



Spotlight on Denmark

Preface: why location really matters

Europe is a diverse market: culturally, linguistically, and economically. Many U.S. companies expanding to Europe make the mistake of applying the 'Lemming principle' - expanding without much thought to nations where they see other U.S. businesses such as the United Kingdom, Germany, or France. While this might make sense for ventures that want to specifically access those national markets or have excellent partners in the region, for many companies it is simply a failure to dig deep and see whether better options are out there. This business planning failure can doom an expansion at its inception.

At Samson Atlantic, we work with companies to find the best locations throughout Europe - market research and site survey assistance tailored to the needs of your company, your clients, and your employees. There are a host of factors that we apply to ensure you identify the best match for your business (the **Samson Factors™**). In this *Spotlight*, we focus on Denmark, a small nation in the north of Europe with a giant reputation as a superb business location.

Denmark: a magnet for IT and life science investments

Economic development agencies for all European countries seem to have the same 'wish list' – bringing in high-end IT companies and life science industries. Why? Because they bring research and development benefits to the host nation, not to mention a shot in the arm to education in these areas and an employment pipeline for home-grown skilled employees who might otherwise take their knowledge and enthusiasm to other nations. **Well, what other nations want, Denmark is getting.** Over the last few years, Denmark has landed huge



investments from Apple, IBM and Amazon, as well as Biogen and Medtronic.
What attracts US businesses to Denmark?

Market strengths: quality of life, stability, location

Quality of life is a hard concept to properly analyze through just numbers, but the numbers certainly show trends and Denmark is near the top of all of the relevant lists because of the excellent lifestyle and government support that its citizens (and resident expatriates) enjoy¹. Denmark even qualifies as the ‘happiest country in the world’ according to one organization².

Denmark is a very stable country with no apparent significant risk to foreign investment or business ventures. Denmark has a multi-party system, with three parties (Venstre, the Social Democrats and the Danish People’s Party) having the majority of the votes over the last fifteen years and all of them supportive of US-based FDI. Although Denmark is an EU member state, they have maintained their own independent monetary policy and currency (the Danish crown) which is tied to the Euro at a stable rate with limited fluctuation through the Exchange Rate Mechanism (ERM II). As our foreign exchange expert partner **Ross Felner** at **AFEX Global Payment and Risk Management Solutions** notes, the Danish crown is stable and “due to Denmark’s monetary policy, the country is currently enjoying its lowest period of inflation since the times of the Great Depression. For the 4th straight year, Denmark is experiencing consumer price increases below 1% in 2016, the lowest since the early 1930s.”

Denmark benefits from being right next to the German market³, exporting almost 20% of their products to their southern neighbor and taking slightly more

¹ See generally: <http://www.oecdbetterlifeindex.org/countries/denmark/> for an overview of the statistics which support Denmark’s leading position among developed countries in key indicators.

² <http://www.livescience.com/54061-the-world-s-happiest-and-least-happy-countries-according-to-the-united-nations-infographic.html>

³ much like the Czech Republic, recently highlighted in a Spotlight paper available on our website [here](#).



back in the form of imports. Unlike other countries that border Germany, however, labor costs in Denmark are generally higher, so the imports they ship into Germany tend to be more high-end finished products such as machinery and electronics equipment. Denmark also offers excellent access to the gamut of North and Baltic seas nations, and the seafaring nation (home to Maersk, among other shipping companies) has world-class shipping facilities and regular routes to all of the major US and Asian ports.

Challenges: expensive, SAD, Janteloven and what it means for US companies

The wonders of Denmark come with a price. The cost of living in Denmark is significantly higher than in most US cities, and most European cities as well. Copenhagen is listed as one of the top 10 most expensive cities in the world. Even outside of Copenhagen, the costs for dining out and gassing up can be hair-raising experiences for foreign visitors. Denmark has a 25% sales tax and the lowest personal income tax rate is over 50%, but it is not tax rate alone which makes the cost of living so high in Denmark. Rather, it is the high wages combined with the high taxes – restaurants and businesses have to pass these costs on to customers. For a foreign business considering an investment in Denmark, this means that not only do you need to budget almost 50% more cost of living allowance for your expatriate staff compared to other locations in Europe, you will have to pay much more in local wages than you might elsewhere in the EU. Average labor costs in Denmark are more than \$15 an hour higher than the EU average.

You may not think of putting climate high on your list of business concerns, but it can have a significant impact on employee effectiveness. Seasonal Affective Disorder (or SAD) is an issue with which business ventures in Scandinavia must grapple. The result of dark, dreary winters and a significantly higher latitude than



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the continental United States, SAD can dramatically reduce the productivity and morale of your workforce during the winter months. It is especially telling on expatriates who are unused to it. Copenhagen, for example, sees almost 1,000 hours of less sunlight over the course of a year than Chicago. This is compounded by the fact that, although Danes are happy as previously noted, Danish society is not necessarily an easy one to get into as a foreign outsider, ranking a lowly 50th on a list of how countries are for expatriate employees.⁴

The third potential challenge of establishing a business in Denmark is the culture. Just because your employees speak fluent English, it doesn't mean that you will always understand them and cultural disconnects lurk around every corner. This is true in many countries, but in Scandinavia there is a unique cultural dynamic captured in the Law of Jante (Janteloven), which derives from a Aksel Sandemose novel from 1933 but is now used to frame discussions on key social and political perspectives in Scandinavia.⁵ In essence, these social norms underscore that Danish society is collectivist in nature and individual achievement and ambition is frowned upon and can cause resentment and push-back. This perspective can fly in the face of the more aggressive and individualistic American cultural approaches and can result in significant and unfortunate personal and professional misunderstandings.

These three challenges do not change the fact that Denmark is a fantastic business location. Instead, they are ideas to take into considerations when an American company is weighing the overall benefits of Denmark versus another business location, such as the Netherlands or Ireland, in aiming their European expansion. At Samson Atlantic, we run these considerations through a prism of over 12 major **Samson Factors**[™] to differentiate between the bad, the good, and

⁴ Denmark ranks 50th on this list <https://www.internations.org/expat-insider/2016/the-best-and-worst-places-for-expats>

⁵ See generally https://en.wikipedia.org/wiki/Law_of_Jante.



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the best locations for your business. Each location is unique, and what may be perfect for Apple and Medtronic may not fit the bill for your company.

Summary: Is Denmark perfect for you?

If this discussion of the Danish market and the great opportunities it offers interests you, please reach out to us at Samson Atlantic for comparative market research information. Denmark might not be exactly what you are looking for, but the wide variety of options available in the broader European market means that your perfect new business location is sure to be found somewhere in Europe. We look forward to helping you find it!