't be surprised if your prospect's first question is, "Who (in Germany) is already using it?"



The Swiss love references as well, but of a higher quality. Their own success, whether in timepieces, pharmaceuticals or banking, has taught them that quality trumps a hasty decision. A good rule of thumb in this market is, **price doesn't matter if you can prove the quality.** The Swiss will always back local over foreign. So, if you were to offer, for example, a cloud solution for banking, you had better make sure the data are stored in Switzerland.



In Austria, the quality check is done through trusted relationships. Here, **a friend's word weighs more than in the other DACH countries.** The Austrians also actively promote the saying, **it's not what you know, but who you know.**

Org structure

As well as taking culture into account, you should also have a look at organisational structure if you're planning to move into the DACH market.

Whatever business you're in, you will need local DACH representation sooner or later. Google, LinkedIn, Facebook, etc. are proof that even fully globalised internet services need local offices to be successful in the DACH countries. The question is, should this be your own subsidiary or a partner organisation? The answer is: It depends! You'll need to do your due diligence on the costs, risks, and gains of setting up a subsidiary versus using a partner firm.

If you do decide to set up your own subsidiary, then you'll need to employ some locals - for all the reasons mentioned above.

Have support

An expansion into the DACH countries is a strategic decision that bears significant costs. **A consulting service can help you make the right decision, save unnecessary costs, and produce faster results.** Deeper knowledge of the whole "homogeneously heterogeneous" DACH market can help you succeed without too many stumbles.

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