



UNFINISHED NOTES FROM GERMAN-US INTERNET CONFERENCE

October 2016

Importance of US English and local contact numbers, phone numbers. Importance of a GOOD English language version of site. Be sure abbreviations are understood.

People who are targets make themselves difficult to identify and reach.

Give titles that show expertise for low level folks; they have to be experts.

How you set up structure depends on how many customers you expect to need to reach.

Had US customers calling this German start up. Knew US main market outside Europe. Following customers. Americans are innovation finally. US expects local and same time zone. Find a local site - cool site and innovation feeling. Put locals there. Moved from universities to industry. Customers want to see the product. In US, it's about selling. In Europe it's about engineering. Need US contracts - lawyers are expensive. Need US senior management. Hiring CEO America. It's a very pragmatic attitude. Selling to the US Navy. Need to be seen as professionals. US is big market, but difficult.

Cover whole US in dispersed way. Mostly East/West coast with not much in the middle. 3-4 hours same in East Coast. Need constant communication. NYC-Berlin. NYC employees need to feel integrated. Next step will be West Coast. Look for partner out there. They are in Brooklyn - like Kreuzberg. Location and coolness factor is important. Notes different labor law here and there. Sales types are different. US is more marketing show off. In Europe it is the product. Compensation is expensive in the US.

They do resellers in some states. No exclusivity. Some direct customers - key accounts for big customers. Also, prestige and learn from the big customers. So, mix of sales people and distributors. Reseller gets 20-25%. Sales people need to make a living.

Full organization in Germany. US will be sales, but also.... have to sell applications and not just the printer. Need to know how customers use the product. People here have to be technical. Also, some software development here. Will be 20 people in Brooklyn by end of 2017.

US presents a different scale. How use feedback from customers. 45-55\$,000 base with benefits at 20% on top for benefits. West Coast is even more expensive. Silicon Valley is way too expensive. Brooklyn is less than Manhattan, but Silicone V is much more. Denver and Austin are cheaper. Problem is time zone. Also looked at Atlanta.

Do not call sales people! They can make more than the CEO. That sales person is your "show pony." He will help recruit others. Be careful who you promote.

TUESDAY AFTERNOON -

[Discussion with blockchain person for loyalty points]

Marco - pronounce the name of your company properly. Sales people can earn more than the CEO. Be passionate. Own your product.

2nd - Be sure American English. US soft sell, not just bottom line.

OPINARY - Allow comments to appear in websites like BILD. Realtime insights. These draw eyes. Help Opinions Matter.

12grapes - [She was up this morning] Recruiting intelligence. \$60 billion spent on hiring, training and firing. Have a hard time figuring context and who will fit in and stay. 19 predictors in initial interview.

Blog foster - Bloggers to make money with bloggers. Free to use analytics to increase audience. Tell advertisers where readers are. Axel Springer backs.

Labfolder - Operations system for lab. Losses due to poor organization of data. Helps researchers collect their data and collaborate. 500 paying users in US.

Visitate - Help museums go digital. 27,000 museums in US. #1 in Germany and Switzerland.

CONFERENCE OPENING -

[Even a monkey falls from a tree. Your mother's a monkey.] The egg has not yet been scrambled.]

Deborah Brewster - News Corp - Look where others go. Need a business model. No investments based only on idea. Brands are important on Internet.

ESPN - Editor at ESPN. From marathon to 100 yard dash at Rio. Expanded to India. More online users there than in US. Important to mix US with local - India. Authentically ESPN but distinctly local. Looking at other markets and other languages. Collaborate and curate. Each local market. Reporters from 15 different countries at ESPN Brazilian. Use lots of same infrastructure for local markets. Top 100 athletes are mostly soccer and basketball. Not NFL. Time zones. Cannot be ad BOC. Has to be operationalized. Lots of mobile, not desktop. Editors look at product on cellphones first.

JENS MUEFFELMANN - SPRINGER.

US startup activity is much larger than in Germany even on per capita basis. In some parts of the world there is mobile only, no desktop. ESPN is dropping its number of apps. You can go anywhere from the one ap. Sports fans use only one ap per month. ESPN wants to be that ap. [Cable cut] ESPN says serve fans first and they will find a way to monetize it. Consume sports content.

