Super Vision International
Business Plan

Border Tube
Lighting to Germany
Cultural Analysis

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CULTURAL ANALYSIS

Executive Summary

The culture of Germany is very complex and rich. The German people are extremely proud of their heritage and culture. Germany has had a very dynamic history. Today's unified Germany has its share of problems mainly stemming from the reunification. The reunification happened after to the demise of the USSR and the end of the Cold War.

Germany is Europe’s largest and most populated country. This country has produced some of the world’s finest in philosophy, music and physics. Germany is very proud of its culture. As illustrated by the fact that traditional food and dress is still very present today. Germany is located in the heart of Europe. It is bordered by Poland, the Netherlands, France, Switzerland and Austria. The German climate is variable and changes during different times of the year.

Families in Germany tend to consist of one or two parents and children or simply two people living together. Traditionally, the man is the head of the household. Since more and more females are now in the workforce the role of head of the household is shared. Many Germans live in apartments or condominiums.

Education is a very important to the Germans. Their educational structure is similar to that of the United States. The main difference is their university system, which usually takes about five to seven years to complete. In addition, universities are known not for their title but for specializing in a particular field. The literacy rate in Germany is 99%.

The current political system in Germany is a stable Federal Republic. The two parties that legislate over national issues are the Bundestag and the Bundesrat. The political parties that are active include the Alliance, the Christian Democratic Union and the Free Democratic Party just to name a few. The legal system in Germany is based on the Grundgesetz of 1949. It is a civil law system that is similar to that of the United States.
German life has a myriad of old traditions that have helped to shape the cultural development of the country and their leisure activities. For instance, there is a strong love of food and wine that has grown over the years. Sports are also a favorite pastime of the Germans. Germans love soccer, which they call fussball.

Business customs and practices tend to be more formal than those of the U.S. Germans address each other by their job academic titles and surnames. Punctuality is extremely important when doing business here. A handshake is the most common form of greeting. Germans avoid hype and exaggeration. Although German is the official language, many business transactions are done using English. Business dress is quite formal in comparison to the business casual that has taken over corporate America.

There is no state church in Germany and no control of the churches by the state. The relationship between church and state is that of a partnership regulated by agreements. More than 55 million people belong to a Christian Church, mainly Roman Catholic or Protestant. The presence of many workers from foreign countries and their families has greatly increased the importance of religious communities.

Germany's food and dress could be characterized as safe and traditional. Germany used to be a meat and potatoes kind of country but times have changed. Breakfast is usually continental, with rolls, jams and cheeses. Lunch is the main meal of the day and dinner is usually cold cuts and cheese. German fashion is distinguished by a classic and clean style. At work, German people dress formally and classic. When visiting the area it is smart to wear traditional suits and business attire.

Germany's social security plan and health care is one of the best in Europe. It provides its citizens with pensions, health insurance, accident insurance, disability payments and support for the families of the unemployed. The broad network of social problems is taken for granted in Germany. The health care system is mixed with both socialized and private. Membership of the statutory health insurance system is obligatory for those employed with a certain income. The government pays for the health care for the unemployed and welfare recipients. Benefits are uniform.
Introduction

Super Vision International is a manufacturing company of high quality lighting products based out of Orlando, Florida. The company currently distributes products from fiber optic lighting systems, to more recently developed border tube LED light strips used to illuminate buildings and signs.

The company’s products are currently used in swimming pools, fountains, signs, billboards, wine racks, fine arts, landscape, channel letters, back-lit letters, fiber optic curtains, decorative waterfalls, star ceilings, cove lighting and to outline buildings.

Some of the more famous projects that the company has been a part of in the past include the large Coca Cola sign in Times Square, and the famous Pepsi globe sign in Venezuela.

The product our analysis focuses on is the LED Border Tube lighting products and how they can be distributed into Germany effectively.

I. History and Politics of Germany

Because understanding political situation in Germany is extremely important to understanding the society the following is a fairly brief history of the country’s politics:

From the times of the Neanderthals, political events in the area that is now Germany have been fiercely contested. The inhabitants of the land had early connections with the Roman Legions from 50 BC to the 5th century AD.

Over time power shifted from the Romans to Charlemagne (up to the early 9th century), and to Otto the Great’s Holy Roman Empire (from late in the 10th century).

By the 13th century, when the Hapsburg family began their reign, the lands were little more than a conglomerate of German speaking States. After the devastating thirty years war and much religious conflict, Napoleon came through in the early 19th century. After Prussia conquered the Leipzig battle in 1813, Napoleon’s control of the region came to an end. Over time the Prussian chancellor and Kaiser united Germany for the first time.
Kaiser Wilhelm II dismissed the chancellor Bismarck in 1890 and led Germany into WWI where he disappeared to Holland upon finding out that the war was not going well. Germany struggled with civil unrest and a disastrous peace, uniting only in dislike of the reigning Weimar Republic. Then came Adolf Hitler, an Austrian drifter and German army veteran who was able to unite the countries feeling of disaffection for the current situation. In 1933 his National Socialist German Worker's (or Nazi) Party assumed ultimate authority over Germany. Extravagant military spending and blase border bending gave way to outright aggression, WWII, and the unrivalled horror of the Holocaust. Even the Germans were surprised by the success of their initial invasions, but by 1943 a litany of heavy losses set the tone for the sluggish march to 1945’s unconditional surrender.

Post WWII Germany was divided up between Britain, France and the USA, consolidating the western portion into the Federal Republic of Germany, and the Soviet influenced zone called the communist German Democratic Republic. This formula for division was repeated in Berlin, which became a symbol in many countries for the cold war. The Berlin Wall was finally dismantled in 1989.

The reunification of Germany was recorded as one of the most dramatic periods in the country's history. After 16 years, however, it came to an end when a coalition of Social Democrats and Greens took office in 1998.

Today's Germany has its share of problems, but the large-scale social dislocation that was projected has not occurred as heavily as most thought. Today the excitement from reunification has died down, and there are many pockets of resentment and hard feelings in the society. The extreme right wing, although insidious and occasionally violent, is politically weak. Germany has absorbed the majority of refugees from the former Yugoslavia, and these and other immigrants are targets of renewed racist attacks.

Cultural History

As Europe's largest and most populous nation, Germany is a major player of economic, political and defense organizations. This amazing country has produced some of the most profound people to date. Including Bach, Kant and Einstein just to name a few. It is a country rich in history. Deep in the heart of Europe, Germany has helped mold Europe into the beautiful and rich continent that it has become. Germany is also a country that has an extremely rich culture. Many people still wear traditional dress and eat traditional food. Due to the demise of the USSR and the end of the Cold War Germany united in
1990. Since then productivity and wages are now up to western standards. In 2002, Germany joined many other countries in Europe and adopted the Euro as their main currency.

II. Geographical Setting

A. Location

Germany lies in the north Eastern quadrant of Central Europe. The country borders the Baltic Sea and the North Sea. The neighboring countries are the Denmark, the Netherlands, Poland, Luxembourg, France, Switzerland, Austria, and the Czech Republic.

B. Climate

The German climate is Variable and changes greatly in different times of the year. The most reliable weather is usually from May to October. The climate is described as Temperate and marine; cool, cloudy, wet winters and summers; occasional warm wind.
C. Topography

The lowlands in the north of Germany begin in the Netherlands and go across the country to Poland and all the way up to Denmark.

The industrialized central belt cinches Belgium and Luxembourg to the Czech Republic's western prong.

The Rhine and Main Rivers, long crucial for inland shipping, cut through the Central Uplands. To the south, the Danube River drains the Bavarian highlands from the Black Forest, near the French and Swiss borders, to Munich.

The southern parts of the Bavarian Alps connect with Austria. The Bavarian forest in the southeast is the largest mountain forest in Europe.

III. Social Institutions

A. Family

Characterized by declining birth rates and longer life expectancies. To sustain economic growth with the current social security programs, the country will either have to offer incentives for childbirth or allow more immigration.

"In 1910, the proportion of people 65 years or older was slightly more than 5%. Shortly after WWII, this percentage had increased to 10%, by 1990 it had reached even 15% and it is expected to be (if the present trend continues), over 27% by the year 2030. On the other hand the percentage less than 14 years old decreased from 43% in 1910 to 23% by 1950 and 16% by 1992, and it may be as low as 13% within another three decades. The same sources expect, that today's population of 82.1 million will increase modestly to reach some 83.8 million by the year 2003, but will descend after this slowly but continuously and may fall from 75 million in some thirty years from now."

Families may consist of one or two parents and children, or simply two people living together. Traditionally the man is the head of the family, but increasingly there is joint responsibility in the home. The postwar economic boom saw many women join the paid work force in a wide range of occupations. Most Germans live in apartments or
condominiums because the cost of land and house construction is high (two or three times the cost in Canada). Only 39 percent of Germans own their own home. German towns and cities have strict rules about how houses can be constructed, what materials may be used, and how a house may look. Property limits are clearly marked, with fences and walls separating houses.

B. Education

The first level of education in Germany is called elementary education and attendance is voluntary. The second level of education is called primary education. The secondary education, or the third level of education, is divided into two levels: junior secondary education and senior secondary education.

Higher education is available and it is called university. German university students can complete their first degree in about five years but average university students last seven years. Germany does not have a group of elite universities; none enjoys a reputation for greater overall excellence than is enjoyed by the others. Instead, particular departments of some universities are commonly seen as very good in their field.

"Most of the workforce is employed in the services sector. West Germany completed the transition from an industrial economy to one dominated by the services sector in the 1970s, and by the late 1980s this sector employed two-thirds of the workforce. In contrast, when the Berlin Wall fell, East Germany still had not made this transition. Because more of the workforce was engaged in industry and agriculture than in the services sector, its socioeconomic structure resembled that of West Germany in 1965." (Study Guide)

Literacy rates: 99%

C. Political System:

The current German political system is a stable Federal Republic. It is formed from the unification in 1990 of the states (Lander) of the former German Democratic Republic (East Germany) that acceded to the Federal Republic.

National elections were held on September 22nd 2002 (Bundestag), and the next election will be in 2006.
The political parties that are active include the Alliance, the Christian Democratic Union, the Christian Social Union, the Free Democratic Party, the Party of Democratic Socialism and the Social Democratic Party.

The Federal President is elected for a maximum of two five-year terms by the Federal Assembly consisting of members of the Bundestag and representatives of the state legislatures.

The federal government is led by the chancellor, elected by the Bundestag on the nomination of the federal president. There is currently an SPD-Greens majority coalition government, first appointed on October 27th 1998 and reappointed on October 22nd 2002.

The current president is Johannes Rau.
The Federal Chancellor is currently Gerhard Schröder.
The Foreign Minister is Joschka Fischer.
The Minister of the Interior is Otto Schily.

The two parties (houses) that legislate over national issues are the Bundestag and the Bundesrat.

The **Executive branch:**
Includes the chief of state, president elected for a five-year term by a Federal Convention including all members of the Federal Assembly and an equal number of delegates elected by the state parliaments.

The **Legislative branch:**
Bicameral Parliament, consisting of the Federal Assembly (603 Seats) and the Federal Council (69 votes).

The extreme right wing, although insidious and occasionally violent, is politically weak.

**D. Legal System**

The German Legal system is based on the Grundgesetz (Basic Law) of 1949. It is a civil law system that has many of the facets of the American system. For example the system uses judicial review of legislative acts in the Federal Constitutional Court as a check on the legislative powers of the German government.
The country does participate in patents for technology. It is proper to note also that in the past the country has not fully accepted compulsory ICJ jurisdiction.

E. Social Organizations

German life is a mix of old traditions and dynamic cultural development. The German media is very highly regarded internationally, and has a number of high quality print, radio, and television outlets. Many people regard this media market as one of the most prolific media industries in the world. Soccer is the most popular sport in Germany, followed by tennis, hockey and basketball. More recently some areas have grown to like Baseball as well. There is a deeply ingrained wine and food culture that many people enjoy. And for the larger cities there have been major urban underground movements.

This underground movement features tolerance and multiculturalism coupled with surging creativity. Young people are finding new and original means of artistic expression. Berlin above all has become famous for its urbanity and agglomeration of artists and trendsetters. But other cities such as Hamburg, Cologne, Leipzig and Munich have also become breeding grounds for artistic creativity.

