



Thesis 2010

Export Plan

The opportunities of Hölscher in the international equestrian market

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Abstract

Dies ist meine Bachelor Abschlussarbeit für den Studiengang „Equine Leisure & Sports“ der Hochschule Van Hall Larenstein, Wageningen (NL). Dieser Exportplan wurde geschrieben für die Firma Josef Hölscher GmbH & Co. KG, Horstmar-Leer, Westfalen.

Das Familienunternehmen wurde in 1889 als Seilerei gegründet. Seitdem befinden sich die Firma und Produktion am ursprünglichen Standort. Heute stellt Hölscher Produkte für drei verschiedene Industriesparten her: den Seilbereich (Hölscher ropes), den Pferdesportsektor (EQuest) und den Hundesportsektor (EQuest4Dogs). Im Bereich der textilen Reitsportartikel ist Hölscher nach Eskadron Marktführer in Deutschland und bekannt für besonders gute Qualität (Made in Germany). Diese Arbeit stellt einen Plan vor, wie Hölscher strategisch in den Pferdesportsektor in Dänemark und Schweden eintreten kann.

Die Länder Dänemark und Schweden wurden ausgewählt nachdem eine externe Analyse durchgeführt wurde. Von allen skandinavischen und baltischen Ländern bieten diese Länder die besten Bedingungen für den Export von Reitsportartikel. Die Größe der Pferdepopulation war mit einer der ausschlaggebenden Faktoren für die Auswahl der Länder, da diese Zahlen einen ungefähren Anhaltspunkt geben über die Größe des potentiellen Marktes für Hölscher. Die Pferdepopulation in Schweden ist die größte aus ganz Skandinavien und den baltischen Staaten. Dänemarks Pferdepopulation ist in vier Jahren (2004-2008) um 50% gewachsen. Insgesamt wird ungefähr mit 200 Reitsportfachhändlern in Dänemark und ungefähr 300 in Schweden gerechnet. Dies ist der gesamte Markt, den Hölscher als Kunden erwerben könnte (neben anderen Großhändlern, Vereine, Stelle, Verbände etc.).

Hölscher unterscheidet sich besonders durch Kundennähe und –Service von Wettbewerbern (nach Value Disciplines, Treacy & Wiersema). Dies ist auch die strategische Grundlage um die Firma zu stärken und so eine leitende Position auf den neuen Märkten zu erlangen. Geplant ist des Weiteren die Zusammenarbeit mit Verkaufsvertretungen in den jeweiligen Ländern (Agenten), welche auf einer Kommissionsbasis von ca. 10 % des Umsatzes arbeitet.

Drei Ziele im Bereich des Marketings wurden aufgesetzt. Zum einen soll das Interesse an den Equest Produkten geweckt werden und den Bekanntheitsgrad der Marke anheben. Das zweite Ziel ist neue Kunden, speziell Reitsportfachhändler, und andere Geschäftspartner auf dem neuen Markt zu finden. Ziel ist es im ersten Jahr ungefähr 40 neue Kunden in Dänemark, und rund 50 Neukunden erwerben zu können. Das dritte Ziel ist, diesen Marktanteil jährlich um 3-4% zu steigern. Um diese Ziele zu erreichen, wurde eine Strategie für die drei verschiedenen Kundengruppen erstellt. Besonders das Marketing und CRM (Kundenbetreuungsmanagement) wurden auf die einzelnen Zielgruppen abgestimmt. Das Marketing Budget ist sehr gering im Vergleich zu vielen anderen Wettbewerbern. Das Marketing spricht besonders den Einzelhandel an und soll diesen animieren Equest Produkte in seinem Geschäft dem Endverbraucher zu präsentieren (Push-Strategy). Letztendlich aber soll der Einzelhändler durch Hölschers besondere Kundennähe und -Betreuung als loyaler Kunde gewonnen werden.

Zum Abschluss kann gesagt werden, dass es sehr lohnenswert ist, dieses Projekt in die Realität umzusetzen. Hölscher geht kein großes finanzielles Risiko ein durch den Einsatz einer Verkaufsvertretung und einer verhältnismäßig geringen Investition.

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Chapter 1. Business Introduction

Josef Hölscher GmbH is a ropery, wattle and producer for equestrian and dog sport equipment. Most of the products are based on ropes, cords, girths or textiles. Since 1889 the production is based in Leer, Westphalia in Germany. As a producer Hölscher serves very different branches:

- Seafaring (Ropes)
- Cable industry (such as gondola, rope bridges or mining)
- Textile industry (such as curtain cords)
- Leisure time activities (such as jump ropes or cords for the swing)
- Horse equipment (halters, ropes, rugs, saddle cloth)
- Dog sport (harnesses, leashes, collars, rugs)

Basically three different markets are served: the cable industry, the equestrian market and the dog sport market. Based on those different markets three different brands go under Hölscher GmbH: Hölscher ropes for industry, cable and ropes; EQuest for equestrian equipment, and EQuest 4 dogs as a brand for dog sport equipment.

The business is since the founding managed and owned by the family Hölscher. Currently Thomas and Marcus Hölscher are the owners of the business. Frank Hölscher is responsible for the marketing and sales. Beate Langebröcker (nee Hölscher) is responsible for the book keeping. Ulrike Langner (nee Hölscher) is responsible of the production department of the equestrian equipment. Markus Hölscher is responsible for the production processes in the ropery. About 70 employees work in the office and in the production as sewer, ropemaker or in other job positions.

1.1 Vision & Mission

The vision of the company is not stated in any documents or other written form. The vision for the horse equipment (brand EQuest) is more based in the back of the minds and unconscious acted upon: Hölscher wants to challenge the number one competition and become the leading (textile) horse equipment producer and brand, first in Europe and later worldwide. The mission is to improve the welfare of the horse by developing and producing high quality products which improve the comfort, protection and well-being of the animal.

1.2 The Goals

The goal of the business is based in its tradition. Regardless from the branch or use, the products have to meet the quality standards. Hölscher is constantly developing new products, presenting innovations but still traditional, serving constantly with knowledge and experience.

The business has set itself several goals to be able to continue production in Germany while staying price attractive. Within the near future the strategic export of the equestrian products is aimed. Furthermore the trade activities of the business have to be increased. To serve a larger target group a low price product assortment will be introduced (probably import products).

1.3 History of the Business

The roots of the business go back to 1889 when Gerhard J. Hölscher founded a small ropery in Leer (Westphalia, Germany). The craft of the roper is one of the oldest handcraftsmanship together with pottery and weaving. In the early years of the company ropes and cordages were produced for the local agriculture, especially for coaches, harnesses and ropes.

In 1920 the first canopied ropeway was built so that during the winter the production could easily continue. In the fifties the ropery benefited also from the German economic miracle; the first production hall was built, the production process was extended and next to the ropery a wattle was introduced.

Until the 1960s Hölscher produced ropes, cordages and cords for many different ranges of use; from the original agricultural use up to curtain cords, products for seafaring up to swings for leisure time activities. There was almost no branch which was not supplied by Hölscher.

Already in 1970 is the business in the third generation of the family. Josef, Heinz, Ewald und Karl Hölscher develop new ideas for the company. The agriculture shifted more and more to working with machines, therefore the working horse changed to a sport horse. Also Hölscher experienced this change and the branch for the equestrian sport equipment was introduced.

In 1978 the business Hölscher visited the fair SPOGA in Cologne for the first time. The international visitors were enthusiastic and the trading expanded on an international area. Around ten years later the product assortment was extended by saddle cloth and horse rugs.

In 1993 another hall was build. On 2400m² new opportunities were given for production and storage. Around the millennium Hölscher had to adapt to the fast changing and growing economic world. As a result the brand Equest was introduced in 2005 on the fair SPOGA.

Up till today the business is still lead and owned by the family Hölscher. The production site is still in its original location in Leer. Now it is the challenge to strengthen the company and to stand up to the competition from the Far East. To achieve this Hölscher builds on the values of quality, experience and development of new innovations.

Chapter 2. Internal Analysis

Within this chapter the internal situation of Hölscher is analysed. Information about the most important elements is seized, which define Hölscher as well as the brand EQuest. Furthermore the 7S Model of Mc Kinsey is used to determine the internal shared values, structure, system, style, staff, skills and strategy. These points give an impression how the company functions and how it is organized and managed. The BCG is used as a product portfolio to explain the current situation of the different product categories.

2.1 The Brand Equest

The brand name Equest is a combination of the two words equine and equipment and describes therefore the purpose of the brand. The first letter E can also be interpreted as the starting letter of the German word "Erfahrung" (Experience) and the second letter Q may also stand for "Qualität" (quality). Equest stands for a dynamic, fresh, sporty and high quality brand. Equest differs from other brands because of its brand colour variety and different styles (classic, sporty and high class).

2.2 The Products

Within three different categories of the industry, equestrian and dog sport equipment many different products are produced. Only for the equestrian sector Hölscher offers more than 100 products in six different categories: halters, ropes, saddle pads, rugs, bandages and accessories. Each product is offered in several different sizes and colour combinations. This number ignores all the custom made products. Hölscher is able to produce horse rugs, halter or saddle pads according to the individual needs of the customer. Most of the time individual sizes and measurements are requested for custom made products.

2.3 The Price of the Products

The products of EQuest are all in a medium to upper price class on the market. The price of each product is calculated to the following system:

Step 1. Productions Costs

In the first step the labour and material costs are calculated. Therefore the exact ingredients list of the product is needed. The ingredients list determines the material, the quality and quantity of the material, the colour etc. When producing the first samples of a new product the time to produce it is measured. Every minute of work costs about 0.45 Euro. On average the labour costs make up 65% and raw material costs 35%.

Step 2. Wholesale Price

The result of the first step is the basis for the calculation of the wholesale price. The wholesale price includes following aspects:

Sales and distribution	+ 2% on the production costs
Marketing & PR	+ 5 % on the production costs
Commission for sales agent	+ 10% on the production costs
Others (Machinery)	+ 6% on the production costs
Margin	+ 30% on the production costs

Step 3. Retail Price

Hölscher does not provide a suggested retail price for EQuest products. The retailers can determine themselves their margin. Normally the retailer calculates the retail price with a factor of 2.2 of the wholesale price.

Example:

The calculation for a saddle rug (Cotton Classic):

Step 1:	Material Costs	€ 8.67
	Labour Costs	€ 3.40
	Total:	€12.07

Step 2:	Sales & Distribution	€ 0.24 (2%)
	Marketing	€ 0.60 (5%)
	Commission agent	€ 1.21 (10%)
	Others	€ 0.72 (6%)
	Margin Hölscher	€ 3.62 (30%)
	Total	€18,63

Step 3: Margin of the retailer € 47.00 (Factor of 2.2)
(With this margin the retailer has to cover all his costs and his profit)

Kalkulation Standardwerte			
Basisartikel	311110	Schabracke Cotton classic. Regular plus	
Materialkosten	8,686	letzte Kalkulation	09.12.2009
Lohnkosten	3,396	kalk. VK-Preis	17,639
Gesamt-EK	12,082	kalk. VK-Preis 2	18,63
VK-Preis	14,40	Verwaltung	2,00
Material indiv	0,00	Gewinn	30,00
Lohn indiv	0,00	Provision	10,00
		Skonto	4,00
		Export	
		Verband	
		Währung	
Indiv. Kalkulation			
Verwaltung %	2,00	Standardwerte holen	
Gewinn %	30,00	letzte Kalkulation holen	
Provision %	10,00	Kalkulation speicher	
Skonto %	4,00	akt. Preisliste zuordnen	
kalk. VK-Preis	18,628	Preisliste anzeigen	
Export %			
Verband %			
Währung %			
kalk. VK-Preis 2	18,63		

Hölscher invests only little money in marketing to compensate the high labour costs. With this strategy the price for the end-consumer remains attractive compared to the products of the competition. The numbers stated here are examples. For instance for some of the products the margin for Hölscher is higher or lower, depending on the market value of the product.

2.4 The Production

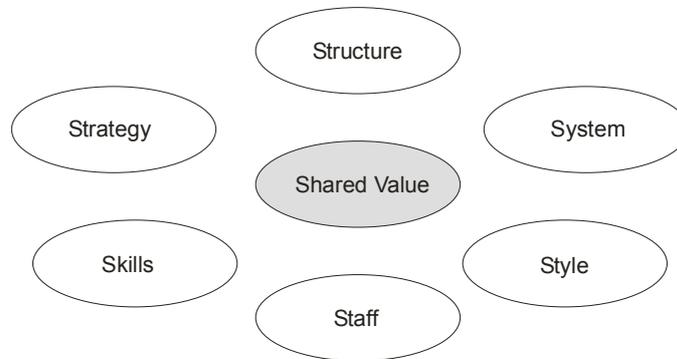
The company has its own production in Leer with a ropery and sewing facilities. In a neighbouring place the warehouse is located.

The raw materials such as fabric, polypropylene strands, hooks etc are delivered by external suppliers. Currently the stock is worth 1.3 million Euros (Including raw materials). A large assortment of raw material such as Fleece is needed to be able to produce flexible on a short term. The goal is to be able to produce the purchase orders within two weeks. Production takes only place on demand. Only bestsellers in standard sizes are produced beforehand to be able to deliver those on short term.

The production for ropes is separated from other equestrian products. A lot of manual labour is done because products such ropes and hooks have to be attached by hand. In the production process it is wanted that one person keeps on doing one or two steps which creates a lean production. Although the product has to go through many different hands this system saves time because the machines do not have to be adjusted. Within one day a maximum of 700 saddle cloths can be produced (assuming all the saddle cloths are identical). In the ropery one worker can attach up to 500 hooks to ropes in one day.