CHANGE

Marc Donner / ÜBER - How to manage Geeks. Engineering management is a service profession. Leadership - stable direction. Unstable direction kills engineers. Don't start over and throw away their work. Engineers know the compensation effect of inefficient change. Personnel management -

engineers don't get along. They will not tell you. You have to figure out what is going on. Young engineers are not mature in their conduct. Administration - (Leadership / people management / administration) As Administration, do not let engineers get distracted. Don't make them fill out forms.

Hierarchy - how flatten administration? Organization came from the Roman army. It moved then to the Roman Catholic Church which taught it to others. Requests go up and directions go down. Hierarchy is efficient in communications. Before, communication was slow and expensive. It used to be that the larger army beat the smaller one. It killed the officers and disrupted it. But if 2 10,000 armies attack 15,000, the bigger one is defeated. So coordinated attack is important. How did the parts of the army communicate? By messenger. It was slow and dangerous. Illiteracy also played a role. But we do not need these factors today. So, we do not need the same hierarchy anymore. Knowledge workers don't work this way. They need definiteness in decision making but not hierarchy.

12Grapes recruiting - not as much skills as fit. Digital company put emphasis on teams. There is an emotional toll when something does not work. Motivation, leadership, founder personality, creativity, cohesion, skills. Questions include posture and micro expressions. [Privacy?] Suggest roles.

BIG DATA - Marek Polonski - APT. There is a curve of innovation adoption. New technology gets hired – often at the peak of inflated expectations. Then disappointment sets in (trough of disillusionment); the next step is normal, with Little's guys going away and serious ones remaining. 20% of US retail data is on their servers. Watch for use of the future tense in writing about the subjects. "Moore's law - computer power doubling every year." So, unit cost has dropped dramatically Kreider's law - storage capacity doubles yearly. So even faster than processing. "Kind of big data." So, dollars are in the Kinds of Big Data. BD does not take up so much space but has the key data already. Extract through business experimentation. Change prices and see what happens. People vote with their dollars. Sometimes it just happens. Needs to be measured and analyzed. Cites Subway franchise. Possibly lower prices. Looks like working to him. Got together for conference. He told them what he did. Others laughed at it. Cannot pick up enough traffic to pay back they said. Others tried, and it seemed to work. They bought sandwich and then other stuff. So it worked.

JC Penny hire its new CEO from Apple. Pennys Got rid of discounting. It did this without any trials. But consumers loved the discounts. That CEO got fired and Pennys brought back the old CEO. They had not tested the learning. They way to make money out of big data - in market experimentation.

Tech NYC - Marketing the city.

Iventic - BtoB events. Guest registration. Big clients. Need flexibility. Multiple languages.

Can't Inio - lunch in NYC. 27,000 restaurants in NYC. Pictures of what's offered. 400 in Berlin.

Videopath - Anna Rose - video with info in the video. Daimler, Body Shop.

Labiotech -

Sleevematix - over engineering. Coffee sleeves.

FINTECH

UK gets a lot of attention.

Big banks are moving away from servicing niches. They are concerned about privacy and data security when purchasing services. There are more US banks present in London than in New York. [Check "sandbox" meaning]

Some banks have created divisions with their own performance standards and balance sheets.

When it comes to selling services to financial institutions, the middle layer of any big organizations is where ideas go to die. There are 14,000 banks in the US, each with its own philosophy and culture. In making decisions, the board is very important. The CEO then implements the decision. US banks have been beaten down - and rightly so. They are very cautious. Wells Fargo's experience shows that banks do have to be regulated.

Timing - different organizations have different perceptions of how slow is slow.

In selling a product, it is very important who your initial customers are. Get a sales person who understands the culture at the target. If you get the right first customer, its competitors will not want to be left behind. You can "roll" them.

It is hard to write regulations that are friendly to innovation. If your product may face regulatory resistance, try to get a bank as a customer who will fight for you with regulators and push the product.

Deutsche Bank -

DB's wealth advisors will make introductions to investors. DB is interested in dealing with the wealth created by a successful investment, after the exit.

Banks do not provide the services needed by startups. These needs change as the startup grows. Banks don't monitor and anticipate those needs. What currency exchange needs, what treasury advice. Internet based companies often have revenue in different countries at an early stage.