Berlin- Certainly no other city in Germany and perhaps all of Europe has undergone as profound, complete and swift a transformation as has this once-divided city over the past decade. Since the fall of the Wall in 1989 some US$500 billion have been pumped into rebuilding Berlin, which became the German capital in 1999. Some of the world’s most influential architects, such as Daniel Libeskind and Sir Norman Forster, have left their imprints on new city landmarks such as the revolutionized parliament building and the new Jewish Museum. Notable shifts are also noticeable in the city’s cultural landscape: International and multiethnic diversity are a now its hallmarks, attracting creative types from all over the world. Each year since the early 1990s, the Love Parade, the world’s biggest techno rave, has streamed through Berlin, bringing more than one million young people from all over the globe to each gathering.
F. Business Customs and Practices:

Business tends to be more formal in Germany than in the United States. Germans address each other by their job or academic titles and surnames. A handshake is the most common form of greeting. However, a man should wait for women to extend her hand before he shakes it. Germans accompany their handshake with a slight nod of the head. Including this nod is a good way for a foreigner to make a positive first impression Germans and avoid hype and exaggeration. Be sure you can back up your claims with lots of data. Punctuality is extremely important. Business dress tends to be formal rather than business casual.

IV. Religion

A. Belief System:

The „Grundgesetz“ (the German Basic Laws, which has the importance of a Constitution) guarantees freedom of faith and freedom of religion and declares that no one may be discriminated due to their faith or religious opinions. There is no state church in Germany and no control of the churches by the state. The churches and several other religious communities have the status of independent public-law corporations. The relationship between church and state is that of a partnership, regulated by concordats and agreements. Germans who are members of a church support it through their taxes, not directly as in the U.S. When taxpayers list their religious affiliation on their employment record a part of their income tax is collected by the tax authorities and given to the church to which the taxpayer belongs.

The social and charitable commitment of the churches is an integral part of public life in Germany. Their work is indispensable in hospitals, assisted-living facilities, nursing homes, schools or day-care centers.

About 67 percent of the German population, more than 55 million people, belong to a Christian Church. Nearly half of them are Protestants, nearly half of them Roman Catholics, and a minority belongs to other Christian denominations. Approximately three million Muslims live in Germany, and the Jewish community has about 100,000 members.

The two large Christian Churches are the Protestant Church and the Catholic Church. Through their dedicated involvement in Germany’s social and political development, they contributed
decisively to the restoration of democratic structures after 1945. The churches, in particular the Protestant Church played a very important role in the peaceful revolution in the GDR. Today they address the public in many ways, publishing documents and taking part in the debate on issues like peace and disarmament and labor market policy, abortion and protection of the environment. Their 1997 joint publication concerning the economic and social situation in Germany, for example, prompted widespread discussions.

The presence of many workers from foreign countries and their families has greatly increased the importance of religious communities, which were previously barely represented in Germany. This is especially the case with Islam. Today, approximately three million Muslims from 41 nations live in Germany, most of them coming from Turkey.

After the National Socialist genocide, only a few thousand people of Jewish origin remained in Germany. Today the Jewish communities have nearly 100,000 members, a number that is expected to increase. Many of them have come in the past years from the countries of the former Soviet Union, and the largest Jewish community in Germany exists in Berlin with more than 11,000 members.

V. Living Conditions

A. Diet and Nutrition

Germany is a traditionally meat and potatoes type of country. Though vegetarian and health-conscious restaurants are starting to sprout, most German meals are high in calories by American standards.

Breakfast usually entails rolls, jam, cheese, cold meats, hard-boiled egg and coffee or tea. Lunch is the main meal of the day. Dinner is allegedly a lighter meal, but this can still mean a plate full of sausages and dumplings.

As far as beverages, Beer is excellent and relatively cheap. Each region and brewery produces beer with a distinctive taste and body. Additionally, many very high quality wine cellars and companies are located throughout the country.

B. Housing
More than sixty percent of German families live in rented apartments. Forty percent of Germans own a condominium or a house. Those that do own a house they are mainly built from stone, not wood. Older homes do not have central heating, but all new ones do and few homes have air conditioning.

C. Clothing

German fashion design is often underemphasized on the international scene. However some German brands are noticeable to the American public, such as Hugo Boss. It is difficult to point to a specific German design in fashion matters. Generally, it can be said that German fashion is distinguished by a classic, clear style. German fashion is mostly conceived for everyday wear, with a less sporty emphasis than American [fashion].

At work, German people tend to dress in a classic style without a lot of sporty trends. It is productivity instead of pizzazz that meets the requirements of the German business people. When visiting the area it is smart to wear traditional suits and business attire instead of more trendy fashions.

D. Social Security and Pension Systems

Germany’s social security system provides pensions, health insurance, accident insurance, disability payments, and support for families and unemployment insurance. In addition, their social security system makes provisions for therapy for the disabled and education assistance for lower-income individuals. The broad network of social programs is taken for granted in Germany and there is little stigma involved in accepting these benefits from the government.

E. Health Care

Germany has a mixed system of socialized and private health care that covers almost all who reside within Germany, it is called Krankenkassen. Membership in the statutory health insurance system is obligatory for employed people up to a certain income. People that earn higher incomes may join at a higher premium or take out private insurance. The government pays for the health care for the unemployed and welfare recipients. There is no difference between medical and hospitalization benefits. Benefits are uniform.

VI Language
"German is one of the European languages of longer tradition and rougher history. Clear and ordered, the German language reflects the spirit of a nation of clear ideas and admirable organization in all the fields of life." (Language)

A. Official Language:
German is the native language of 98 million people in the world today. The written German is very uniform across Germany and Austria. The spoken German however, presents many dialects, which belong to either the High German or to the Low German dialectal groups (note that 'Low German' is not a negative term but just the name of a dialectal group).

High German and Low German dialectal groups are different mainly in their system of sounds, particularly with respect to the consonants. However, it does not exist a generally accepted standard of German pronunciation (although some norms of pronunciation published in 1957 as Deutsche Hochsprache were accepted).

B. Dialects:
Even the pronunciation of highly educated Germans is affected by their native dialects. Some German-speaking groups, such as the Swabians, Saxons, Austrians, and Swiss, can be distinguished readily by their characteristic types of pronunciation.

Appendixes.

Bundestag:

Political Foundations
Friedrich Ebert Foundation
1155 15th Street, NW, Suite 1100
Washington, D.C. 20005
Tel.: 202-331-1819
Fax: 202-331-1837
e-mail: fesdc@aol.com
German Language Dialects:

<table>
<thead>
<tr>
<th>German</th>
<th>Upper German</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alamannic</td>
<td>Spoken in Southern regions of Baden-Württemberg and Alsace, southwestern</td>
</tr>
<tr>
<td></td>
<td>corner of Bavaria, German-language areas of Switzerland, including the major</td>
</tr>
<tr>
<td></td>
<td>cities of Basel, Zürich, and Bern</td>
</tr>
<tr>
<td>Bavarian-Austrian</td>
<td>Spoken in Southeastern section of Germany east of the Lech River and south</td>
</tr>
<tr>
<td></td>
<td>of Nürnberg, including Munich, and in Austria, including the cities of</td>
</tr>
<tr>
<td></td>
<td>Innsbruck, Vienna, and Graz</td>
</tr>
<tr>
<td>South Franconian</td>
<td>Used between Karlsruhe and Heilbronn</td>
</tr>
<tr>
<td>East Franconian</td>
<td>Used in the vicinity of Nürnberg, Würzburg, Bamberg, and Fulda</td>
</tr>
<tr>
<td>Langobardic</td>
<td>Surviving today only in certain geographical names of Lombardy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Middle German</th>
<th>Rhine Franconian</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spoken in most of the Palatinate and Hesse, which contain the cities of</td>
</tr>
<tr>
<td></td>
<td>Mainz, Heidelberg, Frankfurt am Main, and Marburg an der Lahn</td>
</tr>
<tr>
<td>Mosel Franconian</td>
<td>Used on both sides of the Mosel River, and centering in the city of Trier</td>
</tr>
<tr>
<td>Ripuarian</td>
<td>Used between Aachen and Cologne</td>
</tr>
<tr>
<td>Thuringian</td>
<td>Heard in the environs of Weimar, Jena, and Erfurt</td>
</tr>
<tr>
<td>Upper Saxon</td>
<td>Spoken in Saxony (Sachsen), including the cities of Dresden and Leipzig</td>
</tr>
<tr>
<td>Silesian</td>
<td></td>
</tr>
</tbody>
</table>
Chart of Declining birth rates and longer life expectancies:

M 4: Altersstrukturen (Quelle: Globus-Kartendienst, Hamburg)

From: Federal Statistical Office Germany
Economic Analysis

Executive Summary

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   a. Gross Domestic Product (GDP)
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      1. Retailers
      2. Wholesalers and Distributors
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      5. Penetration of Urban and Rural Markets

X. Media

Appendixes.
ECONOMIC ANALYSIS

Executive Summary:

Germany is the most populous country in Europe with over 82 million people residing there. The population distribution is mainly in the age bracket of 15 to 64 years of age, with a growth rate of 0.04%, and a steady increase in migration. There are a handful of different ethnic groups present, but Caucasians are the most prevalent. The wealth is mostly distributed amongst the middle working class. The gross domestic product for Germany is US$2.16 trillion, yet it has one of the lowest real growth rates in the industrialized world.

There are several modes of transportation available with railways and highways spanning most of the country. Germany is very technologically advanced with its telecommunications system, and it strives to keep improving it. Telephones (main lines and mobile), radios, and the Internet seem to be the most popular communications systems right now. Quality is the main focus of the working environment in Germany. Managers' work closely with their employees to make sure that a quality product is created, and to gain the reputation of being the best company.

The German government welcomes foreign investments, yet there are some factors that add to the complexity of entering the German market. Germany's labor force may be the tenth largest in the world, but the unemployment rate for the country is very high. As stated earlier, Germany is very technologically advanced, and well educated.

Germans choose from an early age what area of work they would like to enter and begin training early in their educational career. The training does not stop there; adults are said to continue with training courses later on in their life as well. Due in fact of this great array of well-educated people, entering the German market and finding employees is not too difficult.

The main channel of distribution to be looked at is through wholesale distribution intermediaries, for it is more practical for this product, and it provides several advantages. As mentioned above, there are several forms of media present in Germany including (but not limited to) television, radio, magazines, and trade fairs. Germany is actually home to some of the largest trade fairs in Europe.
Introduction:

According to the German Foreign Federal Office, the German economy today ranks third worldwide in terms of total economic output, and it places second with regards to total world trade in front of China and behind the United States. It is an attractive market for foreign investors, especially because of its excellent infrastructure and highly motivated, well-qualified work force. Due to the continuous economic growth after the war, Germany has been able to offer its citizens one of the highest standards of living in the world.

One of the reasons why Germany is touted as being such a technologically advanced society is because of its participation in some of the most advanced research and development projects in the world. Germany has an affluent and technologically advanced economy, yet according to the CIA world fact book, throughout the 1990s and early 2000s it turned in a weak performance. Much of this is to blame on the country's relatively high unemployment rates; they're ageing population and flawed social security system, and on efforts being conducted to integrate and modernize the lesser advanced Eastern regions of Germany. For example, the CIA world fact book cites that annual transfers from west to east total roughly $70B annually.

The German "social market" economy is organized on free market principles and provides a "social safety net characterized by generous unemployment, health, educational and basic welfare benefits." After re-unification and throughout the 1990s, the country's generous social welfare system was extended as a whole to eastern Germany. German transfers to the east have had a ballooning effect on public sector deficits and borrowing since 1990. (mac.doc.gov)

The continuous rise of FDI within Germany, and the rise of German companies participating in FDI abroad underscores the strong position of the German economy. One problem that should be addressed when considering conducting FDI in Germany are the structural rigidities in the labor market, which include strict regulations on employment and wage setting on a national basis. It should also be noted that because of decreasing government revenues and the rise in expenditures the German deficit has been raised higher than the 3% EU debt limit explicated in the Maastricht treaty. (tatsachen) Also, according to the CIA, Growth in 2002 and 2003 fell short of 1%. Also, the Chirac administration has attempted to close "generous allowances and loopholes to utilize legal and other means of tax avoidance," which have had a negative effect on the German economy.

There are several current predictions that claim that the construction industry in Germany is going to decline quite a bit, and this in turn is a factor in the slower growth of the GDP. This could either play to Supervision's advantage or disadvantage, in that it may reduce the number of competitors entering the
market, or it could cause a significant loss in profit. This particular aspect will be discussed later in the report.

I. Population

Germany with a total population of approximately 82.4 million people has the largest population of any country in Europe. The next closest countries in terms of population size are the United Kingdom, France and Italy all with totals between 55 and 60 million people.

Total Population: 82,398,326 (July 2003 est.)
Number of German Citizens: 75,188,700 (2002 EST.)
Number of foreign citizens: 7,348,000 (2002 EST.)