2.5 Mc Kinsey's 7-S Framework

The 7-S Framework according to Mc Kinsey is a management model that describes seven factors to organize a company in a holistic and effective way and is a tool to analyse the internal business structure. The combination of the factors determines the way in which a business operates. The seven factors are all interdependent, which means, that all the factors are effective as long as you pay attention to all of them. The importance of each factor varies from business to business and over time.



Shared Values

The shared values is an indicator for the “believes” of the company and what the company stands for. Hölscher has written down following values they act upon:

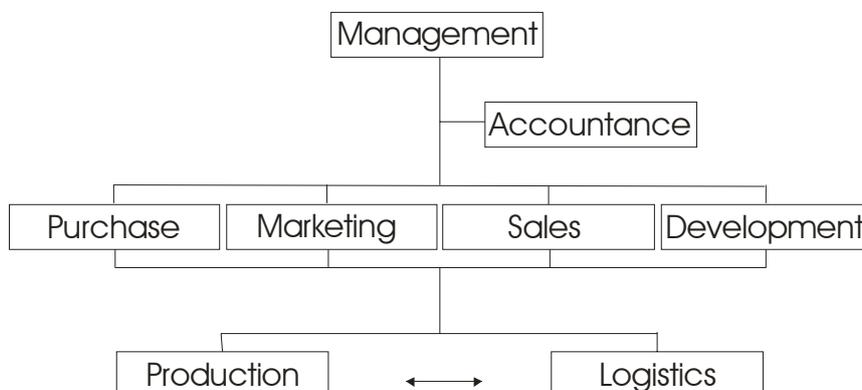
Tradition and Dynamic. The business has a history of more than 120 years. The experiences and knowledge have been passed on from generation to generation. Today’s young team is highly motivated, ambitious and show a close reference to the equestrian sports. The goal is to do things innovative and better than others.

Continuity and Movement. Hölscher is able to deliver products over a long period. The thinking is not based on half year collections. Of course new collections are presented on a regular base but compared to other brands Hölscher is able to deliver the products on a long term.

Vision and Rationality. Hölscher wants to create new products, improve current products and set trends. The goal is not to create a flash in the pan but to create successful products with quality.

Communication and Action. Direct communication within the team but also with business partners and clients is in today’s business important. But not only talking but also the realisation is a strong point of Hölscher.

Business Structure



Within a family business it is difficult to determine a clear business structure. Within all departments Hölscher family members are working. Because of close and personal relationships a clear hierarchy

cannot be determined. All family members have the right to a say which makes it hard to come to a decision, but the decision is always backed up by the whole team. The close relationships create a strong community which is motivated to bring the company forward.

The external organisation is divided by five sales agents in Germany. Each agent has its own district and represents together with other equestrian (non-competition) brands Hölscher's EQuest products on location of the customers. All agents work independent; they are not employed by Hölscher but have the contractual right to distribute the products of EQuest. For each sale in their district they receive a percentage commission. The same structure is used for foreign sales agents: EQuest is represented by one agent in Austria and Switzerland, one in Belgium and one in Denmark. Hölscher is currently not satisfied with the partnership in Denmark. Compared the Swiss market, the Danish market should have more potential, but the sales numbers in Denmark are much lower than the sales numbers of Switzerland. Since March 2010 JRS (Judith Janssen) represents EQuest in the Netherlands.

From different international fairs Hölscher has clients all over the world. The customers in foreign countries, where no agent is present, are served by Hölscher directly (mainly by phone, mail and E-Mail).

Business System

Hölscher works with the software Navision, which is a standard ERP-system (Enterprise Resource Planning System) for medium to large businesses. This software enables optimal knowledge sharing among all departments. The system tracks every process of every order and holds all the information about debtors, creditors, stock, etc. Furthermore the standard Microsoft software like word, excel and outlook is used in daily routine.

Management Style

The management style of Hölscher differs within the departments. Especially in the production the controlling of the work is very important. Only through control the quality standards can be met. Within the production the management wants an assembly-line work strategy. Within this style the chance for mistakes, which reduce the quality of the product, are reduced because one person keeps on doing only a view steps.

Within the office, especially in the marketing and the development department, the board prefers a long leash management style. The employees have to take a lot of own initiative; come up with ideas and concepts.

Through all departments the values of openness, fairness, flexibility and enthusiasm are expected and respected.

Staff

The staff consists partly of Hölscher family members but also other employees, who live all in the surrounding of Leer, Germany. In the production the working hours are flexible. The sewers can vary their working hours between 7.00 to 15.30 o'clock. With those flexible times the women can arrange their planning for family and work.

The employees in the office receive the opportunities for further trainings. Several different seminars or workshops are organized by suppliers or other organizations to increase the knowledge about different materials and possibilities. Also continuing education for higher degrees is supported by Hölscher.

Skills

The production and development refers often to the following statement: "Geht nicht, gibt es nicht! Geht nicht gut, das gibt es" (It doesn't work, does not exist! It doesn't go well, does exist).

This statement reflects the flexibility and openness to do things differently listen to new ideas and try to realize them.

The company Hölscher is known for high quality, knowledge and experience as well as the flexibility. The meet those points the employees have to work as a team, where everybody adds their personal skills.

Strategy

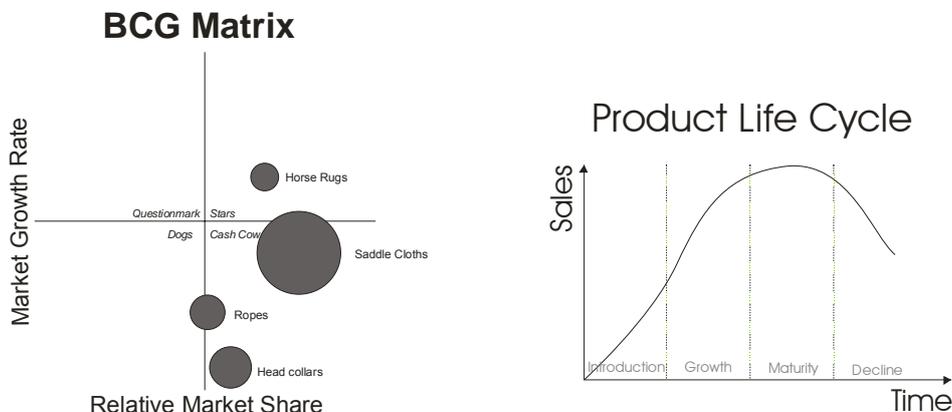
The company Hölscher GmbH & Co. KG serves three different branches and follows a triple track: 1. industrial goods such as ropes, cords and cables; 2. equestrian equipment; 3. Dog sport equipment. In the equestrian market Hölscher operates as one of the last producers of horse fashion products with a production based in Germany/Europe. This enables the company to serve large orders but also custom made products within a short time frame. According to Treacy & Wiersema's value disciplines Hölscher's strategy is customer intimacy (for more information see Chapter 6).

2.6 BCG Matrix

The BCQ Matrix is a (product) portfolio for strategic management in a business. The BCG Matrix gives a good overview of the current business situation and answers what are the strongest products, which product categories need improvement and which products really generate profit. The Boston Consulting Group (BCG) also developed the matrix for coherencies between the product life cycle and the profitability of the product. Typically the product life cycle starts in the field of the Question Mark. Here the relative market share is very low but the (potential) market growth is high. If the product is successful the market share increases (Stars). At a certain point the market growth rate slows down and the product is in its maturity state. In this stage the products generates the most profit. The development costs are covered and the product is well established on the market. When the product is in its decline stage of the product life cycle the product slides in the dogs field. As soon as a product is in this stage the product has to be reinvented or sold out (there is no more demand for the product). It is important to know that the product life cycle in the equestrian equipment is a long term process. The standard of products such as a saddle cloth or halters is established since many years. The design of the saddle cloth has not changed much over the last centuries. The use and the classic shape of the saddle cloth are established since several 100 years (noble man and knights used saddle cloth in the 17th century). Today's saddle cloth differentiates itself from the first saddle cloth mainly in material and processing. It is not expected, that the saddle cloth will be replaced by another product in the near future, which means the market demand will stay stable in the near future. The same prospect counts for the other product groups as well.

Because the product life cycle for horse equipment is rather a long term process compared to other branches (technology such as mobile phones has currently a PLC of a half year), the influence of the economic crisis is not as crucial in the BCG portfolio; the demand for horse equipment decreased but stayed relatively stable in times of the crisis (compared to other markets such as automobile industry). Several retailers observed that the end-consumer tended in times of the crisis to replace only the required products or to buy low price-low quality products. In those times the ropes and headcollars of EQuest dropped in sales. Many customers switched in their product assortment to cheaper alternatives made in the Far East. If the sales of ropes and headcollars continue to drop the chance is big that those products become sleeping dogs in the product assortment of EQuest. It is important to pay special attention to those products and re-invent, re-design or re-price those products.

The following matrix shows the product portfolio of EQuest in Germany:



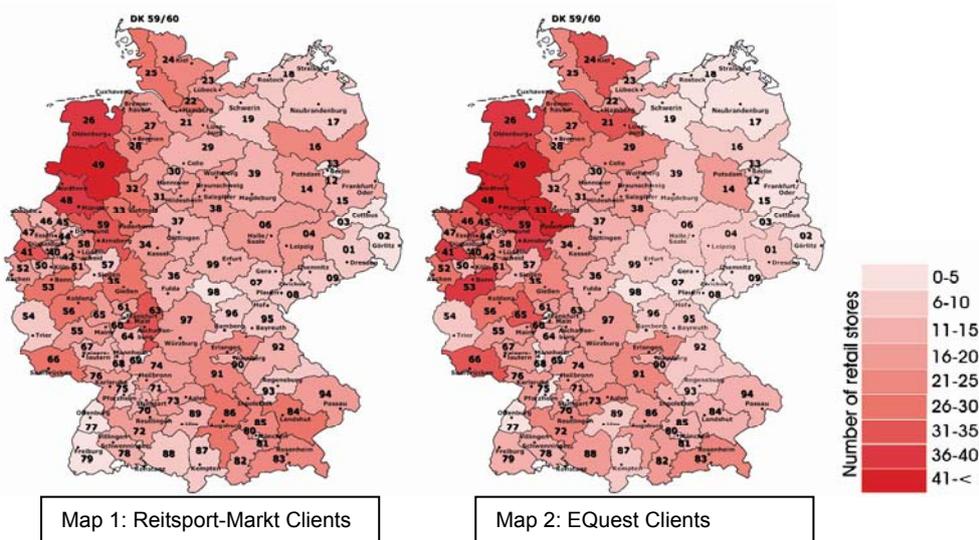
The BCG Matrix of Hölscher equestrian products show, that the product group of saddle cloth is the most profitable. In 2004 Hölscher has sold more than 1,000,000 saddle cloth (in 2004 Germany counted 525,000 horses; statistically every horse in Germany has or had at least one saddle cloth).

Chapter 3. Current Market situation

This chapter gives an overview of the current market situation. The current market situation in Germany, in which Hlscher operates, is analysed. Furthermore the market leader as is introduced. Eskadron is the major market player in textile horse equipment within Europe and therefore one of the strongest competitors of EQuest. It is important to know their strategy to be able to differentiate EQuest strategically. Because Hoelscher does not only produce for their own brand EQuest the rise of producers in Far East is analyzed.

3.1 The Customers

The clients of Equest are retailers for equestrian equipment or other wholesalers who sourced out the production. In total Germany counts about 1000 to 1500 retail stores for equestrian equipment (According to FN and Reitsport-Markt Magazine). Map 1 gives an overview of how the stores are spread over Germany (according to the data of Reitsport-Markt, a famous magazine for retailers and wholesalers in Germany). According to the same system the customers of Hlscher are shown in Map 2 (this overview includes retailers as well as stud farms, but no wholesalers). It can be determined that the spread of Reitsport-Markt clients is similar to the spreading of EQuest clients. This shows that Hlscher has a good client network for Equest products in Germany.



Several wholesalers have some of their stock produced by Hlscher. Especially rugs or saddle cloths with individual logos are very popular among those orders. Typically the wholesalers want to attach their own brand label. This inclines that Hlscher produces for the competition of the brand EQuest but also earns money with the competitors. The orders of the wholesalers are most of the time of a large size with several hundred rugs or saddle cloth whereas the orders of retailers are rather small.

3.2 Competition

Within Germany Hlscher is the only producer of horse rugs, saddle pads, halters etc. On the producer base Hlscher has to compete with many different producers from abroad (mainly far east). Most equestrian brands sourced out the production to external companies to keep the costs low. This sourcing out implies for most companies mass production on standardised products. For custom made products the production abroad is too expensive because of long distances (shipment and communication). Next to large order numbers Hlscher is able to produce products according to individual needs (individual colour-combinations, special sizes, material). This way Hlscher can operate within a market niche of customized products as well as on a mass production base.

The brand EQuest is an A-Brand for horse fashion. The biggest competition within Europe is the brand Eskadron who is the market leader in cooperation with the riders fashion brand Pikeur. The brand Horseware (Ireland) is a strong competitor for horse rugs.

Many importers such as Waldhausen or Busse have one or more brand-labels. A current trend is the constant creation of different brands and labels. Within Germany there are about 70.000 registered brands and labels Compared to that, the German standard word pool is estimated with 70.000 words. Within this environment it is difficult to create strong brand awareness.