Many founders are only 2 years out of university. They have great ideas and enthusiasm but not nuts and bolts business experience.

The US is easy to do business in in terms of barriers. For example, no member of the board needs to be an American. How strict are the laws? Many start up products exist in a grey zone of the law. How far should the company push against those laws.

One serial entrepreneur noted that no one bank filled all his banking needs. For example, at the beginning, why can't the bank account talk to QuickBooks? What person in the client can execute a transaction. Banks don't understand accounts receivable financing on the Internet.

Different countries have different regulatory frameworks. Startups confront these at an early stage compared to more traditional companies.

Some banks require a bank officer to visit each office of a customer annually. A startup may have 10 offices with one or two employees. This becomes expensive.

Why aren't bank services seamless? German banks do not provide mobile services which one participant had had in the US for years.

Deutsche Bank's digital economy section is 6 people.

For a decade before 2008, Germany seemed stable. Then the crises began with the 2008 financial collapse, particularly in Greece, where youth unemployment hit 50%. The Arab Spring failed, with crises in Egypt, Libya, Tunisia and Syria, creating refugees. Russia invaded Crimea and Ukraine, thereby ending any partnership or cooperation between NATO and Russia. The West decided to stop the cooperation and impose sanctions, building up NATO. The Islamic state rose and recruited fighters in Western Europe, terror came to Europe. The refugee crisis overflowed into Germany.

To all this Ms. Merkel has responded reasonably, and this after only 26 years of German unity. Germany has become the center of the EU, a position Germany did not seek. But Germany's smaller neighbors asked Germany to lead. At the 2014 Munich Security Conference, 3 important German politicians said Germany must lead. Germany and France took the lead on the Minsk agreement with Russia. Germany has created 4 new Basel lions in Eastern Europe for NATO. Germany sends weapons to Kashenya, while Genscher would not send Blue Helmets to Yugoslavia. So far Germany has avoided radicalization, but this begins to change. Populism challenges the CDU/CSU/SPD and Greens. Populism is on the rise in France, Austria, Italy. The AfD got up to 20% in eastern Germany. This is not just a reaction to refugees. Merkel has moved to the left, creating space for the right. So, the CDU "modernized." There is now less difference between the CDU, SPD and Greens. The Greens used to be the provocateurs but now they are establishment. The Fringes are going. Die Linke came as a response to Schroeder and Agenda 2010. So there was a new left. Now this happens on the right. The AfD was originally from an anti-EU economist. Now it is much different. It is anti-Islam. Germany was initially the "welcome" society and was praised for this policy. Now Germany is in the hard work phase. Germany found no solidarity in Europe. Southeast Europe wanted no one. In Dresden there are demonstrations by PigiDa every Monday. Certainly not all of the almost 1 million refugees are model citizens. We saw that New Year's Even [when they behaved like Donald Trump], assaulting women. Now there are six parties. The period of government stability is over. The CDU/SPD in Berlin gets less than 50% of the vote. The SPD is tired of being the junior partner. The Grand Coalition gets smaller and smaller.

Nevertheless Ms. Merkel will run again. 1) there is no alternative - she has pushed out her rivals; 2) she does not want to be seen as running away from these problems; 3) Germany's role in Europe is expanding and she feels responsible to play a role; 4) no CDU chancellor has ever voluntarily given up power. But after winning, she will hand over the position. She will have served 14 years. The EU is in terrible shape. Brexit challenges the EU idea. The UK has rejected the movement to bring European nations closer together, which was the whole point of the EU. The UK brought pragmatism to the project. And economic liberalism. Brexit is not just a British problem. As noted, there are strong populist movements in many EU countries - also Hungary and Slovakia. The lack of solidarity is shocking. Trump and LePen are similar. Germany needs continuity. Ms. Merkel is Europe's longest serving head of state. She gets along with Putin, the Chinese and the Japanese. When the Chinese and Japanese want to talk with Europe, they call her. Jhtu6577787665UY 6

DINNER

NEIL – New York is a center of television, broadcasting, digital media and music. It is a petri dish of diversity. Salsa music began here. It is the global capital of the media. Two centuries ago English novels were reprinted here. New technology meets here. Tech growth in NYC is very fast (7.6%). Technology firms are organized on a more horizontal basis than traditional industry. A mosque, a church and a synagogue share the same building near the WTC.