Distribution of Population:

0-14 years 14.9% (male 6,312,614; female 5,988,681)
15-64 years 67.3% (male 28,213,316; female 27,240,648)
65+ years 17.8% (male 5,842,457; female 8,800,610)

Sex Ratio: at birth: 1.06 male(s)/female
under 15 years: 1.05 male(s)/female
15-64 years: 1.04 male(s)/female
65 years and over: 0.66 male(s)/female
total population: 0.96 male(s)/female (2003 est.)

Age Breakdown: 0-14 years: 14.9%
15-64 years: 67.3%
65 years and over: 17.8%
Immigration into Germany has shown a steady increase over the past few decades, the 4.45 Million Foreign citizens living / working in Germany in 1980 has risen to nearly 7.34 Million foreign inhabitants in 2002. These refugees today hail mainly from the following countries: Turkey, Yugoslavia (Serbia-Montenegro), Italy, Greece, Bosnia and Herzegovina, Poland, Croatia, Austria, the United States, Macedonia, and Slovenia. The countries of Turkey, Yugoslavia and Italy all have more than 500,000 citizens living within German Borders. (destatis.de)

Ethnic Groups:  
- German 91.5%, Turkish 2.4%, other 6.1%  
- (Serbo-Croatian, Italian, Russian, Greek, Polish, Spanish)
II. Economic Statistics and Activity

A. Gross Domestic Product (GDP):

Using the purchasing power parity approach the GDP of Germany is US $2.16 trillion, and the real growth rate of GDP is 0.2% (2002 est.).

Germany has one of the lowest real growth rates in the industrialized world, totaling only an estimated 0.2% in 2002. It is near the bottom of the real growth rate list with such countries and the Netherlands, Japan and Switzerland. According to the European Commission growth is projected to be a modest 1.6% in 2003, and 1.75% in 2005.

GDP composition by sector: (2002 est.)
- agriculture: 1%
- industry: 31%
- services: 68%

The GDP per capita for Germany is approximately: US $26,200 (2002 est.)

For historical reference: US$29,572 (1997 est.)

B. Personal Income per Capita: The per capita income figure for 2000 was US $20,162 (gesis.org).
C. Distribution of Wealth: The distribution of household net wealth exhibited in Germany has a highly asymmetric profile such as those found in most countries. "The richest X% of households disposed

The GINI index of concentration was 30 in 1994

"In 1998, monthly disposable income stood at DM 5,448 (€ 2,786), with DM 4,192 (€ 2,143) utilized for private expenditure. There is an unequal distribution of assets and disposable income." (gesis.org).

1. Income classes

Working Class: 29% (1998)
Middle Class: 59% (1998)
Upper-Middle & Upper Class: 12% (1998)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Gross income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>+73.8%</td>
</tr>
<tr>
<td>East</td>
<td>-</td>
<td>100%</td>
<td>100%</td>
<td>+143.5%</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>15.8%</td>
<td>16.3%</td>
<td>20.0%</td>
<td>+120.5%</td>
</tr>
<tr>
<td>East</td>
<td>-</td>
<td>5.4%</td>
<td>13.0%</td>
<td>+487.7%</td>
</tr>
<tr>
<td>Contributions for social security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>12.8%</td>
<td>14.3%</td>
<td>17.7%</td>
<td>+140.1%</td>
</tr>
<tr>
<td>East</td>
<td>-</td>
<td>15.5%</td>
<td>17.6%</td>
<td>+102.4%</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>71.3%</td>
<td>69.5%</td>
<td>62.3%</td>
<td>+57.7%</td>
</tr>
<tr>
<td>East</td>
<td>-</td>
<td>79.1%</td>
<td>69.4%</td>
<td>+123.0%</td>
</tr>
</tbody>
</table>

* Gross income = 100%.
**Changes for west Germany - 1980-96; changes for East Germany - 1990-96.


D. Primary Indigenous Natural Resources:

Iron ore, coal, potash, timber, lignite, uranium, copper, natural gas, salt, nickel
E. Surface Transportation

**Railways:**
- Total: 45,514km (21,000 km electrified)
- Standard gauge: 45,276 km 1.435-m
- Narrow gauge: 214 km 1.000-m gauge (2002)

**Highways:**
- Total: 230,735 km
  - Paved: 230,735 km (11,515 km of expressways)
  - Unpaved: 0 km (1999)

**Ports and Harbors:**
- Berlin, Bonn, Brake, Bremen, Bremerhaven, Colgne, Dresden, Duisburg, Hamburg, Karlsruhe, Kiel, Luebeck, Madgeburg, Mannheim, Rostock, and Stuttgart. (Hamburg & Bremen most used)

**Merchant Marine:**
- Total: 337 ships (1,000 GRT or over) totaling 6,036,397 GRT/7,334,067 DWT
- ships by type: cargo 94, chemical tanker 15, container 203, liquefied gas 3, passenger 3, petroleum tanker 5, railcar carrier 2, refrigerated cargo 1, roll on/roll off 4, short-sea passenger 7

**Airports**
- Total: 551
  - Airports with paved runways: total: 328
    - over 3,047 m: 11
    - 2,438 to 3,047 m: 54
    - 914 to 1,523 m: 69
    - under 914 m: 131 (2002)
    - 1,524 to 2,437 m: 63
  - Airports with unpaved runways: total: 223
    - under 914 m: 189 (2002)

**Waterways**
- 7,500 km
Major rivers include the Rhine and Elbe & the Kiel Canal links the Baltic Sea and North Sea

Pipelines
condensate 325 km; gas 25,289 km;
oil 3,743 km; refined products 3,827 km (2003)

F. Communication Systems

Germany has one of the world's most technologically advanced telecommunications systems, with the eastern regions becoming more modernized and integrated with that of the western part of the country (especially after re-unification in 1991).

Germany is served by an extensive telephone system with exchanges connected by fiber-optic cable, coaxial cable, microwave radio relay, and a domestic satellite system. Cellular telephone service often includes roaming service to many foreign countries. Germany's international service is excellent worldwide, and consists of extensive land and undersea cable facilities as well as 4 satellite systems.

Germany has the 4th most abundant number of main telephone lines and cellular phone lines worldwide behind the US, China and Japan.

Types:
Telephone, Mobile/Cellular Phone, Internet, Television, Radio (am/fm/sw)

Availability:
Telephone main lines in use: 50.9 million (March 2001)
Telephone mobile/cellular lines in use: 55.3 million (June 2001)
TV Broadcast Stations: 373 (plus 8,042 repeaters) (1995)
Earth Station Satellite Systems: (4) INMARSAT, INTELSAT, EUTELSAT, and INTERSPUTNIK.
Internet Service Providers (ISPs): 200 (2001)
Internet Country Code: .de
G. Working Conditions

Employer-employee relationships:

The social partnership between trade unions and employers ensures a high degree of social harmony. Collective bargaining policy in recent years has led to moderate wage and salary settlements. Also the use of migrant workers by German firms has been increasing in the recent past due to ethnic migration patterns.

The manager of an organization has two principle objectives: for his company to be the best and to produce the best products. Managers work closely with employees, and consider themselves a team with their principle goal being product quality. German managers and employees are said to be extremely product oriented, and they place customer satisfaction as a priority. Not only does the manager work closely with the employees of the company, but he also works along with the government. The manager is always aware of government standards, policies, and regulations. (executiveplanet.com)

H. Principal industries

Germany is among the world's largest and most technologically advanced producers of iron, steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food and beverages; shipbuilding; textiles. In the future, Germany plans on focusing on such industry sectors as: leasing services, digital printing systems, medical devices, automotive parts and services, e-commerce, and renewable energy to name a few.

Industrial production growth rate: -2.1 % (est. 2001)

I. Foreign investment:

Type and Amounts of Key Investment Categories
At the end of the 1980s, there were regular debates in Germany on the qualities of the country as a magnet for foreign investors. A trend could be seen for the annual inflow of investments into Germany from abroad between 1992 and 2002.

According to a study by the International Institute for Management, Germany ranks second worldwide following the United States in terms of investment inflows into the country.

The scale of foreign investment in Germany has almost tripled since the beginning of the 1990s, from around €100 billion to €280 billion at the end of 2000.

The German government promotes foreign investment in Germany, and makes sure that foreign firms are treated in the same manner as local firms. Foreign companies that are registered as GmbH (a limited liability company) or as an AG (joint stock company) are treated no differently as the German companies are treated by German law. Registration of investment objectives with a government entity is not required, nor are there any requirements limiting directors or shareholders to any particular nationality.

The German government has established a policy in which property owned by foreigners will be completely protected under German law, and that there will be no discriminatory actions against foreign investors.

J. International Trade Statistics (destatis.de)

Germany’s closest trading relationships are with EU member states, with which they conduct close to half of all of their foreign trade. In 2002, the most important partner was France.

The curve for trade with central and east European countries also has also been rising steadily. Whereas in 2001 total foreign trade rose by just 4.6 percent, trade with these countries increased by 12.8 percent, with Poland being the most important market for German goods and services in central and east European countries. The Czech Republic and Hungary are also key trading partners for Germany in the region. (tatsachen).

1. **Major exports**

   **Dollar Value:** $608 billion f.o.b. (2002 est.)
Commodities: machinery, vehicles, chemicals, metals and manufactures, foodstuffs, textiles

Partners: France 10.7%, US 10.3%, UK 8.4%, Italy 7.3%, Netherlands 6.1%, Austria 5.1%, Belgium 4.8%, Spain 4.6%, Switzerland 4.2% (2002)

Trends: German companies generate almost a third of their profits through exports, and almost one in four jobs are dependent on foreign trade. The major categories of German exports in 2002 were Automobiles (127.9M), Machinery / Equipment (94.6M) and chemicals (81.2M).

Between 1991 and 2002 the export ratio for mechanical engineering soared from 52 percent to almost 69 percent, in the chemicals industry from 50 percent to almost 70 percent, in the automobile industry from 43 percent to 69 percent, and in the electronics industry from 31 to 42 percent.

"Economic data shows that German exports declined during the first two quarters of 2003" (europa)

The curve for trade with central and east European countries also has also been rising steadily. Whereas in 2001 total foreign trade rose by just 4.6 percent, trade with these countries increased by 12.8 percent, with Poland being the most important market for German goods and services in central and east European countries. The Czech Republic and Hungary are also key trading partners for Germany in the region.

(tatsachen)

2. Major Imports

Dollar Value: $487.3 billion f.o.b. (2002 est.)

Commodities: machinery, vehicles, chemicals, foodstuffs, textiles, metals

Partners: France 9.5%, Netherlands 8.2%, US 7.7%, UK 6.5%, Italy 6.4%, Belgium 5.2%, Austria 4%, China 4% (2002)

Trends: Despite the decrease in exports during the first half of 2003, imports remained strong. This can be attributed as a sign of strengthening domestic demand.

3. Balance-of-payments situation

According to 2002 data, Germany is experiencing a trade surplus of roughly US $120.7B. However, according to the "Autumn 2003 Economic Forecasts" materials (obtained from the European Commission conference held 10/29/2003)
German exports declined during the first two quarters of 2003, while imports remained relatively constant. The report goes onto mention that the German economy in fact fell into a shallow recession during the first half of 2003. The EC seems to believe that the growth rate should increase to about 1.2% by 2005. (EC-PDF file page 54- (europa.eu.int))

4. Exchange Rates

Prior to converting to the Euro as a single European Union currency, Germany used the Deutsche Mark, which was a freely convertible currency that the government did not maintain exchange controls on.

Current rate of exchange 1 Euro = USD 1.26630

Trends:
(Rates in terms of Euro / US Dollar)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>0.897</td>
</tr>
<tr>
<td>1999</td>
<td>0.939</td>
</tr>
<tr>
<td>2000</td>
<td>1.085</td>
</tr>
<tr>
<td>2001</td>
<td>1.117</td>
</tr>
<tr>
<td>2002</td>
<td>1.061</td>
</tr>
<tr>
<td>2003</td>
<td>0.885</td>
</tr>
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</table>

(FXCM Forex Capital Markets)

<table>
<thead>
<tr>
<th>Currency</th>
<th>1 EUR</th>
<th>in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Dollar</td>
<td>1.2562</td>
<td>0.795988</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>1.62313</td>
<td>0.616095</td>
</tr>
<tr>
<td>Botswana Pula</td>
<td>6.07348</td>
<td>0.16465</td>
</tr>
<tr>
<td>Brazilian Real</td>
<td>3.73372</td>
<td>0.267829</td>
</tr>
<tr>
<td>British Pound</td>
<td>0.67297</td>
<td>1.48595</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>1.68872</td>
<td>0.592165</td>
</tr>
<tr>
<td>Chinese Yuan</td>
<td>10.3986</td>
<td>0.0961663</td>
</tr>
<tr>
<td>Danish Krone</td>
<td>7.45112</td>
<td>0.134208</td>
</tr>
<tr>
<td>Hong Kong Dollar</td>
<td>9.76786</td>
<td>0.102377</td>
</tr>
<tr>
<td>Hungarian Forint</td>
<td>259.212</td>
<td>0.00385784</td>
</tr>
<tr>
<td>Indian Rupee</td>
<td>56.8225</td>
<td>0.0175987</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>136.723</td>
<td>0.00731405</td>
</tr>
</tbody>
</table>
K. Trade Restrictions

Several structural impediments to the continued growth and diversification of the German economy have been identified.
(1) a rigid labor market;
(2) a regulatory system that discourages new entrants;
(3) high marginal tax rates and high social charges; and
(4) inadequate access to risk and venture capital for start-up firms.