3.3 Assessing Eskadron as the strongest competitor

History:

Pikeur is a rider's fashion brand since 1957. During the first 3 years the company produced only custom made breeches and rider's jackets before they started industrial manufacturing (one of the first industrial manufacturers for rider's fashion). Since 1972 is Pikeur the official DOKR outfitter which increases the attention for the brand of all riders worldwide. In 1977 the brand Eskadron was introduced for horse fashion products with a focus on saddle cloth, horse rugs and tendon boots.

In 1990 the company was bought by the Brinkmann Group (Mainly a group of different high fashion brands such as Bugatti, Doris Hartwich Menswear, Eres, ...). This group has a big influence on the development of Pikeur/Eskadron. The new management introduced new strategies, especially many new options in the marketing.

Strategy:

Pikeur/Eskadron has a standard assortment of rider's and horse equipment. Every half year new colour collections are introduced during the fair SPOGA in Cologne. The brands are known for high fashion and quality (whereas the quality standard has diminished over the last years).

Next to a strong presence in magazines through advertisements and fairs Pikeur/Eskadron is official sponsor of international successful riders such as Hubertus Schmidt, Ludger Beerbaum and Lisa Wilcox. Together with Pikeur/Eskadron those riders develop and present the new products. Lisa Wilcox and Meredith Micheals-Beerbaum model for the rider's fashion and currently Hubertus Schmidt introduces the new safety jacket of Eskadron. Ludger Beerbaum is an independent employee of Pikeur/Eskadron.

Next to the strong and costly sponsoring program Pikeur/Eskadron presents their products in a shop-in-shop system. Retail shops offer space on their sales floor for a product presentation designed by Pikeur/Eskadron. The retailers receive a complete concept of furniture, products and decoration to present the collections for horse and rider together.

Table: Marketing Mix Eskadron – Equest

Marketing Tools	Eskadron	EQuest
Product	Narrow standardized assortment: Horse rugs, saddle pads, halters, ropes, bandages, tendon boots. Colour collections available every half year	Broad product assortment (material, quality, colour,...) Colour collection presentation every half year, but long time available. Individual and custom made products possible.
Pricing	A-Brand in upper price range	A-Brand in upper to medium price range
Channel (Place)	Sells to retailers (shop-in-shop system), Make use of sales agents, online-shop, clients all over the world	Sells to retailers, make use of sales agents, online-shop, main client group is Germany, Europe and some sales worldwide
Promotion	Large marketing budget, advertisements in almost all equestrian magazines, large stand at SPOGA, substantial sponsoring program	Small marketing budget, advertisements only in small German equestrian magazines, small stand at the spring SPOGA, large stand at the autumn SPOGA, small scale sponsoring (riders, local events)

Strengths and Weaknesses of Eskadron:

Strengths:

- Cooperation with fashion Brand Pikeur (harmonized collections for horse and rider)
- High brand awareness amongst the end-users through effective marketing and sponsoring concepts
- Cooperation with high fashion brands such as Bugatti (knowledge sharing among the Brinkmann Group)

Weaknesses

- Dropping quality since a few years
- Collections have a short lifecycle (half a year), and the colour combinations are only available for a short term. A couple weeks after the fair SPOGA the collections are sold out (price dumping)
- Standardized product assortment and inflexible production

3.4 The competition from the Far East, on a producer basis

When looking at the competition of Hölscher as a producer of horse equipment we have to look to the Far East. Most of the textile horse equipment is produced mainly in the Far East in countries like India or China. Even A-brands like Eskadron or Schockemöhle Sports sourced out the production to foreign producers. The main reason for the outsourcing is the reduction in production costs.

When looking at the attendance of Indian exhibitors on the fair SPOGA it is recognizable that this number is growing. During the autumn SPOGA 2008 58 exhibitors from India were recorded. This number has grown by more than 35% when in autumn 2009 79 Indian exhibitors visited the SPOGA (records provided by Magazine Reitsport-Markt).

Approach of the foreign producers

Most of the Indian or Chinese producers do not offer a brand during those fairs. They are looking for new ordering customers/business partnerships. The foreign producers are not familiar with the local market and look for retailers who operate within those markets. Typically the foreign producers have a minimum order value of several 100 pieces e.g. of horse rugs. Those offers are not attractive for most retailers because of the large amounts. Therefore the target group of foreign producers are brand label manufacturers within the industry but also retail chains with their own-label (such as Loesdau with several different brands).

The standard procedure of the foreign producers is to get in contact with the different European brand label manufacturers on fairs, E-Mail contact, local visits, etc. When the brand label manufacturer responds to the offer, several different meetings are arranged and discussions regarding the product assortment are debated. Sometime the producer offers a product assortment where the brand label manufacturer can choose from and just adds his logo. But also new designs, most of the time composed by the brand label manufacturer, can be easily produced. The communication between the producer and the brand label manufacturer is organized mainly by E-Mail; instructions, pictures of prototypes and processes are all discussed via modern communication channels. The brand label manufacturer orders and buys complete collections from the producer, which indicates that he can fully concentrate on the distribution of the products regarding marketing, sales, logistics, services etc.

Copying designs

The Indian producers have the prejudice of copying from strong market leaders. It is noticeable that the designs of market leaders are copied within a very short period. A good example is the current collection of Eskadron. They presented this year a saddle cloth in a stripe design, a few weeks after the presentation Loesdau offers a comparable saddle cloth. By now it is not possible to determine who has copied from whom because the products are presented in such a short time frame. It is legally almost not possible to sue the copying and has to be agonized by the parties concerned. A logo has to

be changed only by 20% to rebut copying. Also the designs and colour combinations of EQuest have been copied several times. The management responds on this copying mostly with this argument: "Thank you for copying us! As long as you copy us, we know we did everything correct."



Picture: The saddle cloth design of Eskadron



Picture: The saddle cloth design of L-Polo Team (Loesdau)

Quality

To copy the quality of a product is more difficult than copying a design. Products with a label "made in China" have rather the prejudice of being low quality. This prejudice was correct a couple years ago, but by the time the foreign producers started to improve the quality. European managers brought the quality standards to those producers who optimized their work processes and raw materials. Within the leather industry it is recognizable that Indian producers import high quality leather from England, process the material to bridles, saddles or other equipment and export it back to Europe.

Within the textile horse equipment it is hard to determine the qualities of the different products. One important key performance indicator is the replacement rate of a product. Hölscher has within the textile horse equipment one of the lowest replacement rates. The average replacement rate within this sector is about 3-4%. Hölscher has a replacement rate of lower than 1% which means that maybe one out of 100 products is complained about.

3.5 Market position

EQuest is known for high quality products, made in Germany. This makes it to an A-Brand. When looking at the price segmentation of the product offer EQuest belongs to the medium to upper price class. Especially special-edition products such as Swarovski Crystal belong to the higher price class. The next diagram describes the retail prices of different producers (All a cotton saddle cloth with cord or piping). Within this standard product category EQuest can compete easily with comparable products, which are mainly produced in far-east.

RG (made in Italy)	85,00 €
Eskadron	36,05 €
Schockemöhle Sports	35,00 €
Everline (Busse)	34,80 €
Waldhausen	29,95 €
Equest	29,50 €
BR	29,00 €
Krämer	19,90 €
Loesdau	15,00 €

Goals for the Export Plan

Within this report the opportunities of Hölscher especially for the brand EQuest on the international market are researched. The business Hölscher GmbH wants to expand business in the Scandinavian and Baltic countries. Next to Germany and the Netherlands the Scandinavian Countries are one of the strongest equestrian markets in Europe. Especially the dressage riders from Denmark and Sweden are famous and rank constantly high in international competitions. The Baltic countries purchase most of there import products from Scandinavia. Thus the thought is to integrate the Baltic countries in this export plan. The idea is to strengthen the brand EQuest on the European equestrian market before selling strategically to overseas.

The external analysis will show which of the Scandinavian and Baltic countries are attractive for exporting. Based on the different analysis's a strategy will be formulated in combination with a marketing, organisation, logistics, and finance plan.

The final conclusion will describe the opportunities and threats of this project.

Chapter 4. External Analysis

4.1 DESTEP

The external analysis describes global trends but also focuses on the district of the Scandinavian countries plus the Baltic States Estonia, Latvia and Lithuania. The basis of the external analysis will be a DESTEP analysis which focuses on the elements of demography, economy, social, technology, ecology and politics (ecology will be not analyzed because this factor is not relevant for exporting Equestrian sport equipment). The DESTEP describes basic factors to determine trends in the specific market. From the following trend analysis a market approach strategy can be formulated. The DESTEP is a useful strategic tool for understanding and recognizing market growth or decline, business potential in the different countries and the characteristics of the market.

Demographic Profiles

	Global	Iceland	Norway	Sweden	Denmark	Finland	Estonia	Latvia	Lithuania
Population	6,815,700,000 ¹	319,368 ²	4,799,252 ²	9,256,347 ²	5,511,451 ²	5,326,314 ²	1,340,415 ²	2,261,294 ²	3,349,872 ²
Population Growth %	1,133% ³	0.741 ³	0.341 ³	0.158 ³	0.28 ³	0.098 ³	-0.632 ³	-0.614 ³	-0.279 ³
Population Density (population per km ²)	/	3.00 ⁴	14.17 ⁴	20,01 ⁴	126.06 ⁴	15.50 ⁴	29.47 ⁴	35.46 ⁴	55.16 ⁴
Horse Population 2008	58,770,171 ⁵	76,982 ⁵	34,319 ⁵	95,000 ⁵	60,029 ⁵	69,350 ⁵	5,300 ⁵	13,000 ⁵	55,900 ⁵
Horse Population 2006	58,851,663 ⁵	75,644 ⁵	32,946 ⁵	96,000 ⁵	52,882 ⁵	66,050 ⁵	4,800 ⁵	13,900 ⁵	62,605 ⁵
Horse Population 2004	57,747,398	72,222 ⁵	29,029 ⁵	95,660 ⁵	39,209 ⁵	61,100 ⁵	5,800 ⁵	15,400 ⁵	63,587 ⁵

The demographic population table shows a global human population growth. The countries of Scandinavia reflect this global trend whereas in Estonia, Latvia and Lithuania the population growth declines. The population numbers give an idea of the total market potential with Sweden being the most attractive and Iceland being the least attractive. The population density is an important figure for logistical factors; a low population density inclines prolongation of the logistics and mostly a shortfall in communication. Within Iceland the population density is very low which means that the individual person is harder to reach. The population density in Denmark is compared to the other countries very high and therefore more attractive.

When looking at the horse population the growth rate in the Scandinavian countries has been constantly increasing since 2004 (see table above). The Baltic States can only show a decline in the growth rate of their horse population. The highest number of horses is in Sweden, but Denmark has an important growth rate over the last 4 years. Estonia has a very low number of horses, which basically means a very small market.

Economic Profile

	Global	Iceland	Norway	Sweden	Denmark	Finland	Estonia	Latvia	Lithuania
GDP growth rate % 2009	-0,8 ¹	-6,6 ¹	-1 ¹	-4,4 ¹	-4,3 ¹	-7,6 ¹	-14,1 ¹	-17,8 ¹	-15 ¹
GDP growth rate % 2008	2,9 ²	1,3 ²	2,1 ²	-0,5 ²	-0,9 ²	1,2 ²	-3,6 ²	-4,6 ²	2,8 ²
GDP growth rate % 2007	5,0 ²	5,6 ²	5,5 ²	2,7 ²	1,7 ²	4,9 ²	7,2 ²	10 ²	9,8 ²
GDP per Capita (PPP) in \$ 2009	10,500 ³	39,600 ³	58,600 ³	36,800 ³	36,000 ³	34,900 ³	18,700 ³	14,500 ³	15,400 ³

The GDP (Gross Domestic Product) is considered the broadest indicator of economic output and growth. A Nation's GDP per Capita at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This measure is the most preferred indicator when looking at per-capita welfare and when comparing living conditions or use of resources across countries. Norway ranks very high (fifth place in the world, 2009); also Iceland, Sweden, Denmark and Finland are all far above the world average. This indicates a high welfare for the individual in those countries. Germany has a GDP per capita (PPP) of \$ 34,000 which is lower than all the Scandinavian countries. The Baltic States rank much closer to the world average, which means a lower standard of living.

The GDP growth rate over the last three years gives an idea of the influence of the economic crisis. The economic crisis started in 2007 as a crisis on the real-estate market in the USA. This crisis expanded to a real economic crisis by the end of 2008. The Baltic States as well as the Scandinavian States are considered to be in a recession. Latvia has currently the lowest GDP growth rate worldwide. Also the GDP growth rate of Estonia and Lithuania changed from a very high rate to a negative GDP growth rate. The recession of the economy influences the social and economic status in a country negatively. Higher unemployment rates and low social security are the two most influential results of an economic crisis for the individual.