UNION SQUARE INVESTORS – This VC company has offices in NYC and Berlin. It is invested in 62 companies, including in Pittsburgh and Des Moines. 16 are in Europe. 5-6 are in Germany with 3 in Berlin. Berlin has the grit and energy of NYC in 1979. Young, creative people move from Soho to Chelsea to Brooklyn as rents go up. The next step is Berlin. The new internet companies in New York in 1990 were services to media and banks. Berlin did not have local market – so the Berlin startups had to think globally from day one. Once startups were successful and the owners cashed out, they became angels. Berlin has founders who are nearing exits. The next step will take off. Berlin offers diversity like New York. One company (One Football?) has 17 nationalities represented in its 50 employees in Berlin. Most of these employees are in their 20's. As they mature, Berlin will have to offer housing and schools and neighborhoods to keep them. There will be a transition to young families. A company cannot scale up with just young guys.

AMERICAN COUNCIL THURSDAY

Angela Merkel is admired due to Germany's economy and technology. Germany produces better products and processes. Google in Germany has 20 startups on one campus. Tech and non-tech companies are integrated. Germans embrace technology. Still, the US had a trade surplus in digital products and services. Yet we still need to connect 4 billion people. There are business and moral reasons to do this. Without internet connection, people will stay poor. We need to train people to be citizens to participate in the world. We have to encourage participation. Are countries protecting incumbent industry? This is a losing game. Innovation cannot be stopped.

ARON – We need to rethink regulations. Government normally imposes regulations, but not always. Guilds did it in the middle ages. Today they are industry organizations, including in nuclear energy, banking and chemistry. Platforms can be a regulatory partner – “delegated regulations.” Government ask for data; it is dependent on platforms of digital space. People hand over information to these platforms.

California's policy on “voice over data” was an instance of regulatory forbearance, so this development flourished. Regulations are often due to the existence of a monopoly. Sometimes monopolies make sense: why have an unlimited number of telephone wires? The wireless transmission spectrum is limited. But digital applications are not limited. Regulates non-renewable energy sources.

Ms. Merkel says Germany needs to embrace digital disruption. But many Germans do not.

Is regulation a solution for market failure? Some countries start with regulation. The Energy market is an example. Germany. We see energy supply changing from centralized to decentralized. Energy regulations will change.

We are seeing the development of a sharing economy, crowd-based capitalism. This is the new organ of economic activity: from the individual to the market to the buyer. In the 19th and 20th centuries producers became large institutions that produced. The new model is large organizations but thinner

administration, by giving functions directly to large numbers of people. The internet imposes few barriers to use.

The Internet does not create economic inequality. True, it creates great wealth, but also at the lower level. There is less structure in employment – no career ladders and fewer full time jobs. How do we best train these workers? Yes, STEM, but we need more liberal arts graduates. Universities can help in long term, repeated career support. There should be continuous career counseling. The community needs to provide the structure that the employer used to provide.

People WILL be displaced. The EU needs 900,000 more people with digital skills by 2020. How do these developments affect democracy and the role of citizens?

Google's privacy disclosures would be much shorter and easier to understand if Google did not have to insert language required by different countries. Schools should teach pupils and their parents about the risks of the internet. Computer monitors should be kept in the home where parents can easily monitor what children are reading.

Legal systems play a major role in the development of the digital economy. The difference between code and common law attitudes is important. Civil law limits innovation and development with blanket prohibitions. Civil law is more innovation friendly and regulates development only after the fact. It permits the development unless it injures someone.

Economies of scale play a lesser role in digital development. Bigger used to be better. (In his 6 years with Google, its employment has grown from 6,000 to 70,000!) It used to take a lot of capital to reach the market. No longer so. When file sharing began to affect the music industry, RIAA tried to kill it. It would have done much better to spend that money trying to develop a different distribution model.