However, other than E.U. imposed restrictions, there are few formal barriers to U.S. trade and investment in Germany. U.S. exporters often experience disappointment when dealing with Germany. This is due to the fact that Germany’s regulations can prove to be quite extensive, and sometimes tend to protect the already existing, local suppliers. Things such as complex safety standards add complication to the accessibility to the market for many U.S. products. German buyers sometimes require (although it is not stated to do so by law) additional quality marks. These symbols of quality allow enhanced chances for a product to be marketed. Either way, both the European Union and Germany have standards for the acquirement of a quality mark, and these standards usually provoke product modification, and the product will have to pass testing and receive certification before being marketed. Nevertheless, the Federal Republic of Germany is a great place for U.S. companies to do business.

All goods that are either imported or delivered to or in Germany are exposed to value added tax (VAT). The tax liability is the responsibility of the importer or buyer of services from abroad. The basic VAT rate is sixteen percent.
There are no free trade zones or ports located in Germany.
(mac.doc.gov)

L. Labor Force

Germany's labor force is the 10th largest in the world, yet it is only about 29.5% of the labor force in the United States. The German labor force is known for being well educated, very skilled, rigidly disciplined, and extremely productive.

Size: 41.9 million (2001)

However, the unemployment rate in Germany is very high. This can be contributed to the fact that Germany has some of the highest wages and fringe benefits in the world. Also, those who claim unemployment reap better benefits than several low paying jobs that are available, therefore making unemployment more attractive. Regardless of the high unemployment rates, some "high-tech sectors" in Germany are experiencing labor shortages, and have made it easier for foreign workers to obtain visas.

Unemployment rates: 9.8% (2002 est.)

Labor force by occupation: industry 33.4%, agriculture 2.8%, services 63.8%

Inflation rates: On consumer prices 1.3% (2002 est.)

III. Developments in Science and Technology

A. Current technology available (computers, machinery, tools, etc.)

Together with the federal states, the government supports the two major research organizations, the Max Planck Society (MPG) and the Fraunhofer-Gesellshaft (FhG). The Max Planck Society is the most important support organization for basic research performed outside the higher education. Large projects, which can only be conducted in large teams involving expensive technology and large financial backing, are undertaken outside the world of academia at research institutions financed mainly by central government. The
Federal Government provides 50% of the basic funding for the MPG and 90% for that of the FhG. (germany-info.org)

"In addition, central government also participates in large-scale European and international research projects in the form of research. In 1999, R&D expenditure by German business exceeded the DM 60 billion mark. The universities/colleges received R&D funding of approximately DM 15.5 billion and non-university establishments funding of approximately DM 13.3 billion. Thus, in 1999 gross domestic expenditure on R&D by the Federal Republic of Germany totaled DM 88.8 billion, or 2.4% of the gross domestic product.

(cordis.lu)

Organizations, such as the European Organization for Nuclear Research, CERN, or the German Genome Project.

In 2002, despite a lack of budgeted funds, federal and state governments committed a total of almost € 4.9 billion to research projects, an increase of almost 3.4 percent on the previous year. The German government believes that research and development in areas such as chemistry and material science, semi-conductors, laser and plasma technology form the basis for tomorrow's new technological developments.

(tatsachen)

Further interesting information can be found in the brochure:

B. Technological Skills of the Labor Force and General Population

Germany is an extremely well educated and technological society, with trades and crafts being developed early in a student's educational career. Decisions about careers are made early in German life to ensure adequate time and training can be dedicated to a particular skill or trade. This philosophy has lead to an internationally recognized training system.

Central government establishes the general principles for organizing the university system, which are set out in the German "Hochschulrahmengesetz" or Higher Education Act. There are currently 360 tertiary education institutions in Germany, including more than 90 universities. Of the 1.9 million students registered for the winter semester of 2002, almost 1.4 million were enrolled at
universities or equivalent institutions which offer degrees such as: "Diplom", "Magister", or "Staatsprüfung."

The second mainstay of the German higher education system is the "Fachhochschule", which offers practical study in the fields of engineering, IT, business administration, social studies, design and health (tachen). There are also private higher education institutes throughout Germany offering correspondence courses for students who are unable to physically attend classes. Favorite choices of subjects for German students include: law, business studies, social sciences, languages and the arts, engineering studies, mathematics, natural sciences, and medicine. At present, students at universities still require an average of 12 semesters, or six years, 10 semesters at other higher education institutions, to obtain their degree. At the beginning of 2001, a total of 494,000 people were employed by higher education institutions in Germany.

Most youngsters in Germany (70%) learn an official state-recognized trade in what is known as the dual system of vocational training, instead of going on to a University or Fachhochschule.

Theoretical knowledge is taught in vocational schools and practical training takes place at the place of work or in special training facilities. This combination of these two elements "guarantees the internationally recognized high level of qualification of German craftsmen and skilled laborers." Training usually takes 2-3 years. Students spend 3-4 working days with the companies, and on 1-2 working days in vocational schools utilizing state-of-the-art machines and facilities.

Following jobs are particularly popular with German male trainees: car mechanic, painter and decorator, electrician, and retail trade specialist. German female trainees usually pursue jobs as: commercial clerks, retail trade specialists, hairdressers and Doctor's and Dentist's assistants.

It should also be mentioned that "numerous adults take part in further training and retraining programs. In 2000, a poll of 19 to 64-year olds revealed that four out of every ten men and women had taken part in a further training scheme, or 21.4 million people, of whom 14.4 million participated in further training associated with their occupation."

(tatsachen)

IV. Channels of Distribution

American businesses will find that selling in Germany has a few challenges, but it is one of the easiest markets to enter in the world. The German Workforce is one of the most well-educated, well-trained, and well-disciplined workforces in the world. Although in the middle 1990's a
wave of unemployment caused a major problem, a program of spending taxation and regulatory reforms has been developed to promote new foreign investment.

The German economy is the worlds third largest, and accounts for somewhat more than one fourth of the European Unions GDP. With total imports from around the globe averaging around $487.3 billion dollars annually, around $63.28 billion usually come from the United States. Due to the companies high standard of living, and reasonable trading policies companies have consistently chosen Germany as a market for many types of goods.

A. Intermediaries:

1. A word about Retail:

Although our product may not be distributed primarily through industrial suppliers it is important to look at the retail market briefly. For the Retail industry in Germany the total number of outlets declined steadily over the 1993-1998 period. The decline mainly took place amongst small, independent traditional retailers whereas, retail chains retail franchises and in particular outlets offering low prices and large sales were able to expand further.

The retail trade in Germany is going through a period of change that has started later than many other European countries. A massive concentration has provided price competition in most retail goods segments, and foreign competition has led to massive shakeout during the aforementioned period.

Many companies are striving to sell goods directly through on-line, tele-shopping services, and factory outlets. The losers in this process are mainly the independent small and medium sized retailers, which cannot compete against the huge chain and franchise retail operations that have price leadership in most sectors. The primary do it yourself retail chains in Germany are Praktier Bau, Warichs, and Hornbach- Baumarkt. Industrial retailers of building materials are led by just by Praktiker and hornbach, and Bustoff-Fachhandel.

2. Wholesalers and Distributors:

In the German Market as stated above the wholesalers and distributors are gaining a price advantage over the independent retailers. In the Electrical Goods sector there are approximately 120 primary wholesalers with an average of 74 workers each. In
the Construction Materials industry there are approximately 55
wholesalers with an average of 58 employees each. These
companies operate by minimizing the costs of products through
small markups and large numbers of sales.

For Construction Materials the primary players are Cementmuller
Walter M ller Bustoffgro Handlung GmbH, Muhl Prod and Svc, and
M hl Prod and Svc Ringer. For Electrical Goods wholesalers the
primary companies are Sharp Electronics, and Tefal Detschland.

3. Import and Export Agents:

Many options are available as far as bringing products into and out
of the marketplace. A great deal of the activity is organized around
the Foreign Trade Zones of Hamburg, Bremen, Bremerhaven,
Cuxhaven, Emden, and Kiel. In
Germany agents negotiate approximately 30 percent of domestic
good sales, and 60 percent of all industrial companies employ
distributors. Many of the major import agents reside around the
major ports of the country. United Parcel Service of America is
establishing a group of leading industrial distribution and rail
services to assist companies with commercial grade products from
the Ports to the interior of the country. Additionally EMS Kurierpost
is a new freight forwarder with the mission of centralizing the
forwarding activities over night throughout the country.

4. Warehousing:

Bremen is a major area of trading in Germany and consequently
has many of the warehousing facilities for the country. In recent
transactions, P and O Trans-European GmbH has invested 11
million in New Warehouse in Leipzig Germany. ROTG –
Tankcontainer is a new merger of Vereinigti and Transportmittel &
Koninklijke Van Omerson to provide both trucking and warehousing
activities.

Additionally the port of Bremerhaven’s Container terminal is one of
the best terminals in Europe due to its track record of service and
operations. Other ports are Cuxhaven, which is a new port near
the joining of the Elbe River and the North Sea, and Bremerhaven
is regaining its status as a mega-hub in Europe.

5. Penetration of Urban and Rural Markets:
With the ever-increasing infrastructure developing in eastern Germany it is becoming increasingly easier to conduct businesses with the consumers in those regions. In the past it has been more difficult because of the vast differences between eastern and western Germany. When products are forwarded through rail, canal, or trucking services in Germany the system is quite reliable, and many companies are finding that because of the ease of transporting products, the use of direct selling over the Internet is becoming quite reasonable.

V. Media

In Germany if is important to realize that a lot of the media practices common in the United States are not allowed in Germany. Many common practices in America like billboards are prohibited.

Newspapers and Periodicals are important to German consumers, and many companies spend a great deal annually on them. Germany is served by two primary broadcasting corporations and a number of private broadcasters, all of which are under indirect supervision of the state (laender). There are 312 private radio and/or broadcast stations and 30 private TV stations.

Germany's large Trade Fairs are the most effective ways to introduce new products and technologies. The AUMA ("Ausstellungs und Messausschuss der Detschen Wirtschaft") is a large German Trade Show association. And has many publications available in English.

Due to differing consumer tastes in Germany it is advisable to consider a partnership or cooperative agreement. The Direct Marketing Association (Detscher Direktmarketing Verband DDV) is a national management association that can help monitor the reaction of consumers to direct advertising.

Additionally it is important to note that with direct marketing campaigns in Germany most companies are required to submit copies of publications to the government. In the case of foreign companies many are required to pay a specific duty for these publications.
Appendix-A:

Real gross domestic product (changes on the previous quarter):

*Note: "The German GDP increased slightly by 0.2% upon seasonal and calendar adjustment in the fourth quarter of 2003 on the previous quarter."

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<th>2002</th>
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<tr>
<td>4th qtr</td>
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*http://www.destatis.de/presse/englisch/pm2004/p0790121.htm
Market Audit and Competitive Analysis

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Appendixes.
MARKET AUDIT AND COMPETITIVE MARKET ANALYSIS

Executive Summary:

Germany's strong post-war economic growth has helped its citizens to achieve one of the highest standards of living in the world. The country is the largest member of the European Union on both a population and pure-GDP basis. The construction market in Germany has been steady and strong since the reunification of Western and Eastern Germany in 1991.

However, since 2000 the country has experienced minimal growth in the building and construction sector, with only 755,172, 728,978, and 723,333 buildings being constructed in 2000, 2001 and 2002 respectfully. As consultants, we have concluded that Super Vision could see this down trend as a threat or as an opportunity.

For Super Vision International the German market presents new challenges. With many different laws and regulations the products will have to comply with the European Union’s recent energy standards, and also the end-users of the products will have to deal with increasing energy tax rates. An advantage for Super Vision in this market will be the fact that their product lines are very energy efficient. In the past, high-energy consumption in Germany has led to restrictions and taxes on electricity.

