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**International growth ambition  
A country selection and market entry advice for  
HowTech B.V.**

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**Master Thesis**

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School of Management and Governance  
Business Administration - International Management  
University of Twente, Enschede, the Netherlands

**December 2008**



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**Master Thesis Business Administration**

School of Management and Governance

Business Administration

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**Enschede, December 2008**

## Acknowledgment

In the final period of my Master's program in Business Administration-International Management, I carried out a research for a media company, HowTech B.V., situated in Eindhoven. This Master Thesis is about the internationalisation ambition of the company. It provides a comparison of attractive European markets for HowTech and an advice on how to enter the selected target market.

During this period, I obtained support from many people. First of all, I want to thank my supervisors: Stephan Maathuis, Efthymios Constantinides and Joost Meyboom. With their help, an appropriate structure for this project could be developed. With their advice and many constructive comments, they helped me to finalize this project. Furthermore, I thank my colleagues at HowTech.

Finally, last but not least, I thank my parents who supported me, not only during my Master Thesis.

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Ronald Mekking



## Management Summary

HowTech B.V. is a company that operates in the media industry, specifically in the market of out-of-home advertisement. Due to the relatively small size of the home market, the company wants to expand to other European countries. The countries of interest are: Spain, Italy, France, Germany, Belgium and the UK. The objective is to search for the most promising country and give an appropriate market entry advice. Therefore, the problem formulation of this research is: *How can a small sized company, such as HowTech B.V., realise its international growth ambition?*

To give a solution to the problem formulation, the following activities were executed: An analysis of the important factors for internationalisation of SMEs, operating in the business- to- business market; an internal analysis of factors influencing the entry strategy; a country comparison and selection through analyzing macro and direct environmental criteria; an analysis of market characteristics of the selected country influencing the entry strategy; and finally the formulation of an entry strategy in the selected market.

The internal analysis concludes that the firm has limited resources and is therefore constrained to choose entry options that call for a small resource commitment, as exporting or licensing. A local subsidiary or a joint venture is not possible because it requires substantial capital, management, and other company resources. The willingness of the employees to internationalise is high. The focus on teamwork and collaboration is a positive influence for the ability of the company to internationalise.

After a macro and direct environmental screening, Germany is selected being the most promising country. There are positive indicators regarding the population size, the GDP index, the airport and railway traffic statistics, the business freedom index, the business sophistication index, and the macro environment. In the attractive German locations, airports and railway stations, we see a market with high competition. An active entry mode, as a subsidiary or a joint venture is recommended. There are different channel members in the German market who play a role in the purchase decision process. Advertisers initiate the buying proposal. Special agencies are intermediaries who are specialized in Out-of-Home Media and give advertisers advice on the selection of the medium. Media agencies sell advertisement space in airports/ railway stations to medium providers like HowTech. Advertisers can book airtime on products from the product portfolio of Media Agencies, directly, or via special agencies.

Making use of the internal and external factors influencing the entry mode, the best workable entry mode is selected: Direct export. With the low financial risk, no direct investment in fixed capital, and the possibility for active marketing, this entry mode is suitable for HowTech. With direct export, the company must take responsibility for the international marketing effort in carrying out its entry strategy. Full control over the marketing plan is not yet possible because of HowTechs' limited resources. Therefore it is recommended to expand its workforce with a German account manager. The managers' responsibility is to follow the developments of the German advertising market, and to promote the SyncMovie System with agencies and potential advertisers. Establishing and sustaining business relationships with the companies' stakeholders is another responsibility.

Good control by the general manager is required to ensure that no unpleasant surprises in the foreign operations will occur. It is important to have written standards for documentation of systems, operation, and administration. Also the manager must inform employees on how they can maximize their contribution to the fulfilment of organizational objectives.



In a dynamic digital advertisement market, it is important to obtain market intelligence to understand the market potential, and the capabilities of the company against those of the competitors. Therefore a market intelligence system should be used. This is a set of procedures and sources used by managers to obtain everyday information about developments in the marketing environment. Steps to set up the marketing intelligence system are: Train and motivate the sales force, motivate intermediaries (market channels) to pass along important intelligence, set up a customer advisory panel, and establish a marketing information centre to collect and circulate marketing intelligence.