This US is now Germany's biggest trading partner. But trade is not a popular topic. In Germany, computers have led to more industry-to-industry applications. Germans worry about the huge size of US digital companies; their market cap is MUCH bigger than the market cap of the largest German business. Digital trade is trade, but it is difficult to value. Our trading system is still the one developed after World War II. We face a danger that barriers will be erected. Trade agreements are being rejected due to insecurity. Faced with terror, people are inclined to go home and lock their doors. Political leaders admit, "We know what to do, but not how to get reelected after we have done it." Snowden's leaks have undermined trust. The newly adopted "privacy shield" does improve things. It is working. The US is concerned about data localization laws that restrict data transfer. There is a strong argument for the global internet. Businesses need the transfers. The US trade representative says the US does care about privacy.

Germany and the US are closer on data and privacy than some other countries. German sensitivity to personal data goes back to Nazi and Stazi abuses. [It goes back many centuries earlier.] The debate was going on in West Germany in the 1970's.

45% of imports to the US were intermediates. How do we measure data value? US statutes on data are from the 1940's, when the "data" was in the form of voice transmissions. How are we supposed to regulate data with these old statutes? Regulators are forced to work within the existing data statutes.

In Germany, cars have more and more data communication, but they cannot communicate with each other.

The US feels it has to cover data within TTIP. Some countries are imposing localization rules on data equipment.

Germany lost out on the wave of innovation which created Facebook. Now they have a new chance. But legal and cultural attitudes hold Germany back. The reluctance of Germans to use data should change.

President Obama is still pushing for TTIP. Western leaders are surprised that trade is such an issue. A majority of Americans are still for freer trade. The problem is that the benefits are spread out, but the harm is very specific.

Between Germany and the US there are major differences in the way failure is stigmatized or not. Many Germans have come to the US to work in internet-related development, to escape German restrictions. Also, it is easier to scale in the US. Access to capital is easier. In the US, we finance ideas; in Germany, they finance success.

Germany began the TTIP negotiations with less transparency than in the US. [[Interesting] Some will always reject trade. The trick is to find and talk to the persuadable.

MATTHIAS NASS, Chief International Correspondent for Die Zeit – Atlantik Bruecke, October 5, 2016

Germany has seemed stable despite numerous crises: 1) the financial crisis of 2008, a crisis of confidence, especially in Greece, where youth unemployment has hit 50%; 2) failure of the Arab Spring – Egypt, Libya, Yemen, Syria – creating a stream of refugees; 3) Russia in Crimea and eastern Ukraine, which ended the partnership with Nato; 4) the rise of the Islamic state and recruiting of fighters in Western Europe and terrorism in Europe; 5) the refugee crisis, leading 890,000 refugees to Germany.

Merkel has acted reasonably throughout, and this after only 26 years of a unified Germany. Germany is the center of the EU's well-being. It is a role it hasn't sought. But the smaller neighbors around Germany want more German leadership. At the 2014 Munich Security Conference, three German leaders all said that Germany must lead.

Germany and France worked with Russia on the Minsk agreement. Germany is organizing 4 new battalions to strengthen NATO in eastern Europe. Germany is sending weapons to Kashmurga. Genscher would not send blue helmets to Yugoslavia.

So far, Germany has avoided radicalization, but this is changing. Populism challenges the CDU/SPD/Greens. It is also increasing in France, Austria and Italy. The AfD reached 20% in eastern Germany. Merkel has moved to the left – on matters of marriage, women and nuclear power. She has left space on the right. So, the CDU has modernized. There is less difference between the CDU, SPD and Greens. The Greens used to be provocative, but now they are establishment. The fringes are growing. Die Linke came from Schroeder's Agenda 2010. So, they were new on the left. Now the same thing is happening on the right, with the AfD. It was originally the creation of an anti-EU economist. Now it is much different. It is anti-Islam. Initially the welcome extended to refugees was praised. Now it's hard work. Germany found no solidarity in the EU. Southeast Germany wanted no one. Dresden has demonstrations against Islam every Monday. Certainly not all the almost 1 million refugees are ok. We saw their behavior on New Year's Eve in Cologne. [Reminds me of Donald Trump style behavior.] Now

there are 6 significant parties. Ultra stability is over. The CDU and SPD in Berlin have less than 50%. Will the left have to be included in the government? The SPD is tired of being the junior partner. The “grand” coalition gets smaller and smaller.

Rudolph (Rob) Houck
rhouck@rhoucklaw.com