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Attractiveness of the European Market towards North American Small and Medium Enterprises

An Exemplary Analysis of the Machine Vision Industry with Relevance to Germany

Executive Summary

Entering new markets is always difficult. This is valid for all industries as well as for the machine vision (MV) industry, a high technology industry using camera hardware and computer technology to capture images of production process: Computer software evaluates the events in order to speed up manufacturing processes and improve product quality. As variant as the production applications are, as variant and numerous are the companies offering these MV products and services: The MV market is dominated by highly specialized small and medium size enterprises (SME). They offer their products and services into a highly fragmented industry as direct business to business sale.

The combination of highly specialized companies and high fragmentation of the MV industry leads to the local and national MV market around the respective vendor becoming smaller with every site installed and eventually may not be attractive enough to run a profitable operation. Additionally, the shrinking worldwide economy resulting into a shrinking MV market volume in 2008 and 2009, and a saturation of the industry investment good market puts pressure on all MV suppliers. This research focuses on the largest market of the entire 3,1 billion Euros MV market in 2009, which is located in North America (NA), built by Canada and United States of America (US) (Mexico excluded). With about one-third, the NA MV market has a volume of 1,3 billion € alone. A lot of small companies there offer MV technology for a shrinking home market, looking for additional sales opportunities. Germany as the second largest MV market worldwide with 0,9 billion Euros in 2009 provides potential for outside vendors.

In order to quantify this potential, the market for NA investors in Germany needs to be analyzed by the classical methods of internal and external environmental analysis. The result is the attractiveness of the German MV market and how to gain access to German and European buyers. The results show that usually the Netherlands is the preferred country for NA investors in general, with Germany on position four, right after Luxembourg and the United Kingdom. Despite this ranking, Germany remains most attractive for the MV industry due to the intense export volume of machinery and vehicle industry with a high demand of MV systems and components.

While traditional MV sectors decline in sales in 2008 to 2009, new technologies show a rise in sale, providing alternate, more economic and faster manufacturing techniques. These are primarily three-dimensional recognition methods as well as character recognition techniques, inclining by over 60 percent even during the rather weak economy in 2008 and 2009.

There are also several risks related to the international market expansion, risks that lower the overall attractiveness of internationalization. These are primarily cultural discrepancies, currency exchange risk, contractual habits as well as import regulations, customs and machine safety regulations. While most of the factors are controllable by the for example careful selection of qualified personnel or regarding regulations in place, the Euro-US-Dollar exchange rate may cause unexpected profitability changes if not balanced by control measures. These can be hedging, contractual agreements or short payment milestones.

Three industry experts, working for NA SME and doing business in Germany, give detailed information on their business structure. While some company specific aspects vary, such as import regulations and sales figures, cultural aspects and international trade aspects are identical from all interviewees. The results of each individual expert have been inverted into a potential buyer's requirement, which gives the preferred channel of distribution, most promising for internationalization of a NA SME in Germany. The representation will be most successful by setting up a partner (network) or starting up an own subsidiary. Both solutions require local service right from the beginning in order to provide highest customer satisfaction and response time, the opposite what is usually expected when dealing with international organizations and causing reluctance in sale.

As an outlook, it is considered how the internationalization from NA of the MV industry could be transferred to other industries and other countries investing in Germany. The cultural aspects, contractual agreements, currency variation and safety and health's aspects are identical and can be taken from this analysis. The differences to this analysis are the entire internal environmental market analysis, the technological differences, the service relevance and other importing regulations.

About the author

Frank Rossbruch owns a degree in mechanical engineering (German: Diplom Ingenieur or Dipl.-Ing.) from University of Applied Sciences in Aachen, Germany and graduated in 1997. He got in contact with computer and machine vision while working for Parsytec GmbH in Germany as project manager. Besides Singapore and Scotland he lived in the United States of America for almost five years, managing customer concerns in North and South America within the paper and steel industry primarily in the machine vision context.

He moved back to Germany in 2007, representing a North American company, representing their product abroad. This is where the idea of the following market report was created. While still finishing his Master of Business Administration (MBA) study, Frank started his own business in 2009 as Service Company for machine vision industry. He is providing installation and maintenance services up to turnkey solutions for companies focusing on their core capabilities: selling, yet unable or unwilling to set up a locally owned service representation.



Today, Frank has successfully completed his MBA and continues to grow his service business with ROPTEC GmbH for international companies no matter if already established or just starting their business on the European, particularly the German market. His combination of engineering know-how, US cultural-experience and business skill provides a sound basis for North American investors, which are taking the chance to benefit from the most focused machine vision market in the world: Germany.

If you wish to read the whole report, please register for FREE at helpdesk.roptec.com.