For HowTech it is important to keep in mind the internal and external influences when realising its international growth ambition. When entering the German market through direct export HowTech will build up experience. This is a development process that takes the firm towards more international sophistication and commitment. In a latter stage, a (higher risk) direct investment entry mode could be preferable. The probability of a successful investment entry will be enhanced by building on experience gained through export to the target country.



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## Chapter 1: Research Plan

The essence of the research plan is to state the importance of the proposed research, and how it is conducted. First, the background and objectives of the research are given. The background gives the context of the assignment. The objectives are derived from the background and present the intended outcome of the research. The problem formulation is the next step. The problem formulation is split into a number of research questions that are connected with the objective of the assignment. The methodology is given to present the chosen research approach and methods for achieving the research objectives.

### 1.1 Background & Objectives

Internationalisation is being facilitated by several major factors. Falling trade barriers and increased international market globalization stimulate firms to internationalise. Small and medium sized companies (SMEs) begin to play a key role in national economies (*Knight, Liesch, 2002*). HowTech B.V. is a small company with a main focus on expanding the core business to foreign European markets.

HowTech is a high-tech company, specializing in video display technology. The company was founded in August 2005, by a Chinese entrepreneur, and is located in Eindhoven, the Netherlands. Their product is the so-called SyncMovie system (SMS), an innovative digital media system to show advertisement, videos, and messages to the public. SMS can be widely used at public places, such as airports, railway stations, terminals, shopping malls, expo centres, stadiums, et cetera. SMS is unique in how it displays its content, shifting on the screen in synchronization with the movement of the passengers. A sketch of the system is showed in fig.1.1.

The advantages of the system:

- High eye-catching rate without blocking traffic;
- Significant extension of the interaction time between the medium and the viewers;
- Capability to show full commercials to viewers in motion;
- Create more value for the owners of media space.

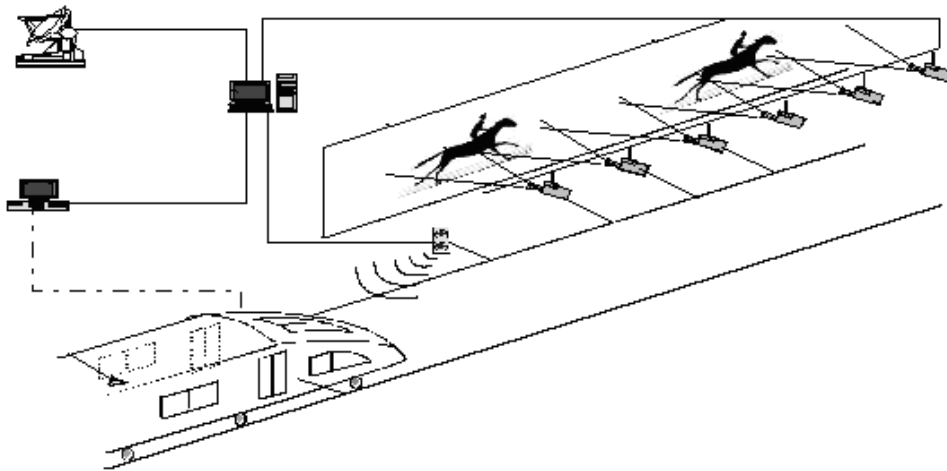


Fig 1.1 Schematic illustration of SyncMovie display System

- The first SMS was installed at the corridor of gate G at Schiphol, the Netherlands. Commercials for Fortis bank, See Buy Fly, Nokia and Ford were displayed to thousands of passengers every day.



Due to the relatively small size of the home market, HowTech is interested to internationalise their operations. As a result, two years after foundation, Beijing HowTech Media Technology CO., Ltd. was established. Development in the European markets will be the next step.

The technical developments in the advertising industry are moving quickly. The industry has a high growth potential. Rapid internationalisation has been considered feasible in this sector; a reason HowTech wants to internationalise their operations to the European markets. Finding strategic partners with high media knowledge and networking capabilities (advertising companies, mediators) is essential for the company.

According to the given information, the objectives of the research are formulated. They are split into two parts:

- Research possibilities for HowTech in European markets, finally resulting in the most promising market;
- The most appropriate market entry strategy.