Social Profile

	Iceland	Norway	Sweden	Denmark	Finland	Estonia	Latvia	Lithuania
Language	Icelandic	Norwegian	Swedish	Danish	Finnish, Swedish	Estonian ⁶	Latvian	Lithuanian
GINI	25 (Low) ¹	25.8 (low) ²	23 (low) ³	24.7 (low) ⁴	26,9 (low) ⁵	34 (Medium) ⁶	37.7 (Medium) ⁷	36 (Medium) ⁸
HDI	0.969 (very High) ¹	0.971 (very high) ²	0.963 (very high) ³	0.955 (very high) ⁴	0.959 (very high) ⁵	0,883 (High) ⁶	0.866 (High) ⁷	0.870 (High) ⁸
Ethnic Groups	93% Icelandic, 7% Others ¹	89.4% Norwegian and Sami, 10.6% Others ²	82.1% Swedes, 5.1% Finns, 12.8% others ³	90.5% Danish, 9.5% others ⁴	93% Finns, 6% Swedes, 1% others	68.7% Estonian, 25.6% Russian, 5.7% Others ⁶	59.2% Latvians, 28% Russians, 3.7% Belarussians, 2.5% Ikrainians, 6.6% others ⁷	84.7% Lithuanians, 6.1% Poles, 4.9% Russians, 5% others ⁸
Unemployment rate % 2007	1.9 ¹⁰	3.1 ⁹	6.6 ⁹	4.1 ⁹	7.0 ⁹	4.9 ⁹	6.4 ⁹	4.6 ⁹
Unemployment rate % 2008	1.7 ¹⁰	3.2 ⁹	5.8 ⁹	3.0 ⁹	6.3 ⁹	4.0 ⁹	6.1 ⁹	4.3 ⁹
Unemployment rate % 2009	14,5 ¹⁰	3.2 ⁹	8.0 ⁹	5.7 ⁹	7.4 ⁹	11.1 ⁹	16.1 ⁹	15.5 ⁹

The most influential cultural and social difference between the countries is the language. The different languages complicate the communication with each other. Every country has its own language and therefore it does not make a difference to which country to export. Typically the older generation of the Baltic do speak better Russian or German than English.

The GINI coefficient is a measurement for social differences among a population in a country. Such differences can be the income distribution or welfare. If the GINI coefficient is high it means that there are many differences among the population. A country with a low GINI coefficient has most of the time a strong and large middle class. Countries with a higher GINI coefficient have typically a gap between the upper class and the lower class. Within the Scandinavian countries the social differences in the population are low; The Baltic States show more differences in their social structure.

HDI is the abbreviation for human development Index. This indicator represents the living conditions in a country; this includes life expectancy, level of education, income, participation in public and political actions, etc. The higher the HDI is the better the living conditions are in the country. A difference between the Baltic States and Scandinavia is noticeable. The lower HDI in the Baltic States is linked with the higher GINI Index.

In times of the economic crisis the unemployment rate fluctuates constantly. If the unemployment rate increases in a short period social insecurity can be the result. The unemployment rate in the Baltic States and in Iceland increased drastically during 2008-2009 (economic crisis). In those countries social insecurity will be present.

It is noticeable that the welfare for horses, especially sport horses has improved over many years. This observation cannot be backed up with figures, only with experience. Compared to 50 years ago, the standard for animal housing, medical treatment and general care has improved in Europe over the years. Many different companies produce successful “luxury products” (Care products, fashion and protection) for the horse. The rise of those companies in the equestrian market indicates a growing welfare around the horse. Also the legislation defines more and more rules to improve the standard welfare of the horse.

Technological Profile

	Iceland	Norway	Sweden	Denmark	Finland	Estonia	Latvia	Lithuania
Technology index	5,05 ¹	5,17 ¹	5,8 ¹	5,34 ¹	5,92 ¹	5,01 ¹	4,46 ¹	4,51 ¹

The technology index denotes the country's technological readiness. This index is created with indicators such as companies spending on R&D, the creativity of its scientific community, personal computer and internet penetration rates. Finland ranks third, Sweden fourth after the USA and Taiwan which means that Finland and Sweden are one of the most important countries for research and development. Except for Latvia and Lithuania, which score rather medium, all countries score high on the world rank list of the technology index. A high technology index includes the use of new communication ways such as internet, mobile phone, E-Mail etc. For a co-operation this probably means that the communication with a partner in a country with a high technology index is much easier than with a partner in a country with a low score.

Political Profile

Internationalization & Globalization (EU-law, Euro, Tax)

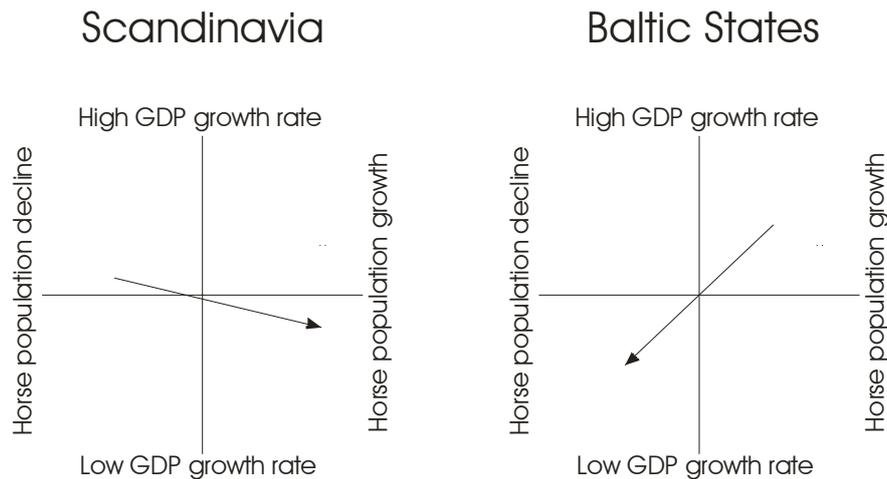
The term the world gets smaller and smaller is an experience all over the world. New communication technologies, improving international infrastructure (sea & airway), better and cost effective transportation options and standardization of the law within Europe support the international economy. Especially within the EU the economy becomes more and more standardized with a common currency the Euro as well as EU-law which enables international trade. The globalisation eases international trade but makes it also vulnerable as the global economic crisis has shown. The global network is supporting the internationalization of each business but makes it also vulnerable to foreign influences.

4.2 Trend Analysis

For the objective of exporting horse equipment to the Scandinavian and Baltic countries the development of the horse population (demographic) and the economical trends are the most important trends.

The global trend of the horse population has been growing over the last six years by 1.77%. Scandinavia reflects this positive growth. The horse population in Denmark has grown drastically over the last 6 years by 53.1%. The Baltic States show rather a decline in their horse population.

Due to the economic crisis all countries in Scandinavia as well as the Baltic Countries have a decline in their GDP growth rate which basically means a decline in the economic output.



Conclusion

The economic crisis slows down efficient business all over the world. The Baltic States got hit badly by the economic crisis. Also the horse population declined over the last six years. Together those two trends can be a threat for exporting horse equipment to Latvia, Estonia and Lithuania. Therefore the plan of exporting products in the near future to the Baltic States should be diminished.

In Scandinavia the economic crisis is also perceivable but the growth rate of the horse population is high. The growth of the horse population (see table demographic) inclines a growth of the total market and a higher demand for horse equipment. This can be an opportunity for exporting horse equipment to Scandinavia.

Especially Sweden and Denmark show good conditions for exporting equestrian products to those countries. Denmark has a short travel distance to the head office "Hölscher GmbH & Co. KG" and an extreme high growth rate in the horse population. The horse population in Sweden is far ahead of any other Scandinavian market which means that the total equestrian market should be bigger (more horses need more food, equipment, trainers, riders, etc.).

For exporting equestrian equipment the countries Denmark and Sweden are favourable.

Chapter 5. SWOT Analysis

A SWOT analysis describes the internal strength (S) and weaknesses (W) of Hölscher, as well as external opportunities (O) and threats (T) for a business. The SWOT analysis can be seen as a conclusion from the internal and external analysis because the most important factors of the internal and external analysis are combined to come up with a strategy. Within three steps a strategy based on the Swot analysis can be formulated. In the first step the most important points were taken from the chapters before. On a scale from 1-5 point the importance for exporting is rated (1 being not important 5 being very important). In the second step a matrix is created. This matrix has the internal factors (strength and weaknesses) on the top and the external factors (opportunities and threats) on the diagonal. The scores from the horizontal are added to the scores of the diagonal. The two factors with the highest score are the basis for the formulation of a SWOT strategy which is formulated in step three. Here the following scores should not be neglected.

Step 1. Scoring the SWOT facts:

	Strengths	Rate/Score
S 1	Family business with lots of experience (strong community and “we-feeling”)	2
S 2	Production variety and flexibility	4
S 3	Brand with Quality “made in Germany”	5
S 4	Three-fold strategy	1
	Weaknesses	
W 1	High production costs (High cost of labour)	4
W 2	Currently low brand awareness among the end user	3
W 3	External warehouse	1
	Opportunities	
O 1	Internationalization, opportunities to export	5
O 2	Growing market in Scandinavia (Growing riding sport)	4
O 3	Improving care and welfare for the horse	3
	Threats	
T 1	Worldwide economic crisis	3
T 2	Low price competition from far east	4

Step 2. SWOT Matrix:

SWOT Matrix		Strengths				Weaknesses		
		S 1	S 2	S 3	S 4	W 1	W 2	W 3
Opportunities	O 1	7	9	10	6	9	8	6
	O 2	6	8	9	5	8	7	5
	O 3	5	7	8	4	7	6	4
Threats	T 1	5	7	8	4	7	6	4
	T 2	6	8	9	5	8	7	5

Step 3. Formulation of the SWOT strategy:

The strength of having a high quality brand and the opportunity of global internationalization are the basis for the SO strategy for exporting:

Internationalization makes it easier for companies to enter a new market. Hölscher will make use of this opportunity and expand business with their quality brand EQuest. This strategy will be supported by the opportunity of a growing Scandinavian market and the strength of a flexible production. This inclines the possibilities to produce according to the specific market needs of the Scandinavian horse owners. The weakness high production costs and the low-price competition are factors which might fail this project. Therefore special attention has to be paid when coming up with a strategic plan for exporting.

Chapter 6. Strategy

This chapter answers the questions how the new markets in Denmark and Sweden will be entered. With the help of different systems a strategy is formulated. The decisions are founded on the results of the different analysis from the previous chapters. Based on those strategies the marketing, CRM, Logistics and financial plan can be written.

6.1 Ansoff growth strategy

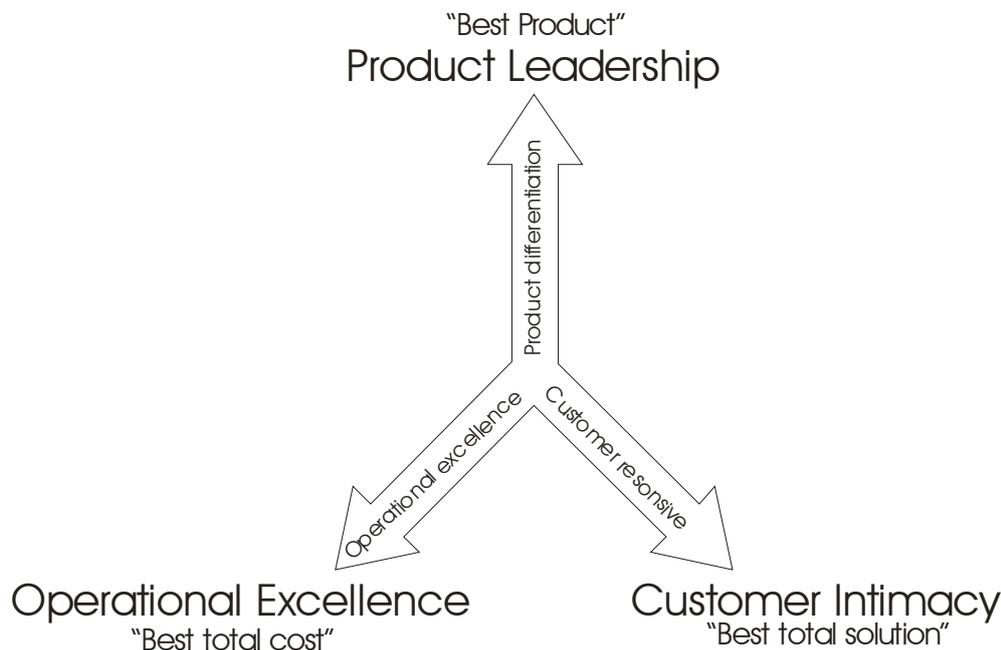
The product / market grid of Ansoff is a model to determine business growth opportunities. The Ansoff Matrix has two dimensions (products and markets) from which four different growth strategies can be formed.

		Product	
		Current	New
Markets	Current	<i>Market Penetration</i>	<i>Product Development</i>
	New	<i>Market development</i>	<i>Diversification</i>

Hölscher wants to introduce a current (existing) product to a market which is almost new to them. According to Ansoff a growth strategy of market development should be applied when exporting Hölschers products to Scandinavia. This strategy often tries to lure clients away from competitors and introduce new brand names in a market. For the export plan this means to create a convincing marketing concept. It is important to know the new market and the demands (culture).

6.2 Value Disciplines of Treacy & Wiersema

Treacy and Wiersema describe three generic value disciplines. Any company should choose one of these value disciplines and consistently act upon those values. The value discipline determines the standards for the brand / company. The goal is to constantly improve the value discipline, because this is the value the brand can build its image on.



Currently the value discipline Hölscher acts on is the customer intimacy. For the client Hölscher can offer the best total solution. Compared to competition Hölscher is very strong in tailoring the products to the needs of the customer which means Hölscher excels in customer attention and customer service. Although a CRM-Plan (Customer Relationship Management) is not set up Hölscher aims to deliver products on time, being reliable and offer a product on a long term. These are some of the typical outcomes of a business which aims for customer intimacy. In combination with the Ansoff growth strategy of market development the customer intimacy value inclines to offer the best total solution to the customer. Through fulfilling individual wishes the customers' expectations are met or excelled which convinces the customer to come back. Companies which follow the customer intimacy value have the largest loyal customer group amongst the three.