The company will also be faced with the challenge of dealing with an emerging market in the eastern parts of the country, and this may also present added challenges for the distribution and marketing of the products. However, along with these challenges come potential large profits.

The facts that Frankfurt is considered a major business center in Germany, and has Germany's most spectacular skyline and Europe's tallest office building makes this one of the key cities for Super Vision International to target with their LED Strip/Border-Tube product lines. Other major former Western German cities to be targeted include: Berlin, Bremen, Cologne, Dortmund, Düsseldorf, Essen, Hanover, and Stuttgart. Cities to be targeted in former communist Eastern Germany include: Munich, Hamburg.
The target German buyer of our products are going to be construction or architecture firms who are in the business of building large buildings that may have the need for exterior lighting, or for building owners who want to add a little bit of life to their existing buildings. We are hoping to find a company to hire that will handle the promotion, sales, distribution and logistics (including reverse logistics) of the Super Vision product line.

We recommend that employees from Super Vision attend as many international trade fairs in Germany as possible to meet these key contacts and make the necessary relationships on behalf of Super Vision. Which ever agents are selected to enter into contractual arrangements for the sales, distribution, and logistics of the LED-strip and border-tube product lines and subsequent complementary product lines must have close contacts with the previously cited third-parties.

Additionally, we have found that a lot of lighting concepts for hotels and buildings are developed in close discussion with architects. We have concluded that it is imperative for Super Vision to be very selective when choosing a distributor or sales agent, and ensure that they have key relationships with German suppliers, contractors, builders and architects.

We recommend conducting the marketing, warehousing, sales, distribution and logistics through a distributor or a number of independent distributors located in target German cities. The best recommendation that we can make as consultants at this phase of the project is for Super Vision to hire/sign-up a distributor in either (a) 1 central location such as Frankfurt, or (b) sign-up multiple distributors in multiple cities. These distributors will take title of goods upon their arrival at the German port and handle the rest of the business from that point in time. The distributors will essentially be the face of Super Vision International and represent the company, so it is essential and cannot be stressed enough how important it is that Super Vision hire the correct Distributors.

As a last recommendation, we feel that the company should consider offering services online via the internet by developing a German language based website, thus increasing the brand image and awareness of Super Vision’s products, and reaching more potential customers.

There are many reasons to believe that the German market is still a good, viable option for initial European expansion for Super Vision International. First, the country is located in the heart of Europe, with 9 bordering nations. Second, as energy tax rates continue to increase and the country begins to change its image to a more modern society, energy efficient lighting sources will be invaluable to businesses within the larger cities.
Introduction:

Germany's strong post-war economic growth has helped its citizens to achieve one of the highest standards of living in the world. The country is the largest member of the European Union on both a population and pure-GDP basis. The construction market in Germany has been steady and strong since the reunification of Western and Eastern Germany in 1991.

I. The Product:

A. Evaluation of Product as an Innovation:

The majority of the Super Vision product line of architectural lighting equipment features Light Emitting Diode (LED) technology, which is superior to its alternative neon, in both terms of price and energy efficiency. This product feature is good because the German people appreciate and often expect efficient, high technology products.

As consultants we were asked to evaluate the market potential specifically for the LED-strip and border-tube lighting products. The entire Super Vision product line includes: Fiber Optic Lighting, LED lighting, Pool Lighting, Spa Lighting, Underwater Lighting, Sign Lighting, and Architectural Lighting.

While conducting our primary research on the German market we discovered that there are numerous Spas and public baths throughout the country. As a result of our findings, we have concluded and recommend that, in addition to the LED border tube architectural lighting, Super Vision pursue the sale and distribution of their underwater and spa lighting products in Germany also.

1. Relative Advantage:
The LED products have an energy efficient low voltage system and extremely long lamp life that reduces maintenance costs. The amount of lamp life associated with each of the product depends on the color of the LED and the frequency of the light that is emitted. Lamp life equals 100,000 hours for red, clear red, orange, amber & 60,000 hours for white, green, aqua, blue and white.

The LED border strip is available in four and eight-foot lengths, the Border Light's tube can easily be cut to any custom length. With five color choices of red, orange, green, blue, white, plus clear.
It also should be pointed out to the German customer that the side-glow cables are nearly unbreakable and have treated exterior jackets for maximum durability against the elements. Also the ultra-side glow cables can provide 25% larger diameter and the result is the brightest sideglow cable in the industry.

SIDEGLOW CABLES®

2. Compatibility with the market's level of technology:
The differences among electrical outlet voltage between the US and Germany will be a problem. The German market operates off of 220-volt power outlets. Product adaptation will have to be addressed.

*SVI Border Light's power supply: comes in 12Volt/60Watt or 12V/150Watt.
3. Complexity:
The products are relatively easy to use and install, and the energy efficiency of these products is very important to German buyers who face expensive energy taxes. The target market for our products is going to be construction/architecture firms who are in the business of building large buildings that may have the need for exterior lighting, or for building owners who want to add a little bit of life to their existing buildings. The entire border light product line: strips, power supply, tubes, tracks and end caps can be easily configured, especially when you consider that our target buyer (construction firms) should have this type of know-how.

B. Major problems with Product's Acceptance in the Market:

The chief reason for a possible problem with the acceptance of the Super Vision line of products in Germany is the fact that, according to the US trade bureau, the German construction sector is currently operating at relatively low levels, with the construction growth rate in Germany being at its lowest levels in years. Since 2000 Germany has experienced minimal growth in the building and construction sector, with only 755,172, 728,978, and 723,333 buildings being constructed in 2000, 2001 and 2002 respectfully. Experts predicted that the construction growth rate would bottom out in 2003. As consultants, we have concluded that Super Vision could see this down trend as a threat or as an opportunity.

Another possible problem for Super Vision is the possibility that there are already too many competing firms similar to ours in the German market.

II. The Market:

A. The German Market:

1. Geographical Region:
Germany's strong post-war economic growth has helped its citizens to achieve one of the highest standards of living in the world. The country is the largest member of the European Union on both a
population and pure-GDP basis. The construction market in Germany has been steady and strong since the reunification of Western and Eastern Germany in 1991. Most of the construction effort has been focused in the east, where extensive infrastructure and modernization projects have been implemented.

According to the country commercial guide on Germany provided by the bureau, the German economy today faces serious issues including (but not limited to) persistent slow growth & high unemployment, high outstanding government debt & tax rates, and continued high net transfer payments to eastern Germany. They go on to indicate, “Signals for a significant upswing are not in sight and the trend toward rising unemployment remains.” (Commercial Guide)

This along with the previously mentioned grim facts about the construction sector in Germany could be looked at as a threat to future international expansion or as an opportunity for Super Vision. They could be viewed as an opportunity if the low figures kept key competitors out of the German market long enough to let our firm get settled into doing business in the country. This could allow Super Vision a few years to set up necessary infrastructure, supply chains, key relationships with suppliers and manufacturer’s representatives, and get an overall feel for how to do business in Germany, before the construction sector begins to come out of the recession that is currently dealing with.

The decision of which markets to enter is a key issue relative to the success of a company that is conducting international business in a foreign country. We are suggesting that Super Vision target major cities all across Germany where there are numerous tall buildings. Not only are we recommending that Super Vision target the major cities in the more affluent areas in former Western Germany, but also the developing, less prosperous cities in the former communist eastern block.

We are recommending that Super Vision target the key markets in the following German cities: Berlin, *Hamburg, *Munich, Cologne, Frankfurt, Essen, Dortmund, Stuttgart, Düsseldorf, Bremen, and Hanover, *Leipzig, and *Dresden.

* Former Eastern German cities.

If the hired German distributors feel that the eastern German markets of Leipzig & Dresden are feasible for Super Vision to target with their LED lighting products, then we as consultants would
recommend doing so. Our reason for this recommendation is because the two cities are very close in proximity and both are undergoing a lot of infrastructure changes and construction at the present time.

2. Forms of Transportation:
Major roads can access any part of the country, as Germany has one of the most advanced road systems in all of Europe. According to the Lonely Planet travel guide, "German roads are excellent ... The national and (in) famous motorway network known as autobahn can be wonderful and can be a nightmare: speed-of-light Porsches and BMWs looming monster-size and impatient in your rear-view mirror are one factor, soul-destroying traffic jams are another" (Lonely Planet)

"As a result of the automobile, Germany's road system has improved considerably during the 20th century. This holds particularly true for its network of four lane expressways, the famous Autobahns" (Geogate). The Audubon connects many German cities; so once the distributors take title to goods there will be little trouble transporting the shipments by transit. Also, The German train network is also very extensive, and the eastern and western train systems have now been fully merged.

Since its beginnings in the mid-19th century, the railroads were owned and operated by the state. However, the railroad system was recently privatized by "Deutsche Bahn AG." The total length of the rail system in Germany is approximately 42,800 kilometers, and in the eastern half of the country the system is in poor condition and in the need of major improvements (Geogate).

3. Consumer Buying Habits:
Since we are mainly going to be selling to the industrial sector, which has different buying habits than ordinary consumers, we are not going to offer many sales promotions like coupons or giveaways. However, we may offer a nice discount structure to our hired distributors to sell our products in Germany.

According to the US commercial service, "Many advertising practices that are common in the United States, such as offering premiums, are not allowed in Germany. They also recommend that any planned advertising campaigns should be discussed with a potential business partner or an advertising agency in Germany" (Commercial Guide).
We recommend that our marketing and advertising campaign in Germany be thoroughly discussed with the German-based sales distributors that we sign up to sell and distribute our products in Germany.

The following address is for the German association of advertising agencies:

Gesamtverband Kommunikationsagenturen e.V.
(German Association of Advertising Agencies)
Friedensstr. 11
60311 Frankfurt a.M.
Telephone: [49][69] 2560080
Telefax: [49][69] 236883
www.gwa.de

4. Distribution:

a. Typical Outlets in which the Product is Sold:
The target German buyer of our products are going to be construction or architecture firms who are in the business of building large buildings that may have the need for exterior lighting, or for building owners who want to add a little bit of life to their existing buildings.

b. Product Sales by Other Intermediaries:
Germany's population and industry are decentralized and evenly distributed among cities, which is not the case in most of Europe. It is important for Super Vision to locate representatives in the major parts of Germany that we will be targeting, as the German customer will expect to be able to make close contact with our agents. It also should be noted that the U.S. is the Federal Republic's largest trading partner outside the EU.

We recommend conducting the marketing, warehousing, sales, distribution and logistics through a distributor or a number of independent distributors located in target German cities.

The best recommendation that we can make as consultants at this phase of the project is for Super Vision to hire/sign-up a distributor in either:
(a) 1 or 2 central locations such as Frankfurt or Hamburg, or
(b) sign-up multiple distributors in multiple target cities.

These distributors will take title of goods upon their arrival at the German port and handle the rest of the business from that point in time. The distributors will essentially be the face of Super Vision International and represent the company, so it is essential and cannot be stressed enough how important it is that the correct Distributors be hired by Super Vision.

We recommend that Super Vision be very selective when choosing a distributor or sales agent, and ensure that they have key relationships with German suppliers, contractors, builders and architects. The selected distributors should target and market the Super Vision products to construction wholesalers, architectural firms, and wholesale art suppliers in the German marketplace.

We also recommend that Super Vision should also consider the development of a German language website, so that they can offer services online via the internet. An advantage of having an online presence is that Super Vision will be able to increase their brand image and awareness and reach more customers in Germany. An added benefit to pursuing the click-and-mortar e-commerce strategy which generates sales revenues is that we can gain the business of small firms who do not wish to purchase through our sales reps or distributors.

However, we do not recommend this strategy because special attention should be given to insuring that we do not anger or upset any of our agents/distributors by implementing this alternative distribution channel. Our best recommendation for an e-commerce strategy is for Super Vision to make the website only be an informative website in which only information is exchanged and no online transactions take place, this way we can ensure that our distributors do not get upset and feel disintermediated.

5. Advertising & Promotion:

a. Advertising Media:
Super Vision needs to emphasize to the German customer how the LED border light strips and tubes are more efficient and safer than the neon alternatives, which currently claim a large section of the market. Since the target market for our products is going to be industrial buyers, i.e. construction supply companies and architecture firms, we will need to promote our products differently than would a company who was selling consumer goods.
We feel that the best way to contact these potential customers is through three ways: through promotion at one of the numerous trade fairs held annually in Germany, via advertisements in German trade or industry journals such as architectural lighting or electronic components journals, or through one of a number of technical and specialized periodicals that deal with technology and business in Germany (Commercial Guide).

