

Prof. Dr. Tobias Kollmann

Chairman, Advisory Board, "Young Digital Economy," Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie, BMWi)

Chair, E-Business and E-Entrepreneurship, University of Duisburg-Essen

Managing Director, netSTART Venture GmbH

What is e-entrepreneurship? Where do you see the field headed?

Broadly speaking, e-entrepreneurship refers to the establishment of businesses within the "Net economy," which offer their products and/or services via electronic platforms in data networks. Well-known examples include Facebook, eBay, and Twitter. The sweeping impact of "Net economy" businesses on global growth, productivity, and employment has been widely acknowledged, including in Germany. The German Federal Ministry of Economics and Energy, for instance, reports that within the ICT sector, roughly 900,000 employees generate a revenue of 228 billion euros. Consequently, this sector has a higher net product than that of the German car industry and also has stronger sales than the mechanical engineering industry. Moreover, the Internet industry alone has a revenue of 79 billion euros, which is even more than what the electrical engineering industry generates. Therefore, it is not surprising that all forecasts of this "Net economy" are positive.

E-business or the associated ICT sector is strongly influenced by small and medium-sized enterprises. New ventures play an especially important role as drivers of innovation. Experience has shown that huge, well-established companies have neglected innovation potentials, particularly in the ICT sector. In such a context, it is up to young ventures to assume the responsibility to realize such innovation potentials and to transform them into marketable business models. Almost 9,000 new ICT ventures have been founded annually this way in Germany since 2009, according to the Federal German Ministry of Economics and Energy (2013). With respect to this, the German Startups Association (BVDS) concludes that Internet start-ups create on average 3.6 jobs within the first 12 months. In contrast, traditional entrepreneurs "only" create 0.8 jobs in the same time period. In Germany, we have a substantial start-up scene and the associated online start-ups are of great importance for the digital transformation of the country's economy. We need these young drivers of innovation in order to remain as competitive in the near future as we are now.

What do you hope to achieve as Chairman of the German government's new advisory board "Young Digital Economy"?

Germany's traditional industries and mid-sized companies need to become more aware of the "digital economy." Likewise, German start-ups within this sector need to be better supported and encouraged. Start-ups are the innovative pioneers supporting the digital transformation of Germany's economy. Therefore, they will contribute substantially to Germany's economic competitiveness in the near future. Regarding the goals and objectives for general Internet politics on the one hand and special start-up politics on the other hand, I foresee three key areas for Germany to target:

1. To make digital competitiveness a topic of discussion for traditional industries and Germany's "Mittelstand."
2. To support digital innovativeness by facilitating start-ups for and within Germany.
3. To highlight digital synergies between the business models of traditional industries and innovative start-ups.

Fortunately, this multi-faceted topic has entered the political arena. It has done so thanks to the German Startups Association, the "Young Digital Economy" Advisory Board in the Federal Ministry for Economic Affairs and Energy (BMWi), and many other associations and initiatives. Together, we are working on concrete initiatives that should help improve the circumstances for start-ups in Germany's digital economy. The "Young Digital Economy" Advisory Board is undertaking actions in a variety of areas, including society, infrastructure, support, finance, and growth. These proposals can be found online in the first report of the "Young Digital Economy" Advisory Board.

In your opinion, what are the possibilities and limitations of today's digital economy?

The significance of digitalization for the economy cannot be denied any longer. It pervades all kinds of companies, industries, and business models. For this reason, the borders between the real and digital economy can barely be drawn anymore. Whether it's e-commerce for retail, 3D-printing for business, or electronic geographical data for agriculture, the digital transformation of our economy, manufacturing, and customer relations is both a key opportunity and a challenge, especially for an industrial nation such as Germany. In this case, the message is loud and clear: whoever is not able to join the digital game will soon not be taking part in the game at all.

Concerning current issues, a recent study reported that roughly one-third of the German population feels overwhelmed by digital technologies. Current public opinion assumes that media competence will be acquired through peers at the school playground rather than in class. Whether this setting will provide enough of a breeding ground for future entrepreneurs in today's digital economy is highly

questionable. At this point, new paths must be forged to improve digital literacy. In this context, it is important to note that such education is not just about learning pure technical matters. Instead, education in applied computer science, which not only focuses on programming, but also on digital media use, is essential. The general subject "media" should be taught in school. Against this backdrop, a current initiative is underway in which entrepreneurs and digital economy representatives visit schools to support this vision. Even more importantly, the subject "e-entrepreneurship" needs to be integrated into the curricula of universities already teaching business administration, computer science, and/or business information systems in order to spread basic and start-up-related knowledge about the digital economy. This is the only way to grow the required knowledge for professionals and future entrepreneurs within the German population.

What are the most common types of mistakes that start-ups make in e-business and online/social media marketing?

It's important for start-ups to know early on how to capitalize on their business ideas. The best service is worth nothing if you do not have people paying for it – be it customers or established companies that may pay entrepreneurs for the possibility to integrate the start-up's innovation into their company. Furthermore, start-ups have to garner the attention of potential customers. They often do so via catchy advertisements that get stuck in a customer's memory, which can lead to viral marketing effects. Zalando, for example, a multinational, made in Germany e-commerce company that specializes in selling shoes, clothing, and other fashion products online, introduced a commercial with a disclaimer warning, "we're addictive!" It ironically advised against the enticing benefits of online shopping. This commercial got people talking, which was exactly what the company wanted. For Germany, I especially foresee opportunities for start-ups that have their own digital business ideas and are willing to cooperate with strong, pre-existing industry partners. Cooperation between the traditional industries and innovative start-ups could become a central competitive advantage in Germany's digital economy.

In 2012, you were awarded "Business Angel of the Year" by the Business Angels Netzwerk Deutschland e.V. (BAND). How do you go about selecting your investments?

First, the business idea has to be innovative and it has to solve a need in the real or digital economy with a digital process that is better than that of its off- and online competitors. The idea must have an electronic added value, for which customers are willing to pay. It is important to remember that e-business is a people business. Consequently, I evaluate the entrepreneurs thoroughly – and that involves looking at the hard and soft facts. Do they have an entrepreneurial mindset and spirit? Are they familiar not only with e-business, but also with the industry (e.g. retail) that they can target their business idea? Finally, it is also very important that they demonstrate a true commitment to their business.