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# THE JERUSALEM POST NOVEMBER 18, 2016 METRO

'First we take  
**Tel Aviv,**  
then we take  
**Berlin'**

Israel's start-up success is  
finding synergies and a home  
in the German capital



# Start-up Berlin

Germany's capital looks toward Israeli chutzpah and innovation to rev up its start-up scene

• By ORIT ARFA

**B**ERLIN – The Mindspace open kitchen, well-stocked with jars of colorful teas, a fancy coffeemaker and microwave, looks just like the one at Mindspace Tel Aviv. Even the array of mugs has the same motivational messages. The major differences in appearance, aside from people with lighter skin and lighter hair walking around, are what lies beyond the windows. At the Rothschild Boulevard branch, at this time in autumn, the sun would have been shining onto the techies, entrepreneurs and freelancers who have taken a space there, starting at around \$450. Here in Berlin, the windows open to gray skies, with hints of showers to come, near the Stadtmitte U-Bahn station on the bustling Friedrichstrasse. But the multi-level complex is well heated and made cozier with the retro furniture elements that have become Mindspace's signature.

Edita Lobaciute, the sprite, pretty community manager, jumped out of her five-person office in Berlin to show off her pride. The Berlin branch of Mindspace, a co-working model co-founded by its Israeli CEO Dan Zakai, officially opened on April 1, the same time as its Hamburg branch.

Lobaciute, a Lithuanian native who worked as a start-up consultant before coming on board as community manager, said Berlin “has so many synergies with Tel Aviv. First of all, it's very entrepreneurial, and many people say Berlin is a start-up city, as a city, because of its rich history. It managed to rebuild itself and start all over.”

Mindspace Berlin opened two months before its more corporate, international competitor, WeWork, co-founded by Israeli entrepreneur Adam Neumann, made its way to the German capital. For Mindspace, Berlin was the natural next step for its first global expansion.

BERLIN AND Tel Aviv have become unofficial sister cities, with Tel Aviv having earned the reputation as a “Berlin by the sea” for its international vibe, vanguard cultural scene, and nonstop party life. It's estimated that as many as 35,000 Israelis have made their home in Berlin, on and off the books.

In the past few years, Israel's brand as “Start-up Nation” has become as much of an allure to some German entrepre-



Centers of industry: Tel Aviv's Azrieli Center (left; Reuters) and Berlin's Potsdamer Platz. (Wolfgang Scholvien)

neurs as the sea Berliners envy.

Berlin is centuries older than Tel Aviv, unless you count the biblical port city of Jaffa, which united with Israel's “Hebrew city” after the founding of the State of Israel. Dating back to 1237, Berlin was reborn 27 years ago, when the Berlin Wall fell and communism gave way to the capitalistic West Berlin. Initially, with the eastern part of the city economically depressed, the newly unified city drew partiers, drifters, and wise real-estate investors. Today, Berlin welcomes about 12 million tourists a year, and is one of Israel's top tourism destinations.

Modern Tel Aviv is just over 100 years

old, and today enjoys a reputation as the center of the Middle East's “Silicon Valley” made into the stuff of legend thanks to the book *Start-up Nation*. With Israel and Germany having celebrated the jubilee of their diplomatic relations last year, the new phase of the Berlin-Tel Aviv partnership, and more broadly the German-Israeli relationship, is now ripening in the field of start-ups.

YARON VALLER, an Israeli partner of Target Global, \$300 million venture capital firm with offices in San Francisco, Berlin and Moscow, made his office in Mindspace Berlin one room, in part to avoid the ostentation often associat-



ed with venture capitalists who encourage start-ups. The only picture hanging on his wall, near the window framing the gray autumn Berlin sky and Altbau architecture, is that of him and a team of engineers who worked on the Pentium processor in Israel.

A proud “geek” and Holon native, Valler epitomizes what differentiates German entrepreneurs from Israeli ones.

“Berlin is about execution,” he said. “People excel in business execution, and you could see it in the type of people that found companies. In Israel, engineers typically found companies. Here, companies are typically founded by businessmen.”

When he first came to Berlin seven years





ago, recruited by Hasso Plattner Ventures, another VC firm, the Berlin start-up scene was just beginning to pick up.

"There was hype but not a lot of substance," he recalled. "Over the last few years it has matured to a point where it's second to Israel in terms of venture capital."

He rattled off the companies that started in Germany, although not necessarily in Berlin nor by German natives: Zalando, a popular online fashion store; SoundCloud, the audio media platform; GoEuro, the online transportation ticketing platform; Delivery Hero, a restaurant food delivery platform that was one of his early investments; and Auto1, the largest online used car dealership. These examples represent the kinds of businesses in which Germany excels: e-commerce.