## 1.2 Problem formulation

By making use of the information, described in the background and objectives, the problem formulation is defined:

*How can a small sized company, such as HowTech B.V., realise its international growth ambition?*

The next aspects are taken into account:

- The focus of HowTech is on the European market. The countries to investigate are: UK, Germany, Belgium, France, Spain and Italy;
- HowTech customers are businesses, so a business- to- business (B2B) market;
- Important for a relatively small company, such as HowTech, is finding strategic partners;
- The most promising market must offer the best possibilities (criteria market screening) for HowTech;

## 1.3 Research Questions

The answers to the research questions give a solution to the earlier described problem formulation. First, this implies an analysis of what factors need to be considered for internationalisation of SMEs, operating in the business- to- business (B2B) market (RQ1). Second, an analysis of internal factors influencing the entry strategy (RQ2) is carried out. In this analysis, the characteristics of the company are analyzed. The next step (RQ3) is an analysis of what country is most promising for entry by HowTech. Macro environmental and other company/product related factors (direct environmental factors) are analyzed for the following countries: Germany, UK, Belgium, France, Spain and Italy. With a country selection model, the most promising country is chosen. For this country, the market characteristics influencing the entry strategy are analyzed (RQ4). The last research question (RQ5) analyzes what is the most appropriate entry strategy.

|            |  |
|------------|--|
| <b>RQ1</b> | What factors need to be considered for internationalisation of SMEs, operating in the business- to- business (B2B) market? |
| <b>RQ2</b> | What are the internal factors of HowTech influencing the entry strategy?   |
| <b>RQ3</b> | What country is the most promising for entry by HowTech?   |
| <b>RQ4</b> | What are the market characteristics, of the selected country, influencing the entry strategy of HowTech?                   |
| <b>RQ5</b> | What is the most appropriate entry strategy?   |



## 1.4 Methodology

The previous sections described the interests of the research, the beginning point of the research process. This section outlines the research approach. The research method and the sources used in order to achieve the research objectives are described. At the end, a schematic overview of the research structure is given.

### ***Research Purpose***

The purpose of this research is descriptive because the study provides a background and also a detailed accurate picture. The objective of descriptive research is to describe aspects, such as the market potential in this case, or the demographics and attitudes of consumers. Other characteristics of descriptive research are the provision of a highly accurate picture; it creates a set of categories and a report of the background of a situation (*Babbie, 2007*).

### ***Research Approach***

Different research approaches are possible as deductive or inductive. Deductive research begins with clear assumptions of previous knowledge. Inductive is broader and can be understood as research that draws conclusions from specific empirical data. Deductive research is more applicable in this case because many theories can be found about the topic (*Grix, 2004*).

### ***Literature Review***

The research starts with a literature review. In this step, the researcher acquires knowledge about the topic. The feasibility of the project and the focus become clear. This stage is not only in the beginning of the research. A constant review of the literature during the whole process is necessary. With the acquired knowledge, the context and rationale behind the project can be outlined (*Grix, 2004*).

### ***Data Collection Methods***

There are many techniques to collect data. It is important to make a distinction between quantitative and qualitative data. Quantification makes your observations more explicit. It also makes it easier to compare and summarize data. It is possible to make statistical analyses from this data.

Qualitative data is collecting data in the form of words. It includes virtually any information that can be captured that is not numerical in nature. Types of qualitative data are interviews, direct observation or written documents. Collected data in this study are mainly qualitative because there are many written documents that cover the research (*Grix, 2004*).

In this research, we make use of primary and secondary data. Primary data is the outcome of case studies, interviews and, for example, observations. This data is closely related to qualitative data earlier mentioned because the outcome is mainly in the form of words.

Secondary data analysis is the analysis of pre-existing data. These analyses are collected by someone else, such as data supplied by a market organisation or government statistics. It could be split up into quantitative and qualitative. The researcher can make use of market research but also of the company information system and the data-base of other organisations (*Aaker et al, 1995*).

### ***Sources employed***

With the first research question, I make use of a qualitative collection of secondary data. The second question, the internal factors of HowTech, I make use of mainly primary data from interviews and conversations. Secondary data as the company information system are also a data source.