With this strategy EQuest differs itself from the strongest competitor Eskadron, who is aiming for the strategy of product leadership. The main focus of the product leadership strategy is brand marketing, innovation and design. Typically the time to market the product is very short with high margins. Eskadron has a small standardized product assortment but the focus is on the seasonal collections. Most of the time those collections are only available for one season.

To remain the image of a young and fresh brand Hölscher designs new collections every season. Also innovations are continuously researched and tested. These are two points of the product leadership strategy practiced by Hölscher because the market demands it. The main difference to the competition is that those collections can be offered over a long period of time.

6.3 BCG Growth strategy

The horse equipment products of Hölscher will start with a low market share but a high potential to grow as a question mark according to the BCG Matrix. The products of Hölscher stand in their introduction phase of the product life cycle when entering a new country. In this stage the product have high cash demands (marketing, logistics, set up of organisation) and a very low market share. This basically means the introduction of a product in a new market costs a lot of money but does not generate any money. The first step according to the BCG is to increase the market share so that market share increases and a profit can be determined. A financial break even should be made in this stage.

In the worst case the opportunities for growth diminish immediately after the introduction phase because of misguided product development or others. If this happens the project is determined as a failure and a large amount of cash is lost.

6.4 Entry Model

There are four different methods to enter a new market. The indirect way of entering a new country includes the support of an agent or distributor. The main difference between the agent and the distributor is the ownership of the products. Typically the distributor buys the products from the producer while the agent only works on commission. The direct entering in a new market includes either a joint venture with a local company or entering the market by oneself. To enter a market without any local support requires a high budget and a good knowledge about the market, this method is most of the time only possible for multi-national corporate groups. The four factors of effort, market control, risk and investment costs are very important for choosing the correct entry method. The table below gives an overview of the different factors and the opportunities and weaknesses of the four entry modes.

Factor	Agent	Distributor	Joint Venture	Own
Effort	very low (++)	Low (+)	High (-)	very high (--)
Risk	low (+)	Low (+)	High (-)	very high (--)
Market Control	low (-)	very low (--)	High (+)	very high (++)
Investment Costs	Low (+)	very low (++)	High (-)	very high (--)

Most of the (brand label) manufacturers in the equestrian sports prefer the indirect entry method of using an agent. Also Hölscher prefers working with an agent upon good experiences with different partners in other European countries. The effort and the investment costs are both low because the local agent has preferably a good network and a small stock area. Only the products have to be pre-financed by the producer, the rest is done by the agent. While working with an agent the market control is low because the personal contact to the client is only through the agent. The producer has the only possibility to influence the market with different marketing approaches upon advice and agreement of the agent. When working with a good and reliable agent the risk of this strategy is low because of the low investment costs.

Working with an agent provides good opportunities for market development (see Chapter Ansoff Growth strategy). To enter a market and develop a client base is only possible with good knowledge about the market and access to a network. Especially the equestrian market is very conservative and sceptical about new products / brands / people. A trusted third party such as an agent takes away the first scepticism.

Experience has shown that it is necessary to have an agent who is local and speaks the native language. This indicates that Hölscher will need two new agents when exporting to Denmark and Sweden. When choosing an agent as a partner the agent has to fulfil the following criteria points:

The sales agent should not have other equestrian equipment products such as saddle cloth, horse rugs, halter and ropes etc. In his product portfolio, which basically means, he should not sell products of the competition.

The agent has to have a good network of horse equipment retailers, ether in Denmark or in Sweden. The agent should know his clients especially the wishes and demands.

The agent should be truly convinced of the EQuest products. Experience has shown that the persuasion of the agent is an important factor. If the agent is not truly convinced about the product he is not able to sell it.

The agent should be motivated to support the company with own ideas. In different nations have different buying behaviours and prefer different products. For instance: In Germany the rope with the panic hook makes up about 90% of the total sales in ropes, In France or in Spain the people are not convinced about the panic hook and prefer the snap. A reason for some of those demands is not explainable. For those specific market needs Hölscher needs the advice of the agent.

6.5 Selective distribution

Hölscher prefers using selective distribution of market coverage because of the high consultation need with equestrian products. This indicates a distribution only to stores who are specialized in the equestrian sport. In those shops the end-consumer can get a product consultation which results in satisfied customers. A distribution through e.g. the supermarket is not wanted to avoid price dumping and mass processing. The selective distribution reflects also the value discipline of customer intimacy which requires a high customer satisfaction (see chapter Treacy & Wiersema Value disciplines).

The main target groups for the selective distributions are served via the following channels:



6.6 Incoterms

The international commercial terms are a series of international sales terms determined by the int. chamber of commerce and are widely used in int. commercial transactions. The incoterms divide the transactions costs and the responsibilities between the two parties.

Hölscher prefers working by the incoterm ex works which indicates that the seller (Hölscher) makes the goods available at his location and the receiver is responsible for all charges. All the products are delivered directly ex factory. Most of the international clients retrieve the goods ex factory and assign a logistics group to deliver the product.

6.7 Budget for Export & Marketing

Hölscher has an average total turnover of about 2.5 Million Euro for all equestrian products. In deliberation with the management a total sales of 120,000 Euro is expected/wanted in the first year in Denmark and 140,000 Euro in Sweden.

As explained in the entry model the investment costs for exporting are very low when working with an agent. Basically only the material and labour costs have to be pre-financed (about 53% of the total sales which make € 63,300 for Denmark and € 74,200 which have to be pre-financed). The money for the pre-investment is coming back in soon because the customer has to pay at the first delivery.

5% of the total turnovers will be used for marketing activities such as advertisements, internet, catalogues etc. The marketing budget for Denmark counts € 6,000 and for Sweden € 7,000.

Chapter 7. Marketing Plan

7.1 Marketing objectives

- Product/Brand awareness. The marketing goal is to create brand awareness among the Swedish and Danish retailers. This brand awareness should be connected to the characteristics of high quality, reliability and fashionable A-brand.
- Find new customers and build up business partnerships. The goal is to find new customers in the area of Denmark and Sweden. In Denmark around 40 new clients are expected within the first year. In Sweden about 50 new customers are expected within the first year because of the larger market size.
- Increase market share. The goal is to increase sales about 3-4% every year. A realistic goal within the next five to seven years is to have a market presence of about 12.5%. This means that at least every fourth horse owner has one saddle, rug, halter or rug made by Hölscher.

7.2 Market segmentation

The market segmentation will divide the different kinds of customers into groups. This will make it easier to reach the individual potential customers of Hölscher. This splitting is important to invest the small budget thoughtfully to reach the biggest effect. The market will be segmented into characteristics such as location, size of the customer and type of the customer.

Location

The obvious split in location is between the country borders of Denmark and Sweden. Typically the bigger retail stores for horse equipment are located around cities with a high population density. In Denmark the area of Copenhagen and North Jutland show the highest population density in Denmark. In Sweden the population density is higher in the south compared to the rest of the country, especially around the capital Stockholm the density increases. Normally the equestrian businesses should be centred in those areas.

Strategy in those locations:

In Denmark the agent should be present either in the area of North Jutland or in Copenhagen, In Sweden it would be favourable if the agent is located in the area of Stockholm. To be present close to the main centre of the target group has the advantage of short distances. The agent is more flexible in time schedule and visiting the customers. In any case the agent has a good chance to come to the location of the client.

Size of the customer

There are three different segments in for the category of the size for equestrian retailer shops. The first segment consists of the very small businesses. In this segment the store has a small sales floor, typically small stock and only one or two employees. The second segment consists of the bigger size retail stores. Those shops are organized professionally and have more employees (between 3-20 employees). Also the education and the training of the staff are typically better compared to the small size retailers. The third segment consists of bulk purchasers such as associations or event management, retail shop chains, mail order businesses etc. Typically the orders within this segment have a large order size, often with their own brand label.

Strategy in the different size segments:

Segment one and two are served mainly through the agent. On a regular base the agent is present at the retailer's location, presents the products and writes the orders. Special attention should be on the shops with a higher level of turnover (the bigger retail stores). The agent is the direct contact person for the first and second size segment.

The third segment is mostly directly in contact with the management in Germany together with the local agent. For important meetings the management travels to the location of the customer to create a strong partnership to those companies.

Type of Customer.

The segmentation according to the type of customer stands in correlation to the size of the customer. The biggest segment in this category is the group of the standard equestrian retail shops who have a sales floor, a small stock area, regular opening hours, sometimes a small online shop etc. Those clients order mainly products out of the standard product assortment. The second segment consists of the clients with who order custom made products. Those customers operate mainly within an association, event management or act as other bulk purchasers. These customers have large order numbers, typically saddle cloths or horse rugs with their own logo embroidered.

Strategy for the different types of business:

The standard retailer will be guided by the sales agent. The bulk purchasers with larger orders are in contact with the German management. The direct contact avoids mistakes and builds a stronger partnership for both sides.

7.3 Target market

After determining the different sectors the specific target groups have to be evaluated. In chapter 5 is explained that the strategy of selective distribution is wanted. This indicates that only speciality dealers within the equestrian sport sectors can be supplied by Hölscher. Within this market Hölscher targets three specific groups: the standard retailers, wholesalers and associations (mostly retailers organized in associations).

Retailers:

The main target market of Hölscher is the horse equipment retail store. It is assumed that the number of riders is roughly similar to the number of horses in a country (60,000 in Denmark and 95,000 in Sweden). The average retail store has about 360 customers. This means it is estimated that about 200 retailers in Denmark and about 300 retailers in Sweden are located.

Wholesalers:

The number of wholesalers from Denmark is rather small. When looking at the exhibitors list of the Spoga only three wholesalers are listed, for Sweden only two are listed. This indicates a small market for wholesalers / brand-label manufacturers / producers. Hölscher will not raise any extra effort to target those clients. If the wholesalers are interested to purchase from Hölscher the possibilities are open. Especially on fairs those partnerships are established, but Hölscher will not put any extra effort in this target market, therefore the market is just too small.

Furthermore bulk purchasers such as sponsors or event organisations are assigned to this target group. Large corporations such as automobile manufacturers are often sponsors of large international competitions. Those clients are mostly reached through word-of-mouth recommendation; a clear purchasing behaviour cannot be determined.

Associations / Bulk purchasers:

Within Germany there are different associations such as breeder associations or retailer associations. Within Germany there are two retail associations (IVR and Euroriding) whose members can purchase Hölscher products with a discount. Every country has different kinds of associations with different structures. Together with the agent, who is more familiar with the associations, a partnership can be set up. For Denmark a possible candidate can be the "Dansk Ride Forbund" or in Sweden the "Svenska Ridsportförbundet".

7.4 Marketing Strategy

As explained in chapter 6 Hölscher will use the market development strategy according to Ansoff. Working with an agent indicates a close partnership to him/her. The agent is the one who has the contact to the customers and the control over sales and promotion. Hölscher is bounded to him and has to rely on his estimations and his course of action. Because the agent works independently Hölscher does not have much influence on him. Furthermore the budget for marketing is rather small (5% of the expected sales).

Within this situation the best strategy for the marketing is customer intimacy according to Treacy & Wiersema. This includes aspects of CRM (Customer Relationship Management) in the strategy. The goal is to convince the customer about the products and bind him to the brand EQuest. The combination of a rather straightforward promotion concept with a small budget and aspects of CRM will be the elements to fulfil the marketing objectives.

7.5 Marketing Mix

The marketing mix consists of the four P's: Product, Place, Promotion and Price. Because the strategy is to enter a new market with current products the marketing mix for Denmark and Sweden is similar to the German Marketing mix.

Products:

Each product has three different levels: The core product, the actual product and the augmented product.

The core Product

The core product describes purely the product and the function, benefit or use. Hölscher offers about 100 different equestrian equipment products which can be split in five different categories: Headcollars, ropes, saddle cloth, horse rugs and accessories.

The headcollar is fitted to the head of the horse and a product to ensure and control the horse. Hölscher offers different models all made of PP (polypropylene), in different colour combinations, with different buckles and different padding. The halters have following benefits:

- Easy to apply to the head of the horse
- Enables to control the horse without effort
- The head collar does not restrain the horse in his movement or action

The ropes enable a secure leading and tying up of the horse. The ropes of Hölscher are made of different materials such as PP, hemp, sisal, micro, etc. The ropes are available with different hooks in different materials (panic hook, spring snap, carat hook, ether brass plated or nickel plated).

The saddle cloth is a rug between the horse and the saddle. Hölscher produces the saddle rug in different materials (cotton, micro, velvet, etc). Different standardized shapes are offered, but also individual shapes are produced. The saddle cloth is in many different colour combinations and in different qualities (e.g. different quiltings) available. The saddle cloth has following benefits:

- The saddle cloth protects the leather of the saddle from the sweat and heat of the horse
- Moisture absorption from the back of the horse
- Some models have a ventilation and/or anti-shock system integrated

The horse rugs are basically coats for the horse. Also here Hölscher produces different models in many different qualities, fabrics and colour. The benefits of a horse rug are:

- Moisture absorption
- Protection against coldness, draught or flies

The category of the accessories consists mostly of additional products to complete the outfit of the horse. Partly those products are produced by Hölscher such as bandages or fly ears. Other products are merchandise products bought from other suppliers.