Super Vision should point out through promotion that the products have an energy efficient low voltage system and extremely long lamp life that reduces maintenance costs. Also, the wide assortment of LED colors that are offered should be emphasized to the potential buyer. And if we decide to market the side glow cables as well, their durability should be emphasized.

The amount of lamp life associated with each of the products should also be included in the promotion. It should be explained how the amount of lamp life associated with a LED depends on the frequency of the color of light that is emitted. Lamp life equals 100,000 hours for red, clear red, orange, amber & 60,000 hours for white, green, aqua, blue and white. The German buyers will appreciate the information because they are well educated and appreciate being well informed.

The German companies will appreciate the long lamp life and the fact that the lighting is done in an energy efficient manner. This efficiency is particularly important to the German buyers because the German government, which mandates increasing tax rates on energy usage, has codified recent legislation in.

b. Sales Promotions Customarily Used:
Also, it should be noted that many advertising practices common in the United States, such as offering premiums, are not allowed in Germany. The German Embassy recommends, "Any planned advertising campaigns should be discussed with a potential business partner or an advertising agency in Germany." Following is the address of the German association of advertising agencies:

Gesamtverband Kommunikationsagenturen e.V.
(German Association of Advertising Agencies)
Friedensstr. 11
60311 Frankfurt a.M.
Telephone: [49][69] 2560080
Telefax: [49][69] 236883
www.gwa.de
6. Pricing Strategy:

a. Customary Markups:
The pricing decision for entering and successfully competing in the German market for LED and fiber optic lighting is crucial. The pricing policy that we are suggesting will allow Super Vision International to meet their strategic goals relative to the German market, and help to manage costs, sales volume and revenues.

To determine an optimal entry price for our product, many factors must be weighed. The probable life-cycle of the LED border tubes that we plan on exporting into the German market is most likely in its introductory stages, with few competitors currently operating in the market, i.e. an oligopolistic market.

We suggest that Super Vision should undertake a "pioneer pricing strategy" that will maximize profit contribution over the entire marketing plan. However, the fact that the German construction sector is experiencing sluggish growth may force the company to offer a lower than expected cost to its distributors or agents, thus resulting in lower than projected sales revenues in our forward looking financial statements. Yet, an added benefit to participating in the European market at this point in time is the recent economic trend of the strengthening Euro. This recent trend of Euro appreciation versus the dollar is a very good sign for Super Vision, as the company will be able to benefit by receiving the (stronger) Euros as payment for their products.

When evaluating the pricing options, full-cost pricing is most likely not the right entry pricing strategy for this product (and complementary products) because it fails to take into consideration the relationship between customer demand for the product and price. Arbitrarily deciding on an additional international profit margin to add onto the price that the product sells for in the domestic market is also not a good idea for Super Vision, as it would tend to be a naïve approach to international business.

We feel that the ideal strategy to pursue would be to implement an incremental-cost pricing strategy. This strategy distinguishes between variable costs and fixed costs. The incremental costs of entering into the German market can be measured as the new costs that would not exist in the absence of this expansion. One
down-side to this pricing method is that like the full-cost method they fail to take into account demand and competition in the target market, so some adjustments to our prices may need to be made as we continue to do business in Germany and get a feel for consumer demand and industry competition patterns.

We are suggesting that Super Vision undertake a “pioneer pricing strategy” because we feel that the LED products are relatively new to much of the German market. We feel that the optimum entry price can be obtained by setting a price more towards the “skimming-price” side of the skimming/development-price continuum.

In other words, we suggest that Super Vision set a relatively high entry price, with the intent to earn semi-quick profits before rivals respond with substitute products at a lower price. But at the same time this price should not be set too high and should meet customer demand patterns. At this point in the product’s life-cycle, when competitors threaten to steal our market share, we can adjust the price to compete with the competition and engage in life-cycle pricing.

b. Types of Discounts Available:
We must also figure out a way to encourage our distributors to sell at the price that we want. We will do this by figuring out the ideal discount structure to offer the distributors.

We are assuming that the pricing objectives in the German market are not for quick profits, but rather target sales growth, target market share, enhancing a high-quality image and the benefits of LEDs over neon, and probably most importantly gaining the support of middlemen. This last objective is particularly important to us because these middlemen (i.e. Distributors & Reps) are going to be the people who are actually out there selling our product(s). Super Vision must figure out the proper discount structure to offer the agents in order to maximize sales revenues. Our channel discount policy will vary depending on the agents that we select to work with in the German market.

(Root, Ch. 8)
B. Comparison and Contrast of the Competition's Product(s):

We have evaluated and listed 3 different sets of possible competitors: German Competition, International Competition and Domestic (U.S.) Competition.

German Competition:
Our research has led us to believe that there are relatively few local German firms specializing in the LED/Energy Efficient Lighting industry.

OSRAM Opto Semiconductors GmbH
- **Business type:** manufacturer
- **Product types:** LED lighting, Light Emitting Diodes in different colors and packages, LED Modules, Infrared detectors and emitters, Intelligent Displays, High Power Laser Diodes.
- **Address:** Wernerwerkstr. 2, Regensburg, Germany D-93051
- **Telephone:** +49-941-850-5

Delidimitriou Marketing
- **Business type:** manufacturer, retail sales, wholesale supplier, exporter, importer, trade association
- **Product types:** computer and electronic components, consumer electronics batteries, air cooling system components, LED lighting, consumer electronics batteries, battery accessories, international import & export, retail + wholesale business in all area.
- **Address:** Auf der Steig 105, Stuttgart, Germany Stuttgart 70376
- **Telephone:** 0049711-9953647
- **Web Site:** [http://www.delidimitriou.com](http://www.delidimitriou.com)

International Competition:
(Wholesalers / Retailers / Distributors / Exporters) These players may or may not already be in the German market, and some of them may provide advantageous partnership opportunities.)
Dalian Xingchen Lamp & Decoration Products Co., Ltd

- **Business type:** manufacturer, wholesale supplier, exporter
- **Product types:** compact fluorescent light bulbs, LED lighting, compact fluorescent lighting fixtures and ballasts, solar garden lights.
- **Address:** MSB 80138 Dalian Psot, Dalian, Liaoning China 116001
- **Telephone:** 864112917477, 13332219978
- **Web Site:** http://www.elamplighting.com/company_en.asp

D-TEC

- **Product types:** Engineering support & consultancy on all kind of power management and lighting designs, such as: electronic for compact fluorescent lighting, High Frequency fluorescent TL ballasts, DC to DC power converters, DC to AC power inverters, battery chargers, LED lighting.
- **Service types:** Engineering support & design consultancy
- **Address:** Coolenstraat 3, Weert, The Netherlands 6005 NX
- **Telephone:** +31 6 50 297 785

M.J. Lighting Technology

- **Business type:** manufacturer, exporter
- **Product types:** LED lighting, energy efficient lighting, LED lighting, compact fluorescent lighting, LED lighting, DC lighting, Buried & recessed drive-over, walkover LED lighting systems.
- **Service types:** consulting, design, project development services
- **Address:** P.O. Box 18, Wellington, Shropshire United Kingdom TF6 6WL
- **Telephone:** 0044-(0)1952-840740

NRJSolar / La Boutique du Solaire

- **Business type:** retail sales, exporter, importer
Nuova Thermosolar srl

- **Business type:** manufacturer, wholesale supplier
- **Product types:** photovoltaic systems, fluorescent lighting fixtures and ballasts, battery chargers, LED lighting, recreational vehicle power systems.
- **Address:** Via Aldo Moro 16/A, Formigine, Modena Italy 41043
- **Telephone:** 0339 3666172

Sinicco

- **Business type:** manufacturer, retail sales, wholesale supplier
- **Product types:** photovoltaic cells, LED lighting, marine power systems, ocean energy systems, photovoltaic cell manufacturing equipment, energy efficient appliances.
- **Address:** Switzerland
- **Telephone:** +41 79 778 9841

Skyart Lighting

- **Business type:** manufacturer, exporter
- **Product types:** DC lighting, LED lighting.
- **Address:** 230/F Xinxing Road Guzhen Zhongshan Guangdong China, Zhongshan, Cn China 528421
- **Telephone:** 86-760-2346381

Richsun Solar Co., Ltd.

- **Business type:** manufacturer, exporter
- **Product types:** solar light, solar garden lights, energy efficient homes and buildings, LED lighting, energy efficient lighting, energy efficient appliances, solar charge controllers, solar road stud, solar warning light, solar powered stainless steel light, solar road marker, solar brick, solar tile, solar house number, solar traffic sign..
- **Address:** 5/F, No.9 Building, Dayuan Industry Zone, Pingshan, Xili Town, Nanshan District, Shenzhen, China 518055
Prime Light Pte Ltd

- **Business type:** wholesale supplier, exporter, manufacturer
- **Product types:** Ultra Bright LED, LED bulbs, LED Flood/Spot lamps, Solar LED lamps, RGB Lamp, LED light strip.
- **Service types:** Customised LED lighting design
- **Address:** Blk 5 Ang Mo Kio Industrial Park 2A, #04-15 AMK Tech II, Singapore, Singapore 567760
- **Telephone:** 65-64832188
- **Web Site:** http://www.prime-light.com

LabCraft Limited

- **Business type:** Manufacturer of LED & energy efficient, low voltage lighting.
- **Product types:** LED lighting, energy efficient DC lighting, low voltage lighting, solar internal lighting, solar external lighting, solar street lighting, marine lighting, commercial vehicle lighting, industrial lighting and recreational vehicle lighting.
- **Address:** 22B King Street, Saffron Walden, Essex United Kingdom CB10 1ES
- **Telephone:** +44 (0) 1799 513434
- **Web Site:** http://www.labcraft.co.uk

Wuhan Electronics

- **Business type:** manufacturer, exporter
- **Product types:** Multi-purpose Portable solar light, LED lighting, solar outdoor lighting systems.
- **Address:** No.39, Jianghan Road, Wuhan, Hubei China 430019
- **Telephone:** 86 138 7118 5297
- **Web Site:** http://www.solarlightgo.com

**Domestic (U.S.) competition:**

These players are possible competitors should they choose to export into the German market if they haven’t already started doing so ...

**Daydreams Solar**
Business type: retail sales
Product types: packaged power systems, LED lighting, portable power systems, photovoltaic module components.
Service types: consulting, design, education and training services
Address: RR1 boz 1116, Starks, Maine USA 04911
Telephone: 696-9983

Deep RooF Lighting

Business type: manufacturer, retail sales, wholesale supplier, importer
Product types: compact fluorescent lighting fixtures and ballasts, compact fluorescent light bulbs, compact fluorescent lighting, energy efficient lighting, LED lighting, fluorescent lighting fixtures and ballasts, Track Lighting, HID Lighting.
Address: 157-37 Roe Ave., Flushing, New York USA 11355
Telephone: 800-782-7180

Digital Light

Business type: manufacturer
Product types: LED lighting, LED, SMD, LED Light Strip, LED Light Bulbs, LED Display Boards, LED Backlighting, LED Full Color Displays.
Address: Avenue of the Stars, 1801 Century Park E, 24th Floor, Los Angeles, California USA 90067
Telephone: 310-551-9999

Brite-LED Optoelectronics

Business type: manufacturer, wholesale supplier, exporter
Product types: LED lighting, LED discrete components (High Brightness White LEDs).
Address: 2812 Duncan Tree Circle, Valrico, Florida USA 33594
Telephone: 813-654-5192

Prolight, Inc.
Business type: manufacturer
Product types: compact fluorescent lighting, LED lighting, energy efficient lighting.
Address: 581 Ottawa Avenue, Holland, Michigan USA 49423
Telephone: 616-396-6722 or toll free 800-968-2556

GoodMart.com

Business type: E-Commerce: retail sales, wholesale supplier
Product types: compact fluorescent lighting fixtures and ballasts, compact fluorescent light bulbs, energy efficient lighting, fluorescent lighting, fluorescent lighting fixtures and ballasts, LED lighting, infra-red conserving halogen lamps, energy saving metal halide lamps, Energy Star qualified lighting products.
Address: 45 Main St. STE 403, Brooklyn, New York USA 11201
Telephone: 877-402-6100
Web Site: http://www.goodmart.com

Michigan Lighting Systems

Product types: fluorescent lighting fixtures and ballasts, compact fluorescent lighting fixtures and ballasts, energy efficient lighting, LED lighting.
Address: 3225 Walker Ave NW, Grand Rapids, Michigan USA 49544
Telephone: 616.785.1415

Wesbar Corporation

Business type: manufacturer, wholesale supplier
Product types: LED lighting, Vehicle lighting, wiring, systems provider.
Service types: research services
Address: 4201 County Hwy. P, West Bend, Wisconsin USA 53095
Telephone: (262)334-2381

All competition information was generated through searches on the LED Lighting Businesses in the World by Business Name website which can be found at: http://energy.sourceguides.com/businesses/byP/light/LEDLighting/byN/byNameD.shtml
C. Market Size:

Estimated Industry Sales for the Planning Year:
As of 2002, there were 723,333 businesses in Germany and of these, 57,016 were in the construction sector (see business notifications table below). The construction sector is a key indicator for Super Vision to look at when trying to determine the size of the potential German market. There is no single business center in Germany, although Berlin is the largest in terms of population.