The third and fourth research question, mainly qualitative collection of secondary data is gathered. Primary research will be the method when secondary information is inadequate and additional information is necessary.

The fifth research question, the entry strategy, is elaborated with primary and secondary data. (Grix, 2004). Below a table of the methodology in this research:

### ***Data Collection***

| <b>Research Question</b>   | <b>Factor</b>   | <b>Sources</b>  | <b>Data Collection strategy</b>                |
|--|---|---|--|
| What factors need to be considered for internationalisation of SMEs, operating in the business- to- business (B2B) market? | Small firm<br>Internationalisation<br><br>B2B market                                    | Articles: Young, Hall,<br><br>Groen, Ford<br><br>Books: Root  | Literature research                            |
| What are the internal Factors of HowTech Influencing the entry strategy?   | Firms human resources<br>Management competences<br>Knowledge base<br>Market definition  | Representatives at HowTech<br>Articles: Johnson, Porter, Bygrave<br>Books: Ball Intern. Business/ Johnson<br>Exploring corporate strategy<br>Articles: Young, Hall, Groen, Ford<br>Interview: Managing Director HowTech                   | Interview/ observation<br>Literature research  |
| What country is the most promising for entry by HowTech?   | Direct environmental criteria<br>Macro environmental criteria                           | Websites of EVD, ESA,<br><br>CIA, Eurostat, World-bank, heritage, human-development, weforum, state.gov, official sites of airports,<br>Books: Ball Intern. Business, Root Entry Strategies for intern. Markets/ Kotabe                   | Internet and literature research               |
| What are the market Characteristics, of the selected country, Influencing the entry Strategy of HowTech?                   | Digital out-of-home advert. industry<br>Analysis of segments<br>Competitive environment | Research institute: Nielsen Media Research<br>Websites: Media Frankfurt, Hamburg, Hannover, Ströer, Kinetic<br>Articles: Brody, Porter<br>Books: Root Entry Strategies for intern. markets<br>Interviews: Kinetic, Stoër, Media Frankfurt | Internet and literature research<br>Interviews |
|  |   |   |  |



|  |  |   |                                       |
|--|--|---|---------------------------------------|
| What is the most appropriate entry strategy? | Assessing foreign markets<br>Setting objectives and goals<br>Choosing the entry mode<br>Designing the marketing plan | Interviews: Kinetic, Ströer, Media Frankfurt<br>Articles: Young, Johnson, Ford, Groen<br>Books: Root Entry Strategies for intern. markets | Interviews<br><br>Literature research |
|--|--|---|---------------------------------------|

*Table 1.1: Data Collection strategy*



### Research Structure

The scheme below gives a clear overview of the research:

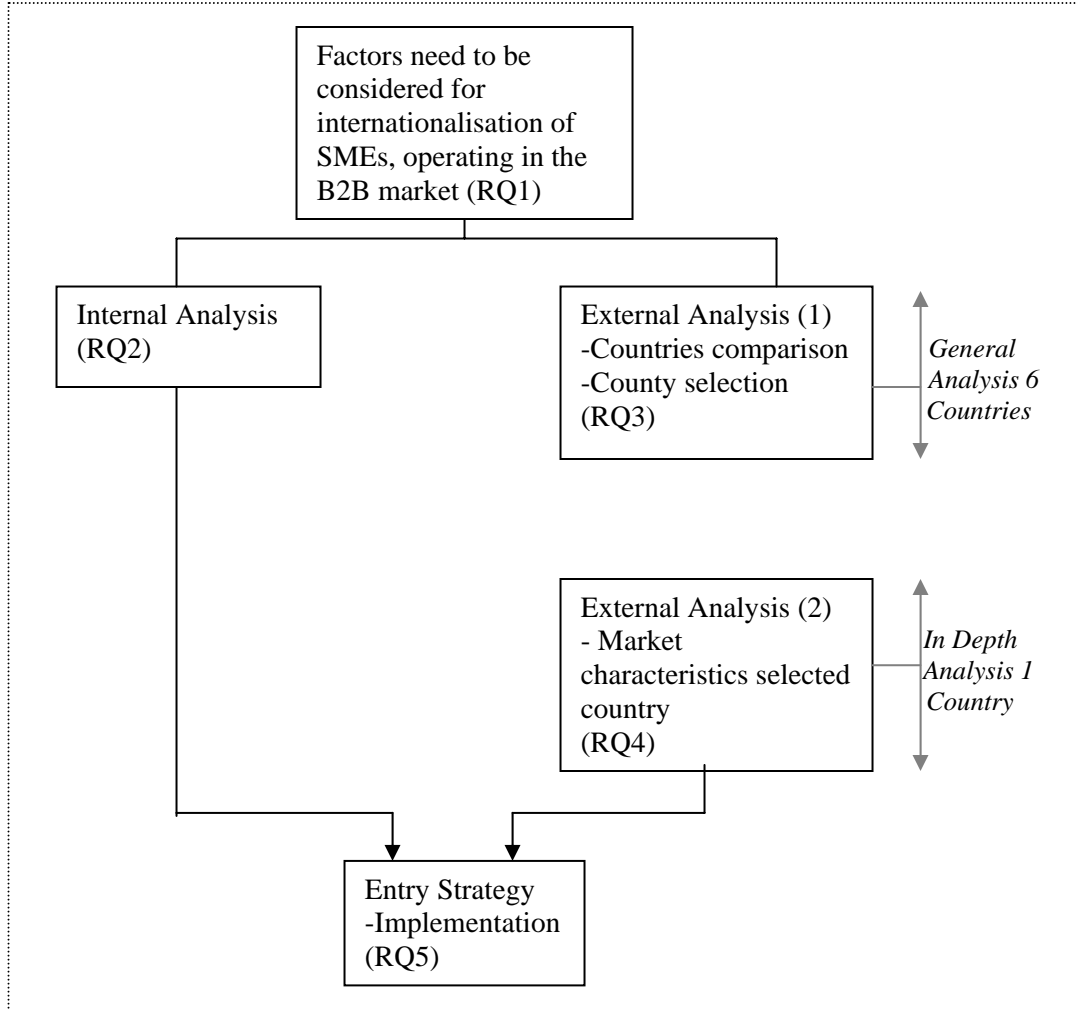


Fig. 1.2 Research Structure

The research structure is a guide for the next chapter. We first explain what factors need to be considered for internationalisation of small firms, operating in a Business-to-Business market (B2B). These criteria are split up in internal and external criteria, which are influencing the entry strategy. The internal criteria are described in the internal analysis. The external criteria are analyzed in the external analysis. This analysis is split in two parts. In the first part direct and macro environmental criteria are described to analyze and compare the 6 countries of interest. In this part also the country selection process is given. Criteria for analyzing market characteristics of the selected country are described in the second part of the external analysis.



## Chapter 2: Theoretical framework

HowTech is a small sized high-tech company. The main source of competitive advantage is related to a more informative, sophisticated product; the SyncMovie System has unique display technology, used to display many kinds of information in synchronization with the movement of passengers. The firm wants to internationalise in a relatively short time after establishment. If we look to the literature, we notice that rapidly internationalising companies could be characterized as 'born global firms'. Most of the models indicate that firms internationalise in an incremental manner through several stages. This notion means that firms must be established in their home market before venturing abroad. However, this is not necessarily for firms based in smaller sized countries, such as HowTech based in the Netherlands. A small domestic market is likely to influence firms to internationalise (*Young et al, 2003*).

The research question to be answered in this section:

*What are important internationalisation criteria for SMEs, operating in the business- to- business (B2B) market?*

We begin this section with a description of what factors need to be considered for internationalisation of small firms, operating in a B2B market. These criteria are important for the strategy in the selected country.

To know the most appropriate market entry strategy, with respect to the internal and external factors, we gain a deeper understanding of the entry mode options. After the description of the entry mode options, we analyse the important internal (internal analysis) and external factors (external analysis), which influences the entry strategy. An internal factor, as for example limited financial resources, is a negative influence for an entry mode as direct investment where the required financial resources are high. The external analysis is split up in two parts. With the first part, a description is given of the macro and direct environmental criteria, which are analyzed for each of the six countries of interest. These countries are compared to each other and finally one country is select for further screening. The country selection process is therefore described in this part. Important market characteristics in the selected country, influencing the entry strategy, are described in the second part of the external analysis. High competition in a target market for example, requires a more active entry mode. Indirect export or licensing is therefore not suitable. The internal factors and market characteristics are influencing the entry strategy. The way to choose an appropriate entry strategy is described in this part.