All the products will be offered to the new markets Denmark and Sweden. When offering the complete program the existing promotion tools can be used.

Actual Product

The actual product includes the extras around the product such as packaging, branding, quality and other services.

Packaging:

The concept of the packaging will remain. As soon as the product is finished in production it is cleaned with high pressure air. The labels are attached to the product giving information about the brand, product (material, colour and size), barcodes, care and washing instructions, and information about the materials. The language on the labels is standardized in German and in English. The bigger products are shrink-wrapped in plastic foil to protect it against dust and dirt. Head collars are not packed in plastic foil and shipped loose in boxes. The ropes are always bundled in pairs of five. The bundle is shipped also loose in the box.

Branding:

Every EQuest product is equipped with a batch, hanger or a textile tag with a printed EQuest logo. Every product is recognizable as a product of EQuest when it leaves the factory.

Quality:

The quality of the products is one of the most important elements of the EQuest products. Hölscher is proud to produce textile products in Germany. This fact is since a few years rare in Germany. Most of the textile production bases have been moved to the Far East or East Europe. Within North and West Europe there is no producer for horse equipment in the same extend as Hölscher. Hölscher is always aware of meeting high quality standards to retain the image of "Quality, made in Germany". The percentage of sold products which have to be replaced is below 1%. The strongest competitor Eskadron confesses a replacement rate between 5-7%.

Other Services

Hoelscher offers the service of flocking and embroideries. This service customizes the products according to the wishes of the client. The individualization of the products is very popular service among all target groups.

Augmented Product

The augmented EQuest product stands in correlation to the aspect of quality. The products are tested and brought to perfection over many years. The products of EQuest are known to be durable and easy in maintenance. The expectations of the end consumers are often excelled when the product remains functional over a long period of time.

Place

Currently EQuest products are sold strategically in Germany, Netherlands, Belgium and Switzerland. These are all countries which are strong in the international equestrian industry and sport. Customers of Equest come from almost all over the world, but rather sporadic and without system. The plan is now to enlarge the strategic selling to Denmark and Sweden, two countries which are getting stronger and stronger in the international equestrian market. Special attention will be put on the areas with a higher population density because here the higher horse population can be expected. In Denmark the areas of North Jutland, Copenhagen and in Sweden the South of the country show higher population rates. Within those areas the promotion tools like brochures, flyers, sponsoring etc. will be distributed strategically. Especially the agent will have to operate in those areas; local visits on a regular base should be planed.

Price

The actual wholesale prices of the products will be similar to the German wholesale prices. There will be no new price calculations for the countries Denmark and Sweden. Because both countries have the currency Euro there will be no extra effort. The market regulates the prices on an international basis, which means basically that the wholesale prices in Europe are always the same. This is necessary because the European equestrian market is relatively small and information is shared between the different countries. Pricelists, catalogues and other printed materials are always bilingual (German & English). Although the materials are not printed in the native language, the retailers accept English very well as a B2B language.

The retail prices in foreign countries might be somewhat higher because of higher transportation costs. For price set up calculations see chapter 2.

Promotion

The budget for promotion is about 5% of the expected total sales (about 6000 Euro for Denmark and 7000 Euro for Sweden). For the promotion strategy a push strategy should be used. The push strategy pushes the product towards the customer compared to a pull strategy where the customer asks for the product. The push strategy has been successfully been applied in Germany and the same procedure will be used in the countries for exporting.

The push strategy considers mainly the attraction of retailers. On international fairs, through local visits of the agent and advertisements in equestrian trade magazines the retailer's attention will be caught to the products of EQuest. Especially the product presentations of the agents are a successful tool to convince the retailers. As soon as the product is in the store the end consumer will see the products in

the show room. EQuest products differentiate themselves from competition products because of quality processing and material.

Promotion tool: the agent

When starting to export a good agent can be the key to a good start. The agent should have a good network of retailers as is clients. Together with other brands the agent presents the products of his complete assortment. It is important for Hölscher to educate and inform the agent as good as possible. He/she is the one who will be in charge of educating the retailers about EQuest. The more the retailer knows about the product, the more he can tell about it to the end consumer. If the retailer feels well informed about the product, he/she tends to prefer to sell the product. The weakness of several competitors is that they do not inform the retailers about the benefits of the product. Hölscher uses this weakness of the competition to their benefit and tries to trump.

Costs: The agent works on commission of 10%. Hölscher doesn't have to pre-finance any costs on the agent, he receives his payment after incoming payments of the customer.

Promotion tool: the fairs

Within Europe the SPOGA-Horse in Cologne and the BETA in London are the most important fairs for producers, brand-label manufacturers, wholesalers and retailers of the equestrian market. Currently Hölscher is visiting both SPOGAs since a couple years to present the brand EQuest. On the fair in autumn the advance orders for the spring – summer collections/season are written. On the fair in the spring the advance orders for the autumn – winter collections/season are written.

On sales-fairs like the Equitana producers, wholesaler and brand-label manufacturers are not allowed to sell products to the end consumer; only retailers are allowed to sell. That is why sales fairs are not interesting for Hölscher. The costs of such a fair are too high for only presenting products.

Costs: The costs of the SPOGA are integrated in the German marketing budget. The total costs of such a fair count easily a couple 10,000 Euros for four days (The exact costs depend on the size of the stand, the number of employees, etc.). Currently no important fairs are known for Denmark or Sweden, so no extra budget for fairs has to be calculated.

Promotion tool: brochures, catalogues, fabric and colour samples

Hölscher uses printed promotion tools to attract the retailers, not the end consumers. The current catalogue costs about 3.70 Euro per Catalogue, The brochures about 0.75 Euro. Currently three different brochures are active (News 09-10, Topseller & Pricelist). Each customer receives this package and is the foundation to research articles and inform the client about new products.

Furthermore top-selling clients receive sample rings of the different material where all the colours are listed.

Costs: Each client receives a package of printed catalogues and brochures with a worth of 5.95 Euro + shipping costs. Important clients also receive the sample rings. This package is worth about 20 Euro.

Promotion tool: Sponsoring

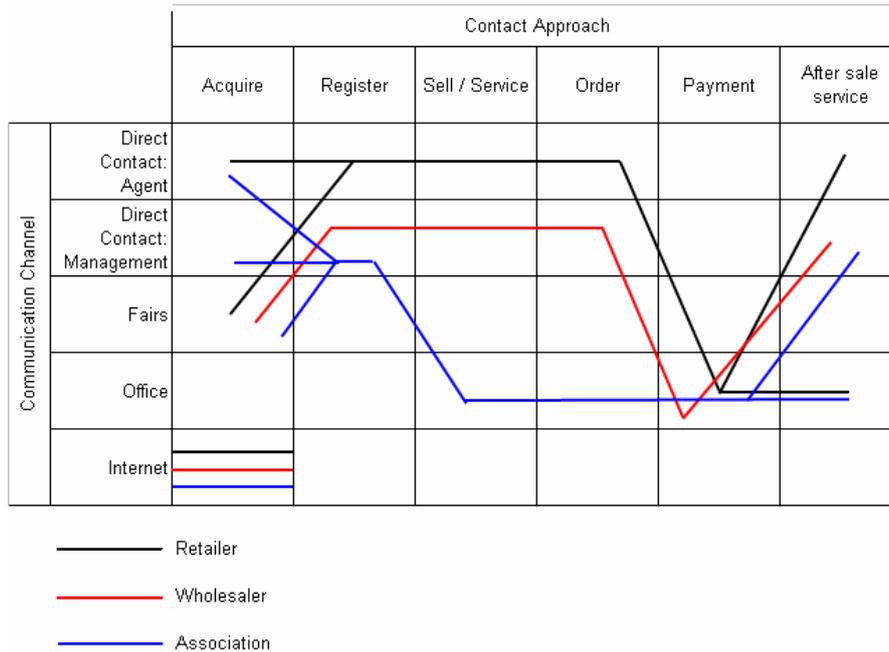
In Germany Hölscher sponsors different riders with equestrian equipment products. Currently Andreas Ostholt, Markus Graf and Helen Langehanenberg are famous riders who are sponsored by EQuest. Furthermore events are often sponsored with banners (100 Euros), prizes (e.g. 40 Euros per rug), or jump obstacles (400 Euro).

Costs: A complete sponsoring program costs about 400 Euros for a famous rider.

Promotion tool: Advertisement

Hölscher has only a small budget for advertisements in magazines, World Wide Web, or other printed materials. The costs for this promotion tool are very high. A standard prize for an A4 advertisement in a magazine is about 2.500 Euro. Hölscher has to sell about 400 saddle cloth before making profit with such an ad. A small budget for advertisements is available. Ads are published mainly in equestrian trade magazines before the fairs.

7.6 Contact Strategy



The contact strategy gives an indication of how the different communication channels are used. This way of communication should not stiffly acted upon; it shows more a usual way of communicating. When looking at the chart it is obvious that the contact is divided according to the nature of the customer. The agent is the direct contact person for the retailers. Especially when a new agent introduces his new product assortment to his area/network he acquires many new clients. The agent is in charge of the customer registration, any sales actions (advice, education, services) and writing the orders. All this information is communicated to the office, where the data is entered into the system. In any case the office is responsible for the book-keeping (order processing, writing bills, shipping notes etc.) The after sales service for retailers is normally the task of the agent, but if the retailer has questions about orders or bill he will be in contact with the office.

Basically the same structure is used for the wholesalers with the managers as a direct contact person. The wholesalers order typically large amounts with high profit margins. This way the management board can make sure that everything is going correctly. At any point the management is able to control the processes of services and orders.

The contact strategy for associations differs from society to society because of the different structures and organizations. Most associations gather the orders among their members until they place a shared order. Mostly the office is contacted if questions appear or service is needed.

From the chart it becomes clear how important fairs are for gathering new clients. According to estimations about 60% of all new clients experienced the first contact with the brand EQuest has been on the fair SPOGA.

Customers, who noticed the company through internet, contact the office where the correct contact person for optimal customer service is given.

7.7 Marketing Budget Set up

Denmark

Purpose	Price apiece	amount	total
Prints	€ 5,95 (+€ 12,90 shipping costs)	40	754,00 €
Sample rings	20,00 €	5	100,00 €
Sponsoring	400,00 €	1	400,00 €
Advertisements	800,00 €	6	4.800,00 €
			6.054,00 €

Sweden

Purpose	Price apiece	amount	total
Prints	€ 5,95 (+€ 12,90 shipping costs)	50	942,50 €
Sample rings	20,00 €	8	160,00 €
Sponsoring	400,00 €	3	1.200,00 €
Advertisements	800,00 €	6	4.800,00 €
			7.102,50 €

Chapter 8. CRM Analysis

The customer relationship management (CRM) plan is written to build customer relationships and improve the partnerships. This is related to the customer intimacy strategy explained in chapter 7 (Value disciplines of Treacy and Wiersema). First of all the customer needs and the current CRM strategy of Hölscher are analyzed. Based on this analysis the strength and weaknesses within the current CRM can be determined, which indicates points for improvement. The new CRM plan will provide a structure to build customer loyalty, improve customer relationships with a special focus on the Danish and Swedish market.

The four cornerstones of CRM are:

1. customer knowledge
2. relationship strategy
3. communication
4. the individual value proposition

Those four elements are discussed in the CRM chapters and in the marketing plan. The communication strategy has already been determined in the marketing plan and will not be repeated in the CRM Plan.

8.1 Customer Needs

The target market of Hölscher splits into three different groups with different needs. For each group the different needs and expectations will be determined.

Retailers:

Most of the retailers within the equestrian sector have a small sales floor with a little stock area. On this sales floor they have to present a large variety of products to offer the end consumer a choice. When presenting one winter horse rug in the store, the retailer has to calculate with at least 2m² of stock area because of the variety in sizes and the volume of the product. The retailers want to keep his stock to a minimum so that cash is not tied up in inventory. That is why the retailer looks for suppliers who can **deliver reliably within a short time frame**. Another important point is how the product will be presented in the store. Often the question is asked if the product is equipped with hang tags, labels, product information etc. The producer has to make the **product presentation** for the store as easy as possible. A further important key issue for the choice of a supplier is the **quality and quality continuity of the products**. Complaints of products involve also for the retailer financial drawbacks. A low return-rate of products indicates high customer satisfaction.

The retailer orientates his needs to the demands and wishes of his clients (end-consumer). When his regular clientele are dressage riders he naturally orders more dressage saddle cloths; when his major clientele are pony riders he naturally will order more small size products. The same counts for the spending habits of the end consumer. The retailer may want to sell expensive high quality products, but if the end consumer has only a budget for low cost products the retailer will automatically order more cheap products. This indicates that the producer should be able to offer a **product assortment** which can meet the **different segments** of riders and horse owners. Also the product assortment of the producer is an important factor for the retailer. Next to the **standard product assortment** (standard sizes & standard colours like black, brown, green, navy, red & white) the retailer wants the exhibit **highlights** in his store. Those highlights are mostly colour collections for the season or limited editions. Furthermore the retailer wants to meet every doable wish of the end-consumer. Because the trend of custom made products is growing the retailer is looking for a supplier who can produce **custom made products**. Within the clothing industry it is easy to contact a local tailor to adjust riding pants or jackets. Within the horse equipment this is harder, because most of the tailors do not have the materials and the machinery to process e.g. horse rugs or girth material of the head collars.