We have researched the opportunities for future construction plans in Germany and have concluded that it will be advantageous for Super Vision to target markets all across the country of Germany, rather than our previous ideas of simply targeting the more prosperous and affluent western cities.

According to the country commercial guide, "While market conditions in the new and old federal states of the reunited Germany continue to converge impressively, U.S. exporters and potential investors should, nonetheless, be aware that the new federal states of eastern Germany still present, in certain respects, distinctive commercial opportunities and challenges." (Commercial Guide)

The largest cities in terms of population are as follows:
Berlin (3.4 million), Hamburg (1.7 million), Munich (1.2 million), Cologne (964,000), Frankfurt (644,000), Essen (603,000), Dortmund (592,000), Stuttgart (582,000), Dusseldorf (568,000), Bremen (543,000), Hanover (516,000).

Number of Businesses in Germany:

<table>
<thead>
<tr>
<th>Business notifications in Germany</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business registrations</td>
<td>755,172</td>
<td>728,978</td>
<td>723,333</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by economic activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>64,337</td>
<td>59,939</td>
<td>57,016</td>
</tr>
<tr>
<td>Wholesale and retail trade;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>repair of motor vehicles, motorcycles and personal and households goods</td>
<td>226,978</td>
<td>211,917</td>
<td>218,193</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>66,062</td>
<td>63,928</td>
<td>63,817</td>
</tr>
</tbody>
</table>
### Construction work completed:

<table>
<thead>
<tr>
<th>Specification</th>
<th>Unit</th>
<th>2001</th>
<th>2002</th>
<th>2003 ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Germany</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Construction work completed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings/construction works Number</td>
<td></td>
<td>303 085</td>
<td>282 420</td>
<td>267 326</td>
</tr>
<tr>
<td>Dwellings, total</td>
<td>Number</td>
<td>326 187</td>
<td>289 590</td>
<td>268 096</td>
</tr>
<tr>
<td>Living floor space</td>
<td>1 000 m²</td>
<td>36 717</td>
<td>33 526</td>
<td>31 594</td>
</tr>
<tr>
<td>Estimated costs of buildings and other structures EUR mn</td>
<td>76 213</td>
<td>72 260</td>
<td>66 248</td>
<td></td>
</tr>
<tr>
<td><strong>Incl.: Construction of new buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings/construction works Number</td>
<td></td>
<td>213 205</td>
<td>197 525</td>
<td>187 045</td>
</tr>
<tr>
<td>Dwellings</td>
<td>Number</td>
<td>292 328</td>
<td>259 875</td>
<td>240 934</td>
</tr>
<tr>
<td>Living floor space</td>
<td>1 000 m²</td>
<td>31 927</td>
<td>29 132</td>
<td>27 452</td>
</tr>
<tr>
<td>Estimated costs of buildings and other structures EUR mn</td>
<td>63 733</td>
<td>60 310</td>
<td>55 100</td>
<td></td>
</tr>
</tbody>
</table>

¹ Preliminary result.

Last updated on 08 April 2004

(FSO- Construction Work)

### Note on Data for Building Activity:

"The statistics on building activity are compiled on the basis of the 1998 Law on Statistics of Building Construction. These statistics cover the permits issued for building construction and the construction work completed, the volume of unfinished building projects at the end of the year, retirements of structures, and the current adjustment of the stocks of residential buildings and dwellings. The item directly surveyed is the..."
building, which is either classified as residential or non-residential and further categorised by type of building. Residential buildings are thus classified as one-, two- or multi-family houses or as residential homes.

In essence, the statistics on building activity record additions to and retirements from the stock of buildings, using indicators such as the number of buildings, dwellings, living floor space, useful floor area and walled-in space. Hence, they present a substantial part of the building activity primarily in terms of quantity.¹

(FSO – Construction & Housing)

Estimated Company Sales for the planning year:

More information on the construction market in Germany can be obtained from the U.S. Commercial Service’s German industry sector specialists:

<table>
<thead>
<tr>
<th>Service</th>
<th>Name</th>
<th>Phone</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architectural/Constr./ Engineering Services</td>
<td>Bettina Kutsche</td>
<td>+49 341-213-8440</td>
<td>Leipzig</td>
</tr>
<tr>
<td>Building Products</td>
<td>Bettina Kutsche</td>
<td>+49 341-213-8440</td>
<td>Leipzig</td>
</tr>
<tr>
<td>Construction Machinery</td>
<td>Bettina Kutsche</td>
<td>+49 341-213-8440</td>
<td>Leipzig</td>
</tr>
</tbody>
</table>

D. Government Participation in the Marketplace:

1. Agencies that can help you:

One of the best government agencies in Germany for businesses is the Office of the Federal Commissioner for Foreign Investment in Germany. This agency's sole purpose is to help the business that it trying to do business in Germany. Invest in Germany is the primary contact for a business interested in doing business in Germany.

The website Invest-in-Germany.com has a myriad of goals. To begin with, they will introduce you to all the sides of the German corporate environment and business practice. Their mission is this; “we connect you with today's Germany and introduce you to...
economic advantages and business opportunities in Germany as a site for European expansion" (Invest).

In addition, the site gives contacts both in the private and public sectors. They will also assist you in locating suitable sites for manufacturing and R&D. Furthermore, they will provide information about the market and your market segment. Most importantly, they will connect you with economic development authorities throughout Germany.

Another helpful agency is the German commercial service, which is a joint trade mission program designed to tap market opportunities in new federal states. It was implemented to introduce U.S. small and medium sized exporters to distinctive market opportunities in Germany. In addition, the commercial service Berlin and Leipzig offers market information, analysis and reporting, trade show support and round tables to assist U.S. firms wishing to capitalize on these specific market opportunities.

Even though there are agencies to help you, Germany does have government regulations that you must follow, and often times these regulations can be baffling. Government regulation in Germany is often complex and may offer a degree of protection to already established local suppliers. Safety or environmental standards can complicate access to the market for U.S. products. German buyers may require additional performance or quality marks, which are not necessarily legally required, but enhance a product's chances to be marketed. Products entering the German market require testing and certification before they can be marketed. If you chose to export it is important to know what standards apply to your product and it is also important that you obtain timely testing and certification.

2. Regulations you must follow:

According to the German Embassy in Washington D.C., “the legal basis in Germany for foreign trade and payment transactions is the Foreign Trade Act.” This act defines the principle of freedom of foreign trade and payment transactions and also indicates the main restrictions.

The most important implementing regulations under the Foreign Trade Act is the Foreign Trade and Payments Ordinance, which contains most of the rules and regulations dealing with foreign trade and how they relate to normal everyday business. The ordinance also includes the relevant EU regulations.
The part of the legislation that is of particular interest to Super Vision is the "Import List," which specifies the freedom of imports and any restrictions on them and is part of the Foreign Trade Act itself.

The German Embassy's website goes on to point out "especially in the case of industrial products, the import of goods into Germany is almost completely liberalized." They imply that the importer needs neither an import permit nor an import declaration, and that "this applies to potential partnerships with a registered office within the territory of the Federal Republic of Germany." To take advantage of these rules we recommend that Super Vision select an agent located within the country to conduct sales of the products. (Trade)

Further information on Germany can be found at the U.S. Commercial Service Germany website http://www.buyusa.de/en.
The Marketing Plan

Executive Summary

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THE MARKETING PLAN

Executive Summary

The Marketing Plan that we have developed for Super Vision International targets the construction and architecture firms in Germany who routinely build large-scale commercial buildings. We also suggest marketing the Border Tube products to architecture firms, and art supply companies that have an emphasis toward building construction.

From our analysis of the German industry, we have figured tentative estimates that out of the 57,016 construction firms in Germany it is possible first year Super Vision can expect to sell to one half of one percent of all of the new building projects. If each project averages $750 in Border Tube Products, Supervision can expect to be used in 1,336.63 projects with total revenue of $1,002,427.5. These numbers and margins are subject to a great deal of change depending on Super Vision's actual policies in the market.

With these preliminary numbers, in the first year we predict that the total profit will be close to zero because of large advertising costs in trade magazines and direct mail fliers throughout the German construction and architecture industry. Also, a large amount of product training that will be necessary for the new distributors in the region. After the first few years we expect profit to be 15-20 percent of the total sales price.

The Product will have to be modified to be used in German 220 volt power outlets, and the packaging will need to be converted to the German language. Additionally Super Vision may want to consider a German-speaking product support hotline for the German market.

To distribute the products we recommend having the modifications completed in the Orlando factory, trucked by American Freight Company to Port Canaveral, Florida, containerized through Transgroup Worldwide freight forwarder, and placed on a vessel to Hamburg Germany. Once in Germany we suggest having the containers transported by rail to the Frankfurt warehouse of Delidimitriou Marketing, where warehousing and distribution will occur. This company will probably be able to distribute a great amount of local knowledge for the German market, and can be used as a strategic tool for key sales.
In order to persuade German companies to purchase Super Vision Products we suggest having incentives offered for any high exposure projects in the first few years. This will help to get the companies image and product knowledge get dispersed throughout the new industry. Additionally the company might try promotional tools between distributors or key construction companies for cash bonuses and free merchandise for the highest quantity and quality purchasers. This could potentially create a contest between companies vying for Super Vision products. To create this we recommend a large amount of Direct Mail publications and advertisements in Trade publications.

Additionally, to get the distributors to purchase the products we recommend Cost Insurance and Freight pricing in the first few years. This will be attractive for the importers because they will have less of a burden and risk for price increases.
I. The Marketing Plan

A. Marketing Objectives

Target Market
The target German buyer of Super Vision International's LED Border Tube lighting systems are going to be construction or architecture firms who are in the business of building large buildings that may have the need for exterior lighting, or for building owners who want to add a little bit of life to their existing buildings. Additionally art supply companies with an emphasis toward building construction should be catered to as well.

Expected Sales
From our preliminary analysis, we believe Super Vision may expect to sell to around one half of a percent of all building works happening in Germany during the first year. If each building with the lighting averages $750 in Super Vision Border Tube lighting products, using the total construction works number from 2003 in Germany of 267,326. Super Vision can expect to be used in 1336.63 building projects, with total sales of $1,002,472.5. In the years following the introduction of the product the company can expect the sales to increase over the first years numbers by 10-15 percent. These numbers are subject to great fluctuation with company policies in the region. It should be re-stated that these are only preliminary estimates.

Profit Expectations
In the first year the project would probably generate few if any gains to profit due to the large expenses of setting up the international distribution channels and training the German distributors to market the products correctly. Additionally large amounts of expenses are likely to occur in year one by simply visiting the distributors and building a strong base of knowledge of the products in Germany. After year one the profit margins may be as high as fifteen to 20 percent of the total sales even after the distributors cut of the profits.

Market Penetration and Coverage
Super Vision International's border tube lighting products can be sold through a distributor to many of the 57,016 construction firms in Germany. The distributors should, however focus on the construction and architecture firms here who specialize in large commercial buildings or bridges. Over time the company can use the German peoples interest in high quality products to pull the demand for the products. If a few prominent buildings in Germany use the border tube lighting products, many of the other people will want them as well. This is how the firm used the prominent signs in Times Square, and
the Hard Rock Café, to create demand in many American companies for their buildings.

B. Product Adaptation

Core Component
The border tubes themselves are legal in Germany but consideration for the power demands of German outlets should be considered. Many of the outlets in Europe and specifically Germany demand different plugs than those in the United States. The German outlets support 220-volt type of appliances.

Packaging Component
Before the products can be sent to Germany the packaging needs to be translated into German. If the products are only written in English the German consumers may disfavor the lack of adaptation from Super Vision.

Support Services Component
Because we suggest Super Vision use a Distributor instead of a wholly owned Subsidiary in Germany, requirements for Services are less of a burden on the parent company, but still equally important. SuperVision can educate the Distributor on technical support and create a network so that the products can still have a technical support side. Also, SuperVision may consider the use of an international technical support hotline to aid the construction companies in the installment of these types of products, or find a Distributor with these types of support capabilities.