### 2.1 Small firm internationalisation in a B2B market

When internationalize, it is important to join and make use of information from an established network. Networks are often defined as patterned relationships between actors, such as individuals, groups or organisations (*Young et al, 2003*). External networks with customers, suppliers, government agencies, research institutes, and even competitors are essential if a company wants to monitor the changing environment (*Hall, 1992*). Networks may take many forms including strategic alliances, joint ventures, licensing arrangements, subcontracting, joint R&D and joint marketing activities (*Groen, 2005*). For a small company, entry strategies as licensing and joint ventures can be better adopted as an initial foreign market entry option (*Young et al, 2003*). Barriers to entry to particular export markets, such as high tariffs, may preclude exporting and encourage licensing or other more direct investment methods. Young (2003) contends that strategies, such as this, are being adopted more widely by smaller firms. Root (1994) observes that the choice of market entry strategy is influenced by a number of external and internal factors.

HowTech is operating in a business-to-business market. The name indicates that it is about doing business with other businesses. As described before, it is important for small sized companies to



build up business relations and gain advantage with it. Business marketing has many similarities to consumer marketing (business to consumers). Examples are:

- Both are profit oriented;
- Both lead to a purchase by a final consumer;
- Both involve attempts by companies to influence the behaviour of customers.

(Ford et al, 2002)

Examples of dissimilarities are:

- A number of people are likely to be involved in a business purchase (such as marketing, finance, purchasing). This is one reason that business purchases are more complex than with consumers. When a country is selected and the entry option is defined, an analysis of the 'buying centre' is relevant to understand the B2B market of HowTech (Ford et al, 2002);
- Professional business purchase people: There may be a difference between the skills of business and consumer purchasers. Trained "buyers" are often involved in making business purchases which could make it more difficult to handle. HowTech's human resources/ management competences are therefore important when approaching a B2B market (Ford et al, 2002);
- The time of a purchase may be longer between businesses than between businesses and consumers. More factors play a role in business transactions, such as customer requirements, the importance of purchase, etcetera (Ford et al, 2002).

Business marketing is about the task of selecting, developing and managing customer relationships for the advantage of both customer and supplier (Ford et al, 2002). It is important to understand the structure or content of the relationship, the processes they encompass and aspects to manage the relationship effectively. Close relationships between customers and suppliers enable them to learn about each other and to benefit fully from each other's skills and resources (Ford et al, 2002).

To have success with business marketing, it is essential to understand what happens in a business network. Business networks consist of a range of companies, each of which has relationships with suppliers and customers. Any customer in that network is able to choose between multiple suppliers that operate in a variety of ways (Ford et al, 2002).

## 2.2 Entry Mode options

Once started in international business, the company will gradually change its entry mode decisions. Increasingly, it will choose entry options that provide greater control over foreign marketing operations. But to gain greater control, the company will have to commit more resources to foreign markets and thereby assume greater risk (Root, 1994). The entry options are licensing, joint venture, exporting or direct investment (subsidiary, joint venture). After the descriptions we go further with the internal and external factors influencing the choice of entry.

### *Entering international markets through licensing*

By licensing, domestic companies (licensors) make available their intangible assets (patents, trade secrets, know-how) to foreign companies (licensees) in return for payment (Root, 1994). The greatest advantage of licensing, as an entry mode, is the circumvention of import barriers such as tariffs or quotas. Licensing also overcomes the problem of high transportation costs, which can make the product non-competitive in a target market. Another advantage is the risk reducing. The worst case scenario for a licensor is loss of its licensing income. This loss is far below the loss of other entry modes such as with a subsidiary. A characteristic of licensing is that a company cannot use licensing as an entry mode unless it possesses technology, trademarks, or a company name that is attractive to potential foreign users (Root, 1994). A disadvantage is the absolute size of income from a licensing arrangement as compared to export or investment in target markets. The licensor is dependent on the licensee's market performance.