Wholesalers:

Compared to the retailer the wholesaler plans his purchases very early. About half a year - one year before presenting and selling the products are designed and ordered. The wholesalers typically place **large orders for their own brand label**. When producing for different brands, the wholesaler requires their own design, sizes and compositions. **Special designs** or given shapes are limited to this brand and will not be produced for others. This requires a **trustful and honest business relationship**. Furthermore most of the wholesalers expect a deduction when ordering large amounts.

Associations/Bulk purchasers:

Associations, event organizations or other institutes within the equestrian sector organize on regular base events, sales or other sponsoring actions. The majority of those products are designed according to the wishes of the customer; especially the **colours have to match the colours of the organization**. Many of those orders are produced under the label of EQuest but have **extra embroideries or flocks** (logos of events, sponsors, organisations, etc). Those clients order most of the time a couple weeks in advance **larger orders** of up to a couple hundred rugs or saddle cloths. Those clients expect a **reliable cooperation and security with the delivery dates**. Delays are not accepted because the dates of events are fixed.

Other institutes like retail associations gather orders from the individual shops and order together. Those associations expect privileges like deductions or extra services.

Based on those different customer needs and expectations the perception of quality differs throughout the target groups. This is a reason to set up CRM strategies and communication strategies for each customer group so that each group can be satisfied. The group of the retailers will be the most important group; these are the clients who generate typically most profit whereas wholesalers are rather rare in Sweden and Denmark; business relationships with bulk purchasers (such as retail associations) are rather a long term development because many members have to be convinced.

8.2 Internal CRM Audit

To analyze the customer relationship management of Höscher a scan is used which is developed by the ICSB. The CRM scan plot includes strategy, data management, customer management, channel management and operational management. Different criteria points are scored enabling us to make a spider-web benchmark. (Structure and criteria: E. Peelen (2005) *Customer Relationship Management*, Essex, England: FT Prentice Hall, Pearson Education)

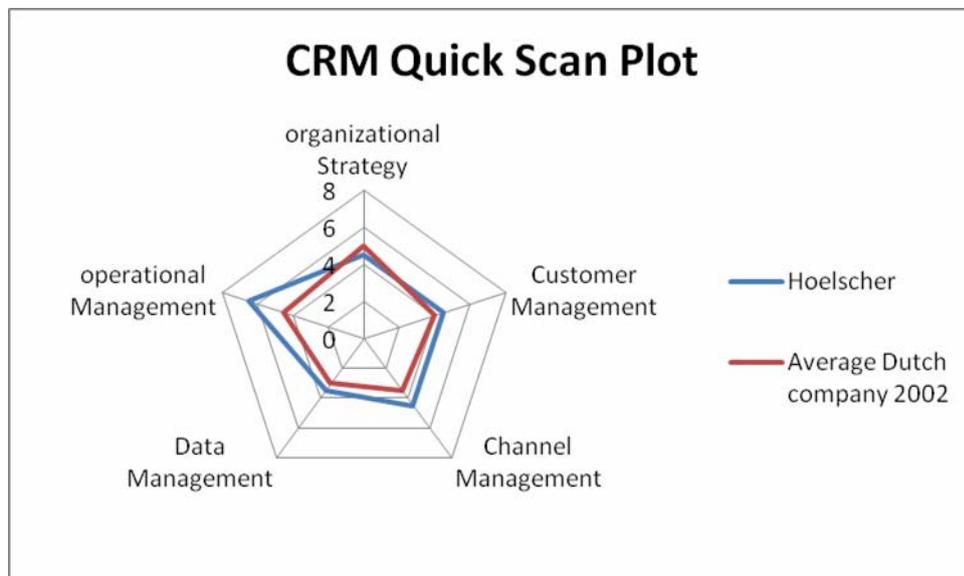
Organizational Strategy	-	-/+	+
In the mission the customers are the focus, not the products or processes		X	
The mission clearly describes how to treat the customers	X		
Customer satisfaction is one of the main goals of the organization			X
Empathy for the customer is extremely important in the organization		X	
Employees are given the space to satisfy customers' wishes			X
The management team spends half the of its time on activities that involve customers		X	
The company does not evaluate the performance solely on the basis of the financial results			X
	... x 0	...x0,5	... x 1
	1	3	3
Total Score			4,5

Customer Management (The relationship strategy)			
	-	-/+	+
There is an insight into the way that relationships with the customers develop		X	
The company is able to spot when a relationship is developing in the wrong way before it is too late		X	
The company is able to build enough moments into the relationship which are positive and not only operationally oriented			X
The company is capable of engaging in marketing activities at strategic moments		X	
Customer information is structurally and consistently shared between departments which have contact with the consumer			X
The employees' performance is determined in part on the basis of their degree of customer orientation		X	
Employees with customer contacts have an affinity for information systems		X	
	... x 0	...x0,5	... x 1
	0	5	2
Total Score	4,5		

Channel Management			
	-	-/+	+
The company has insight into the customers' communication preferences		X	
There are objectives for different customer contact moments included in the communication plan		X	
The mix of communication channels is not dominated by technical possibilities		X	
The Company is able to identify the customer during each contact moment and has full customer knowledge at the disposal			X
The company's service and that of the partners, such as distributors or service providers, is flexible enough to satisfy the customers' needs			X
Partners are cooperation-minded and voluntarily share customer data with the company		X	
The company knows exactly how customer-orientated the partners have positioned themselves		X	
	... x 0	...x0,5	... x 1
	0	5	2
Total Score	4,5		

Data Management (Customer Knowledge)			
	-	-/+	+
The company has a clear strategy for processing customer information		X	
Acquisition of customer information is an important component of the company processes		X	
All of the data that are necessary to implement the strategy are available		X	
Employees are familiar with the available data and actively use these		X	
Data are protected (both in terms of privacy issues and security) and this is guaranteed for external parties			X
Available data are relevant, up to date, accurate, complete and consistent		X	
People employed in the IT department also have an affinity for marketing	X		
	... x 0	...x0,5	... x 1
	1	5	1
Total Score	3,5		

Operational Management (supplying customization)			
	-	-/+	+
The company can offer customers various elements of the products/services tailored to their needs			X
The quality of the products/services does not interfere with the relationship with the customer			X
In all of the operational activities, the customer's comfort and ease are high on the list of priorities, the company does not choose efficiency above all else			X
Customers are involved in the development of new products and services			X
During recruitment and selection and training there is plenty of focus on customer orientation		X	
The organization is capable of identifying future needs of individual customers and of addressing these needs			X
Employee satisfaction (on all levels) is extremely important to the organization			X
	... x 0	...x0,5	... x 1
	0	1	6
Total Score	6,5		



Conclusion

The CRM analysis shows that Hölscher is doing very well within the operational management; here the scores are very high. The data management scores quit low compared to the other factors. This is due to the new system "XAL Navision". This computer software is able to connect all departments with each other and enable the sharing of knowledge. The employees are able to work with daily processes within the system, but when it comes e.g. to analyse different buying behaviours the employees do not have enough experience to evaluate the data. The system does not give any information about the effectiveness of different marketing tools. The management is able to use the software to evaluate the customers, but here the time is missing. An extra employee who is responsible for the IT is not available. Computer problems (software & hardware) are managed by external support. When looking at the organizational management the CRM can be improved by (re-) formulating the mission. The organizational strategy, data management, channel management and the customer management score close to the average Dutch business scores. This indicates that the CRM of Hölscher is expected by the customers and Hölscher does not stand out based positively or negatively. Only within the operational management Hölscher scores very high compared to the average. This indicates that the operational possibilities are set apart and exceed the expectations of the customer. The results reflect the current CRM situation very well. Hölscher offers a lot of extra services within the operational management. "The client is king" is in the back of the minds of all managers, although this is not written within the organizational structure.

Chapter 9. CRM Plan

9.1 Outline new organizational Structure

Based on the results of the CRM analysis it is advisable to set up a new organizational structure which focuses on the customer intimacy since this is the strategy used to enter the market.

Vision & Mission

The current mission of Hölscher is based on the welfare of the horse. The new mission should not neglect this mission but integrate the customer intimacy. A possible formulation could be:

“The mission of the company Hölscher is to develop, produce and sell high quality horse equipment which improve the welfare of the horse and meet the demands of the customer/end user.”

The vision of becoming the leading producer and brand for textile horse equipment is compatible with this mission. When fulfilling the mission the result should be a leading position in a country/ Europe / Worldwide. The mission should be the leading target for all employees in the management, product development, marketing & sales as well as for the agent and the office staff.

Organizational business structure

A change within the organizational business structure is not planned. To employ somebody who is responsible for CRM is currently too costly. Therefore the management could handle different activities to improve customer intimacy:

- When choosing new employees, it is important to determine their attitude towards clients. The attitude should not only be friendly towards customers. The employee should be able to understand the concerns of the client, be able to handle criticism and advice the customer upon his needs.
- Increase the research for the market demands when developing a new product. This can be done through surveys, discussions with clients or professionals. The integration of those market players in product development gives some security, that the product will be accepted on the market.

Business Systems

It is not planned to introduce an extra CRM system as addition to the ERP–system Navision. It is advisable to improve the use of the current system for CRM purposes:

- On a regular base the data of the clients should be updated. This can be done with the help of a yearly announcement for the customers. Within this letter the current data such as names, address, E-Mail or phone/mobile numbers have to be checked. Missing or wrong data will be corrected by the client. The corrected data will be entered into the system
- Currently successful businesses insert personal notes into their knowledge data base (Navision). Events like birthdays, attendance on equestrian sport competitions or other family events of business partners are inserted in the system. Before contacting the business partner the manager can have a look into the system and ask/congratulate about it. The customer feels flattered about the interest of the manager and the talk starts of with a positive experience. This is a very effective tool to improve customer intimacy but tactfulness is needed to keep the relationship on a business level. Important is that the customer does not recognize this recording, otherwise he may feel deceived.

9.2 Customer orientation per relationship phase (Target Group: Retailer)

Methods	Acquisition	Retention	Loyalty
Purpose	Find retailers in Denmark & Sweden as new clients for EQuest	Retain the customer through increasing value perception	Relationship set up and binding the retailer
Strategy	Introduce the brand and its products on fairs and via the direct contact of the agent	Regular local visits of the agent. Introduce on a regular base about new products, collections or other highlights of EQuest	Invite loyal customers to events like fairs, visit customer at his location during special events like jubilee. Furthermore loyalty programs like price reductions when ordering a complete collection.
Tactic	Inform the customer about product offer, possibilities and opportunities	Determine the wishes and demands of the client and try to meet those.	Increase product assortment of EQuest within the store. Build a personal relationship to the customer
Tone	Open & friendly. Serve with experience and knowledge	Open & friendly. Open for criticism and willing to improve	Open & friendly. Share personal stories, experiences etc. to establish a personal relationship to the client

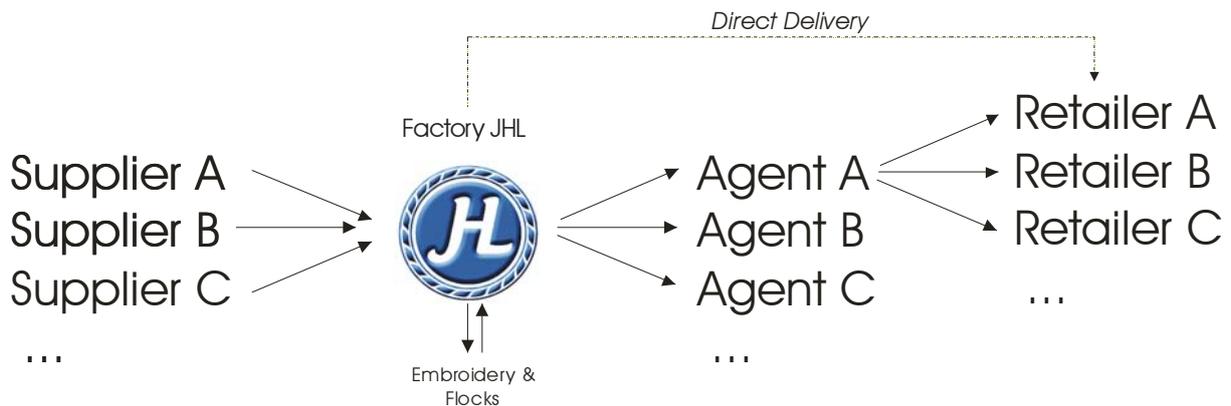
The CRM strategy for retailers is based on the personal contact towards the client. Mostly the agent is responsible for the personal contact in a foreign country because he can speak the native language, knows his customers for a long time and is familiar with cultural differences. Hölscher aims for a good relationship towards the client. Therefore the character of the contact person, in this case the agent, is one of the major success factors. A good sales agent has lots of knowledge about human natures and knows how to deal with the different characters. The same CRM tactics will be used for the target group of the associations. Who the direct contact person will be has to be determined at the stage of the acquisition when the structure and approach within the association is clarified. An extra CRM strategy for wholesalers is not planned because only a few new (small) wholesale clients are expected.

Chapter 10. Supply Chain Management & Logistics

The supply chain management describes the complete process starting at the raw material to the end user. The supply chain starts with an order from Hölischer to the suppliers of the different raw materials. The suppliers will remain the same when starting to export to Sweden and Denmark. It is expected that the sales will increase about 10% in the first year of exporting. This indicates that also larger orders will be placed or the orders will be placed more frequently. All the raw materials are delivered to Hölischer in Leer. Materials, which are not used immediately, are brought to the external warehouse; the other materials will be processed directly in the factory. Incoming orders of clients are inserted into the ERP system and production can start. The production takes always about 10 workdays. If embroideries or flocks are requested the complete delivery period might be somewhat longer because external embroiderers are used.