C. Promotion Mix

Advertising
a. Objectives
SuperVision International's main objective is to create awareness of the products from the company in the German construction and architectural firms by providing them with the product advantages and accomplishments that the company already currently has. Additionally SuperVision should strive to meet new contacts and possible distributors in the area through Trade Fairs and Direct Mail Publications.

b. Media Mix
The prime medium of advertising for Super Vision in Germany should be trade publications that usually circulate in the construction and architecture industry. Additionally Super Vision can benefit from sending direct mail publications to the larger construction and architecture firms in Germany.

On the other hand television and mass media outlets will not benefit Super Vision as much due to the fact that the good being marketed is an industrial not a consumer good. These outlets will simply not provide the value that industry specific publications provide.

c. The Message
In the United States, Super Vision products represent a very high technology way to create interest in ordinary objects in prime locations. The company seems to stress the quality, distinctiveness, and energy advantages that the products can create for any business. In Germany Super Vision should continue to foster this image. For a marginal price, Super Vision products can make any building a sight to behold. These benefits should be well marketed in the direct mail publications.

d. Costs
The costs of advertising these products will be fairly low since the company does not need to use mass media types of outlets. Being an industrial good, trade publications will create a great value and interest for the money. Additionally, after a few prime Super Vision products are installed in Germany the products seem to advertise for themselves. When construction companies want a high quality effect for a building they will see the value added effect of the Super Vision products around the world.

Sales Promotion
Super Vision can create a great demand for their products in Germany by offering a sales promotional discount to those firms that most use the Super Vision products. For example the company could create a contest between German Industrial Construction Companies and Architectural firms for the most sales. By using strategic premiums and promotions in conjunction with the German distributor, the company can create a great strategy to add to its demand in the new marketplace.

Personal Selling
We suggest that the selling of the product be handled by the German Distributor and marketing agency. These people will have the knowledge of the German industry to appropriately sell the products with its main accounts personally if necessary. Any
personal selling should be done with an agent knowledgeable about the territory and the needs of the German market.

D. Distribution: From origin to destination

In order to take advantage of the new manufacturing plant, that was created for Super Vision in 1997, in Orlando Florida, we suggest that the modifications to 220 volt and changes to packaging, be made in Orlando Florida. From this point the company can containerize the finished products into twenty and forty foot containers and transport them by truck to the Port of Canaveral. From here, with proper documentation the containers can be transported to the port of Hamburg. From the freight forwarder in Hamburg, the distributor will arrange to have the products taken by rail to a warehouse of a distributor, most likely in Frankfurt, for distribution throughout Germany to the many construction and architecture firms.

The Decision to transport the containers by rail from Hamburg is based on the finding that Hamburg is Germany's largest port of entry, and the largest port for rail entrances in Europe. The infrastructure for the railways here is highly developed and cost effective, while the roadways still need some development in many areas.

Port Selection: Port of Canaveral, USA by ship to port of Hamburg, Germany

Web site for more information on the Port of Hamburg, visit:
http://www.hafen-hamburg.de/html-engl/home.htm
For more information on the Port of Canaveral visit:
http://www.portcanaveral.org/portinfo/portauthority.htm

Packaging
Because the products being containerized and shipped across the ocean are fairly durable, breakage is not a major problem, and they would be in neon type lighting. However precaution need to be exercised to ensure that the products are protected from breakage, pilferage, moisture, and excess weight. By doing this the company will ensure that they do not lose time and money in the shipping process.

Documentation
In order to have the Freight Forwarder in the Port of Canaveral successfully get the products from the United States to Germany, many documents are necessary. Super Vision International needs
Insurance Claims
Due to damaging weather conditions, rough handling by carriers, and other common hazards insurance is necessary in order to avoid the potential for major financial loss to the exporter. In Super Vision International's marketing plan we suggest that the company quote all prices abroad Cost Insurance and Freight. By doing this the company can ensure the products are insured, and know what the ultimate costs to the foreign distributors are. Over time the company can modify this policy depending on how the relationship with the freight forwarders in Port Canaveral and the distributors in Germany is evolving.

Freight Forwarder
In port Canaveral the Freight Forwarder will help Super Vision ensure that the proper documents are at hand. This will help greatly with the price quotations by advising on freight costs, port charges, consular fees, costs of special documentation, insurance costs, and their handling fees. They can help with proper packaging, and even reserve the necessary space on a vessel, aircraft, train, or truck. They can also help with the passage of the products through customs overseas in Germany. In short, the services provided by a Freight Forwarder are virtually a necessity for Super Vision International. The following are some freight forwarders in Port Canaveral, Florida:

<table>
<thead>
<tr>
<th>Freight Forwarder</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cartainer Ocean Line</td>
<td>550 Cargo Road</td>
<td>799-0707</td>
<td>799-0708</td>
</tr>
<tr>
<td>C. Martin Taylor &amp; Company, Inc.</td>
<td>405-e Atlantis Road</td>
<td>783-7499</td>
<td>783-6901</td>
</tr>
<tr>
<td>Florida Marine International</td>
<td>6050 Babcock St., Ste. 26</td>
<td>953-3500</td>
<td>953-8223</td>
</tr>
<tr>
<td>Transgroup Worldwide, Inc.</td>
<td>405-F Atlantis Rd.</td>
<td>321-868-2230</td>
<td>868-2234</td>
</tr>
</tbody>
</table>

E. Channels of Distribution:
In order to complete channel of distribution for Super Vision International in Germany, a representative from Super Vision International, conversant in German, should attend one or both of
the following trade fairs for the construction industry in Germany. This will help the company to meet and select wholesale intermediaries that will be appropriate for the company.

The International Lighting and Electrical Trade Fair in Frankfurt from the 18-22 of April 2004. The website to learn more and reserve a spot is: http://light-building.messefrankfurt.com/global/en/home.html

Bauma- which emphasized heavy-duty construction equipment more than lighting products, will be held this year in Munich. The website for this is: http://www.bauma.de/

Because the products for Super Vision are industrial goods, designed to be sold to construction companies, retailers are not necessary. Instead Wholesale Intermediaries who can simply warehouse the products and manage the demand are called for.

Most likely the company that distributes and warehouses the products will be located in Frankfurt Germany, the largest economy in Germany, which is centrally located near the port of Hamburg. This city has most of the warehousing and distribution facilities for German imported products.

One option for a marketing and warehousing intermediary that can take title to the Border tube lighting products is:

Delidimitriou Marketing

- **Business type:** manufacturer, retail sales, wholesale supplier, exporter, importer, trade association
- **Product types:** computer and electronic components, consumer electronics batteries, air cooling system components, LED lighting, consumer electronics batteries, battery accessories, international import & export, retail + wholesale business in all area.
- **Address:** Auf der Steig 105, Stuttgart, Germany Stuttgart 70376
- **Telephone:** 0049711-9953647
- **Web Site:** http://www.delidimitriou.com

This company might be a potential match for the marketing of the Super Vision products, but might also be marketing competing products. Without detailed discussions with the company it is hard to tell. This is another reason the company should attend the above trade fairs.
F. Price Determination and Terms of Sale-

Cost of the Shipment of Goods
In order to approximate the cost of shipping the products overseas, the freight forwarders in Port Canaveral estimate that the average cost for transporting a fully loaded forty foot container is around $1,800-$2,200. However, this may be slightly more expensive for Supervision's products because the containers would have to be placed in certain areas of the ship that do not get wet very easily. Basically, the electrical products are treated almost as a perishable item in many respects. Super Vision should also ask the selected freight forwarder to research the handling fees of the carriers for electrical and perishable products. These tend to differ depending on which carrier company is actually selected.

At the port of Canaveral the first 2 hours of loading time are free. After that a marginal loading charge is placed in order to motivate quick and efficient loading of packing of containers. The port of Canaveral estimated that the price quoted ($1,800-$2,200) contains all pier charges, warfage fees, and unloading charges.

The transportation fees from the manufacturing plant in Orlando to the Port Canaveral have to be considered as well. The American Freight Company is a trucking company that owns over 80 other trucking companies, and traditionally offers deep discounts for commercial goods. It is headquartered out of Indian Rocks Beach, Florida, and can be reached at 1-800-532-2409.

The other option for getting the products from the manufacturing plant to Port Canaveral is to simply let the freight forwarding company handle the logistics. It can be slightly more expensive, but may save time and hassle over the long run.

Goods imported into the Federal Republic of Germany are generally subject to VAT. In the case of farm products, the rate is 7% and in the case of most industrial goods it is 16% of the customs value together with the customs duty and the costs incurred up to the first domestic place of destination (e.g. the freight costs). Under the VAT exemption rules, no VAT is levied on sample and specimen goods, advertising materials for goods, and goods which are only temporarily imported (exhibits at fairs).
The following formula will help Super Vision estimate a final consumer price that can be quote to the foreign customers and distributors. (CIF)

Factory price (with company margins)  
+ domestic freight (by truck)  
+ export documentation costs (calculated by Freight Forwarder)  
+ ocean freight and insurance (Calculated by Freight Forwarder)  
+ import duties (marginal percent of landed cost)  
+ distributor markup (approximately 15 percent)

Construction/Architecture Firm Price

With the calculation of all of these costs Super Vision can reach a price that it can project for the ultimate consumer. With an incremental pioneer pricing strategy Super Vision can target sales growth, target market share, enhancing a high-quality image and the benefits of LEDs over neon, and probably most importantly gaining the support of middlemen.

We suggest that SuperVision set a relatively high entry price, with the intent to earn semi-quick profits before rivals respond with substitute products at a lower price. But at the same time this price should not be set too high and should meet customer demand patterns. At this point in the product’s life-cycle, when competitors threaten to steal our market share, we can adjust the price to compete with the competition and engage in life-cycle pricing.

G. Terms of Sale:

By quoting prices Cost Insurance and Freight (CIF) to the distributors in Germany, Super Vision can offer a total price that includes most of the variable costs. This might foster a greater demand from these distributors because more of the intangibles of purchasing are taken out of their equation. They will have a total cost and know what they are paying for the products. CIF includes cost, insurance and freight to a named overseas port where the seller quotes a price for the goods (including insurance), all transportation, and miscellaneous charges to the point of debarkation from the vessel.

Other options include Cost and Freight, ex works, free alongside ship, free carrier, and free on board.
H. Methods of Payment
In creating relationships with new distribution companies in Germany we suggest that the company evaluate credit practices wisely. For the first few months only using confirmed letters of credit, and eventually opening open accounts only to the best prospects and largest consumers of border truck products.

A letter of credit adds a banker's promise to pay the exporter to that of the foreign buyer provided that the exporter has complied with all of the terms and conditions of the letters of credit. The importer is considered the applicant and the exporter is called the beneficiary.

While this might at first put a greater burden on the buyer, this will provide the best option for payment in the new market for the products.

II. Pro Forma Financial Statements and Budgets

A. Marketing Budget

Advertising/Promotion Expense
In year one a great deal of the profits from the exporting venture should be used to build product knowledge and image in Germany. Since the German people value high quality products and technology, much effort should be placed toward having as many advertisements in trade publications and direct mail publications as possible. Additionally, the company should look to offer incentives to high profile projects in the major cities. Over the long run this will help to create a greater demand. We suggest that the company invest ½ of the advertising budget for these publications.

Distribution Expense
Super Vision has a responsibility with teaching the distributors to market the products along with the company's overall image. Although the distributor holds the title to the goods after the letter of credit transaction, it is important to make technical support and product knowledge available to the distributors and the construction/architecture firms. This expense is likely to be high in the beginning of the project as well. We suggest one half of the marketing budget goes to fostering this image and product support.

III. Resource Requirements

A. Finances
The primary financial requirement for Super Vision will be covering the high marketing and product support costs during year one. The
Distributor assumes most of the day-to-day costs of the product, but Super Vision has a great responsibility to guide the distributor’s plan of action. If enough resources are not given to the distributing firm, Delidimitriou Marketing, Super Vision may have high costs and strong problems with product confidence in the market over the long run.

B. Personnel
Super Vision should dedicate a number of people to the tasks of monitoring and setting up the international distribution channel. A Group of approximately three people should be enough to efficiently monitor the market, allocate resource for product training, organize the credit transactions with the appropriate documentation, and create promotional materials for the trade publications in the market. After a few weeks these tasks can be reorganized and added to if necessary. This should be sufficient however to get the ball rolling in Germany.

C. Production Capacity
Production capacity will have to be addressed with regard to the requirements for 220-volt outlets. The current plant in Orlando Florida will have to address these new issues and look to create the number of adjustment that will be necessary.

Appendixes.
References

Cultural Analysis:

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http://www.economist.com/countries/Germany/profile.cfm?folder=Profile-Political%20Structure

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http://www.goodmart.com
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http://www.labcraft.co.uk
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