"Berlin almost doesn't develop technology – it relies on technology," he said. "So there is technical innovation here but it's in the fringes."

Hence the appeal of Israeli technological innovation.

"We see a lot of German companies that are utilizing technologies from Israeli companies. Wix is a great example. A lot of German companies are using Wix, but a lot of German companies are using very basic software technology from Israel. For example, in the area of tracking and logistics, a lot of the time they use Israeli technologies, and sometimes you see German companies with R&D companies in Israel – I'm talking about small German start-ups."

For Israelis, Berlin offers a practical point of entry into the European market,

which, according to Valler, is often underappreciated by Israeli entrepreneurs, who usually look first to the US, even though the population of continental Europe stands at about 750 million. For example, Valler was instrumental in facilitating the entry of Panaya, an Israel-founded company that specializes in automotive testing software, into Germany. With Germany's formidable automotive industry, its German operations enabled its multimillion-dollar success.

"Israeli companies cannot afford to ignore Europe, but the reason that they're not as active here as they are in the United States is that it's hard. It's not one language. It's not on regulatory system," Valler said.

On the other hand, the one-hour time difference, four-hour flight, and

the prevalence of English as the business language make Germany and Israel natural partners for cross-continental exchange.

SEVERAL GERMAN-Israeli partnerships have sprung up in the last two years to facilitate an Israeli-German start-up ecosystem.

One such program, Berlin Partner – founded a year and a half ago as a public-private partnership – seeks to help Berliners break into foreign markets, and to bring those markets to Berlin. With its Israeli counterpart, Tel Aviv-Jaffa Municipality subsidiary Tel Aviv Global, it fosters exchanges between Tel Aviv and Berlin-based entrepreneurs, granting its participants temporary office space along with useful





The innovative thinking so common to Tel Aviv (pictured) and the Jewish state in general synergizes well with German industrial power. (Marc Israel Sellem)



For Israelis, the German capital offers a practical point of entry into the European market. This panorama includes Bikini Berlin, 'an urban hub and social universe.' (Reuters)



'Berlin is about execution': Yaron Valler of Target Global. (Courtesy)

information, workshops and mentorship programs. Berlin Partner runs this program with three other cities, New York, Paris and Shanghai, each chosen based on a survey of the needs and interests of players in the Berlin start-up scene. Israel was chosen mainly for its talent pool and innovation.

"In Tel Aviv, to be an entrepreneur is a usual way to make a business," said Dr. Stefan Franzke, CEO of Berlin Partner. "That's what we want to learn in Berlin. The education level for coding and cyber security and IOT (Internet of Things) is very, very high [in Israel]. From Berlin, we have the e-commerce and the IOT and the German industries which are coming to Berlin."

Franzke noted that entrepreneurship and industry is part of Berlin's DNA: titans of the German corporate world, like Siemens, AEG and Mercedes, were originally founded in Berlin. After

the city's devastation during World War II, and its subsequent division, industry moved to other regions in Germany. Finance and banking moved to Frankfurt; the automotive industry moved largely to southern Germany; and Bonn served as the West German capital. But now, many of these companies, as well as government offices, are firmly re-established in the revitalized capital.

Yael Weinstein, director of the Global Economic Development department of Tel Aviv Global, said that while there have been cross-city events, Berliners have yet to take advantage of the co-working spaces in Tel Aviv offered

to program participants.

"One of the key challenges that we have today is the visa issue," Weinstein said. It's much easier for Israelis to receive residence visas in Berlin than for foreigners to receive long-term Israeli visas. "We're trying to promote the introduction of the start-up visa, which is something the Economy Ministry has been working on in the last few year."

Berlin is arguably a more affordable destination for young entrepreneurs. Its lower cost of living was made famous in Israel during the "Milky controversy" of 2014, in which an Israeli expat in Berlin gloated on Facebook about cheaper costs in Berlin by comparing grocery receipts from the two cities. Judging from the cost of "Milky," Israel's chocolate pudding brand, the cost of living in Berlin was three times lower.

So far, one Israeli start-up has taken

full advantage of the access that Berlin Partner provides, as well as the growing culinary scene that has given Berlin another edge. Founded in Jerusalem, the bitemojo app fuses two of Israel's specialties, food and technology, by offering users self-guided culinary tours of trendy Berlin neighborhoods: Prenzlauer Berg, Mitte, Neukölln and Kreuzberg. The "MojoBite" tours are organized by culinary themes, including veganism – a growing trend in Berlin.