The agent is the contact person for services like local visits, presenting news, writing order etc. The product delivery towards the customer excludes the agent to shorten delivery periods. Normally the delivery for foreign clients counts about 15 work days, including order processing, production and delivery. The retailer is then able to sell the products to his clients.

The complete supply chain as well as the logistical organization will remain. Extra efforts like clearance papers or other custom duties are not required because Denmark and Sweden are members of the EU. The incoterm ex works used for shipping the products. As long as the recipient does not announce any special wishes the favourable priced shipping will be instructed (typically DPD to Denmark and Sweden).



Chapter 11. Financial Planning

11.1 Investment Budget

A budget of 10% of the expected sales for each country is planned that means € 12.000 for Denmark and € 14.000 for Sweden. The investment budget is rather small because cooperation with an agent is planned. Such a partnership typically involves low investment costs (see chapter 7. Strategy: Entry mode). 5% of the total expected sales, which is basically half of the investment budget, will be invested in different marketing activities in the first year. The other half of the investment budget is needed in the first year to pre-finance several different things:

- Transportation costs and packaging
- At supply shortfall pre-financing of raw materials
- Pre-financing production costs
- An extra buffer for other occurring unexpected costs

A small investment budget is doable because when the customer orders for the first time, he has to pay the bill in advance. With this strategy the major costs of production and labour are covered and the risk is limited to a minimum.

11.2 Spreadsheets for Sweden and Denmark

The spreadsheet is a simple tool to plan the financial future or a project like exporting. The following factors were calculated as followed:

- Growth rate: It is expected that the growth rate increases about 3-4% each year. This number is estimated upon the market growth within the country and experience from other countries.
- Total sales: The goal is to achieve a total sale of € 120.000 in Denmark and € 140.000 in Sweden within the first year. This goal has been set in deliberation with the management. The average client makes a yearly sales turnover between € 2000 - € 3000. When finding 40 new clients in Denmark and 50 in Sweden these goals should be achievable. From the expected total sales the quantity of each product has been calculated (calculating backwards from total sales).
- Sales for the different product categories: The volume of each product category has been calculated based on the total expected sales for the year and the average division % which has been recorded in Germany. The following % indicate the division of the complete product assortment:

Headcollar	17,7%
rope	16,3%
saddle cloth	37,8%
rugs	17,6%
accessories	10,6%

- Cost of Sales: This includes all costs to produce the product (mainly labour & material)
- Overheads: include amongst other things office work, management, organization etc.
- Depreciation: The depreciation is set very low in this calculation. The machinery is used by all three departments (industry, horse & dog sport) and has a very long life expectancy. The buildings are property since many years and paid off
- Commission Agent: The agent receives a 10% commission on the total sales, placed in his country
- Additional costs: This is a buffer for unexpected costs
- Total costs: is the sum of cost of sales, overheads, depreciation, commission and additional costs.
- Profit after Tax= (total sales-total costs)*19%

Financial Planning Denmark (Spreadsheet)

Year	2010	2011	2012	2013	2014	2015
Growth rate(%)			0,03	0,03	0,04	0,04
Sales Volume (units Headcollars)		2870	2956	3045	3167	3293
Price (€)		7,46 €	7,46 €	7,46 €	7,46 €	7,46 €
Sales Headcollar		21.410,20 €	22.052,51 €	22.714,08 €	23.622,64 €	24.567,55 €
Sales Volume (units Ropes)		5778	5951	6130	6375	6630
Price (€)		3,39 €	3,39 €	3,39 €	3,39 €	3,39 €
Sales Ropes		19.587,42 €	20.175,04 €	20.780,29 €	21.611,51 €	22.475,97 €
Sales Volume (units Saddle Cloth)		2225	2292	2361	2455	2553
Price (€)		20,41 €	20,41 €	20,41 €	20,41 €	20,41 €
Sales Saddle Cloth		45.412,25 €	46.774,62 €	48.177,86 €	50.104,97 €	52.109,17 €
Sales Volume (units Rugs)		812	836	861	896	932
Price (€)		25,96 €	25,96 €	25,96 €	25,96 €	25,96 €
Sales rugs		21.079,52 €	21.711,91 €	22.363,26 €	23.257,79 €	24.188,11 €
Sales Volume (asseccories)		2507	2582	2660	2766	2877
Price (€)		5,05 €	5,05 €	5,05 €	5,05 €	5,05 €
Sales asseccories		12.660,35 €	13.040,16 €	13.431,37 €	13.968,62 €	14.527,36 €
Total Sales		120.149,74 €	123.754,23 €	127.466,86 €	132.565,53 €	137.868,15 €
Costs of Sales (65%)		78.097,33 €	74.252,54 €	76.480,12 €	79.539,32 €	82.720,89 €
Overheads (10%)		12.014,97 €	12.375,42 €	12.746,69 €	13.256,55 €	13.786,82 €
Depreciation (2%)		2.402,99 €	2.475,08 €	2.549,34 €	2.651,31 €	2.757,36 €
Commision Agent 10%		12.014,97 €	12.375,42 €	12.746,69 €	13.256,55 €	13.786,82 €
Aditioinal Costs (5%)		6.007,49 €	6.187,71 €	6.373,34 €	6.628,28 €	6.893,41 €
Total Costs		110.537,76 €	107.666,18 €	110.896,17 €	115.332,01 €	119.945,29 €
Profit Pre Tax		9.611,98 €	16.088,05 €	16.570,69 €	17.233,52 €	17.922,86 €
Tax (19%)		1.826,28 €	3.056,73 €	3.148,43 €	3.274,37 €	3.405,34 €
Profit after Tax		7.785,70 €	13.031,32 €	13.422,26 €	13.959,15 €	14.517,52 €
Depreciation (2%)		2.402,99 €	2.475,08 €	2.549,34 €	2.651,31 €	2.757,36 €
Cash Flow	-12.000,00 €	10.188,70 €	15.506,41 €	15.971,60 €	16.610,46 €	17.274,88 €
Cumulative Cash Flow	-12.000,00 €	-1.811,30 €	13.695,10 €	29.666,70 €	46.277,16 €	63.552,04 €

Year	0	1	2	3	4	5
	-12.000,00					
PV of CF	€	9.815,70 €	14.391,84 €	14.280,92 €	14.308,44 €	14.336,01 €
PV of CF		CF / 1+ interest rate ^number of years				

Investment	12.000,00 €
Interest rate	0,038
Payback Period	<1 year
NPV	55.132,92 €
IRR	104%

Financial Planning Sweden (Spreadsheet)

Year	2010	2011	2012	2013	2014	2015
Growth rate(%)			0,03	0,03	0,04	0,04
Sales Volume (units Headcollars)		3348	3448	3552	3694	3842
Price (€)		7,46 €	7,46 €	7,46 €	7,46 €	7,46 €
Sales Headcollar		24.976,08 €	25.725,36 €	26.497,12 €	27.557,01 €	28.659,29 €
Sales Volume (units Ropes)		6741	6943	7152	7438	7735
Price (€)		3,39 €	3,39 €	3,39 €	3,39 €	3,39 €
Sales Ropes		22.851,99 €	23.537,55 €	24.243,68 €	25.213,42 €	26.221,96 €
Sales Volume (units Saddle Cloth)		2595	2673	2753	2863	2978
Price (€)		20,41 €	20,41 €	20,41 €	20,41 €	20,41 €
Sales Saddle Cloth		52.963,95 €	54.552,87 €	56.189,45 €	58.437,03 €	60.774,51 €
Sales Volume (units Rugs)		947	975	1005	1045	1087
Price (€)		25,96 €	25,96 €	25,96 €	25,96 €	25,96 €
Sales rugs		24.584,12 €	25.321,64 €	26.081,29 €	27.124,54 €	28.209,53 €
Sales Volume (asseccories)		2922	3010	3100	3224	3353
Price (€)		5,05 €	5,05 €	5,05 €	5,05 €	5,05 €
Sales asseccories		14.756,10 €	15.198,78 €	15.654,75 €	16.280,94 €	16.932,17 €
Total Sales		140.132,24 €	144.336,21 €	148.666,29 €	154.612,95 €	160.797,46 €
Costs of Sales (65%)		91.085,96 €	93.818,53 €	96.633,09 €	100.498,41 €	104.518,35 €
Overheads (10%)		14.013,22 €	14.433,62 €	14.866,63 €	15.461,29 €	16.079,75 €
Depreciation (2%)		2.802,64 €	2.886,72 €	2.973,33 €	3.092,26 €	3.215,95 €
Commision Agent (10%)		14.013,22 €	14.433,62 €	14.866,63 €	15.461,29 €	16.079,75 €
Additional Costs (5%)		7.006,61 €	7.216,81 €	7.433,31 €	7.730,65 €	8.039,87 €
Total Costs		128.921,66 €	132.789,31 €	136.772,99 €	142.243,91 €	147.933,67 €
Profit Pre Tax		11.210,58 €	11.546,90 €	11.893,30 €	12.369,04 €	12.863,80 €
Tax (19%)		2.130,01 €	2.193,91 €	2.259,73 €	2.350,12 €	2.444,12 €
Profit after Tax		9.080,57 €	9.352,99 €	9.633,58 €	10.018,92 €	10.419,68 €
Depreciation (2%)		2.802,64 €	2.886,72 €	2.973,33 €	3.092,26 €	3.215,95 €
Cash Flow	-14.000,00 €	11.883,21 €	12.239,71 €	12.606,90 €	13.111,18 €	13.635,62 €
Cumulative Cash Flow	-14.000,00 €	-2.116,79 €	10.122,92 €	22.729,83 €	35.841,00 €	49.476,63 €

Year	0	1	2	3	4	5
	-14.000,00					
PV of CF	€	11.448,18 €	11.359,95 €	11.272,40 €	11.294,12 €	11.315,88 €
PV of CF		CF / 1+ interest rate ^ number of years				

Investment	14.000,00 €
Interest rate	0,038
Payback Period	<1 year
NPV	42.690,53 €
IRR	83%

Sum of all
PV

Chapter 12 Milestone Plan & Conclusion

After analysing the business and the external environment the decision has been made to export equestrian products to Denmark and Sweden.

Based on the analysis and trends a strategy has set up giving a guide to enter the new markets. Hölscher introduces an existing product into a new market which indicates that the market has to be developed in the new regions (Ansoff). Based on this knowledge the further strategy is constructed. Hölscher will continue to make use of the customer intimacy strategy according to Treacy and Wiersema. When entering the new market the products are in the introduction phase of the product life cycle. The goal is to increase the market growth in an area with high market potential (BCG). In deliberation with the managers of Hölscher and consideration of the different advantages and disadvantages the choice to work with an agent has been made. Especially the low financial risks and the minimal effort entailed this decision. Furthermore the selective distribution strategy is used which indicates that only specialized retailers within the equestrian sector are able to buy and resell Hölscher products. The incoterm ex works is used, which indicates no further charges for Hölscher than making the goods available ex factory.

On the basis of the different strategic decisions a marketing plan, CRM plan, supply chain & logistics and a financial plan have been set up. Based on several estimations the goals have been set up to gather 40 new customers in Denmark and 50 in Sweden. With an average sales turnover of about € 3000 Euro per customer an expected total sales of € 260.000 is forecasted. The marketing budget of Hölscher is limited and communicates towards the retailer, not to the end consumer. Within the CRM analysis weaknesses of Hölscher were detected. The CRM Plan describes the possibilities to improve those weaknesses within the organizational structure, within the system and the customer relationship. For the supply chain management and the logistics no extra efforts are planned and will continue as before. Only a buffer for extra raw materials is planned to avoid shortfalls. For each country spreadsheets were made to determine the expected sales rates and the rough profit estimations. Those tables describe the optimal and planned financial future of this project. The worst possible case would be that no products are sold and no income is generated in Sweden or Denmark. In this case Hölscher would only lose the investment in Marketing. Other investments like raw material or stocked products are not lost because those can be sold to German or other foreign customers. The risk of losing about € 13.000 if the project fails completely is relative small compared to the attainable profit margins.

My advice to Hölscher is to start exporting horse equipment to the new markets of Denmark and Sweden. Although the success of the project is bound to the abilities of new local agents the risks are low. Currently I do not see any reason why the project may fail if Hölscher acts upon the strategies and plans of this project.

Milestone Plan

Step	Action	Responsible	Date
1.	Go or no go decision	TH & FH	Juli 10
2.	Search for possible new agents in Denmark and Sweden	ST	August 10
3.	Introduce company and products to posible clients	FH & ST	August 10
4.	Contract negotiation with interested agents	TH & FH	August 10
5.	Decision for an agent	TH & FH	August 10
6.	Negotiate marketing activities with agent	ST & FH	August 10
7.	Provide marketing materials, start advertisements etc.	ST & FH	Aug.- Sep.2010
8.	Welcome potential customers at the EQuest stand on SPOGA Horse	Agent, ST & FH	September 10
9.	Gather adresses of interested retailers	Agent	Sep.- Okt.2010
10.	Contact potential customers; provide service, information etc.	Agent	Sep.- Okt.2010
11.	Start writing orders	Agent	Sep.- Okt.2010

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Annex

- Data Sheet
- Article
- Contract sample for agents
- Address list of potential customers/retailers in Denmark and Sweden
- Information materials of EQuest products