"Basically, once we decided we'll do it in Berlin, one of the first meetings we had was with Berlin Partners because we wanted to know what we don't know. In that sense, they were extremely helpful," said Michael Weiss via Skype from his kitchen in Jerusalem. He left Israel for a brief period to work in the Rainmaking Loft in the center of Mitte, developing relationships with the Berlin team who curated the participating eateries.



Edita Lobaciute, community manager of Mindspace Berlin, in its communal kitchen. (Orit Arfa)



At Mindspace: Berlin was the natural next step for its first global expansion. (Orit Arfa)





"Berlin is the fastest-growing leisure destination in Europe," said Weiss, explaining his reasoning for starting there. "We've been to Berlin several times before, and we felt it has very interesting culinary story that has yet to be heard."

Currently, they have raised over \$500,000 from angels and VC firms to further develop the app and to launch it in other cities, with Jerusalem next.

ENTREPRENEURS OFTEN need not settle in the other country to crossbreed, although one program, Exist, actively encourages Israelis to settle in Germany temporarily to enrich the academic community in the field of technology.

Earlier this year, Ran Oren applied to participate in Exist, a 15-year-old program that recruits entrepreneurs coming out of academia to conduct their early phase start-up planning under the auspices of a German university. It opened the program to Israelis this year.

"What they basically give you is the ability to work for a year quietly on your idea in a very stable environment," said Oren. "This is normally the year where you kind of move back to your parents' house, and that's really painful."

Oren left Tel Aviv with his dog and found an apartment in Prenzlauer Berg, a gentrified, upwardly-mobile neighborhood in the former eastern side of the city. He had already been to Berlin to visit friends, easing his acclimation to the city. He was given an office at the University Innovation Lab of Humboldt University, which provides a salary and an academic mentor. In exchange, he offers Israeli know-how, its famous chutzpah, and the possibility that he will eventually conduct business in Germany.

"Israelis have a 'let's do it' attitude, and the Germans tend to think things over one more time, one more time," he said. "I think each has its merits – totally fine – but I think the mixture makes it interesting."



A Israeli tourist and bitemojo user digs in at a participating eatery: The app fuses two of Israel's specialties – food and technology – by offering self-guided culinary tours of trendy Berlin neighborhoods. (Orit Arfa)



Europe's fastest-growing leisure destination: On the Friedrichstrasse, a major Berlin cultural and shopping artery. (Wolfgang Scholvien)

His start-up demonstrates the complementary nature of the exchange. Pin2Pin is a risk management platform for OEM (original equipment manufacturers) that helps manufacturers finding the right supplier and parts to meet their product engineering requirements. Given Israel's small manufacturing industry, Germany represented to him a rich outlet for testing and implementation software geared for manufacturers, especially since Germany's strong manufacturing isn't matched by distribution solutions.

Oren's not worried that such a program would contribute to an Israeli brain drain. He believes that eventually Israeli entrepreneurs will move back to Israel enriched by their experiences and connections in Europe.

The German Israeli Start-up Exchange Program (GISEP) founded on the heels of the 50th anniversary of Israel-German diplomatic relations, is sensitive about keeping Israelis in Israel. GISEP is a non-monetary program initiated by the German Startups Association and supported by the German Federal Ministry for Economic Affairs and Energy.

"We don't want to relocate start-ups from Israel to bring them to Germany," said Lukas Wiese, GISEP coordinator, speaking over the phone from his office

near the Reichstag, Germany's parliament building. "We want subsidiaries of start-ups from Israel in Germany. I think it's an important point of the relationship between the two countries and the program."

The historic ties between the two countries drive the program, but the end goal is strengthening the economic relationship.

"You could think of the relationship as being a synergy between German industrial power as well as German medium-small enterprises, and the innovative and out-of-the-box thinking of Israeli start-ups that could help German companies digitalize, or help the

automotive sector to advance and stay competitive," Wiese said. Unlike Berlin Partner, GISEP locates matches for Israeli companies across the country.

Michael Weiss of bitemojo gets a certain satisfaction for bringing his "Jewish" idea to a city that, among Jews at least, is associated with the Holocaust, as much as the Berlin of today is associated with multiculturalism, openness, and fun living among young Israelis.

"I think the fact – talking from a Jewish perspective – that we're doing our first start-up in Berlin is a bit symbolic," said Weiss. "I chose that life is stronger than the dark days we experienced before as Jews in that country."



The Adlershof Technology Park, a significant city site for science, business and media. (Wolfgang Scholvien)