Franchising is a form of licensing. The franchisor licenses a business system as well as other property rights to an independent company or person, the franchisee. The franchisor licenses a way of organizing and carrying on a business under this trade name. In return, the franchisor receives fees or royalties from the franchisee (Root, 1994).

#### ***Entering international markets through a joint venture***

A joint venture strategy is very attractive for small companies wanting to internationalise. With this strategy, companies share the ownership of an enterprise in a target country. This could be a logical next stadium (after good experience with an international market), after making use of for example a license strategy. The control over a joint venture is lower than over a sole venture. With a sole venture full control enables a company to follow its own strategy and gain all the profits. With a (equity) joint venture this is 50/50. So the interests of both parties are the same (Root, 1994).

#### ***Entering international markets through exports***

By using indirect channels, a firm can start exporting with no incremental investments, low start-up costs and few risks. Exporting enables a firm to adopt behaviour to obtain knowledge about foreign markets and its ability to compete in them. It is an international learning experience, a development process that takes the firm towards more and more international commitment. We differentiate indirect and direct exporting. When using domestic intermediaries, the company does not undertake exporting on its own and has a marginal role in the foreign marketing of its product. This is called indirect exporting. It demands little market knowledge of the company, but it insulates the manufacturer from foreign markets. A company that wants to have more commitment with international markets will look to direct export channels. Direct exporting offers several advantages: partial or full control over the foreign marketing plan, more and quicker information feedback from the target market which can improve the marketing effort and a better control of trademarks, patents and other intangible property (Root, 1994).

#### ***Entering international markets through direct investment***

When a company wants to exploit more fully its competitive advantage in the target market it could make use of a direct investment entry option as a joint venture or a subsidiary. It allows a company to transfer managerial, technical, marketing, financial, and other skills to a target country in the form of an enterprise under its own control (Root, 1994).

### **2.3 Internal Analysis: Internal factors influencing internationalisation**

The internal factors are viewed as strength or weaknesses depending upon their impact on the organisation's objective to internationalise. How a company responds to the external factors in choosing an entry mode depends on internal factors (Root, 1994). The internal analysis defines the ability to change (be ready for internationalisation) for HowTech (Young et al, 2003, Peters et al, 1982). Young, 2003, mentioned three important internal factors for small firm internationalisation:

- Firm's human resources: The more abundant the company's resources in management, R&D skills, marketing skills etcetera, the more numerous its entry mode options. A company with limited resources is constrained to use entry modes that call for only a small resource commitment. A company size is frequently a critical factor in the choice of an entry mode (Young et al, 2003), (Root, 1994).
- Management competences: The above mentioned resources are not sufficient to explain a company's choice for an entry mode. Resources must be joined with a willingness to commit them to foreign market development. A high degree of commitment means that managers will select the entry mode for a target country from a wide range of alternative modes, compared to managers with low commitment (Young et al, 2003), (Root, 1994).
- Differentiation: Can be a source of competitive advantage. Highly differentiated products with distinct advantages over competitive products give sellers a significant advantage.



High product differentiation favours export entry, while low differentiation pushes a company towards local presence (*Young et al, 2003*), (*Root, 1994*). These factors are analyzed for HowTech in the internal analysis.

Next to these factors the 7-s model of McKinsey is used to make a characterization of the organization. The model starts on the premise that an organization is not just a structure but consists of seven elements that make the organisation successful, or not. The interconnected elements define an organisation's ability to change. To be effective, a high fit between the elements is necessary. Each element must be consistent with the other elements. The model and the different elements are given and described below.

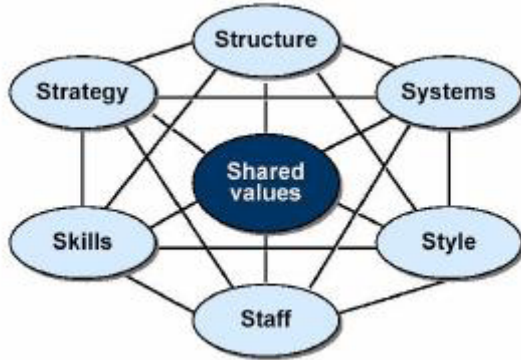


Figure 2.1, 7S-model, Peters et al, (1982)

- Structure is a chart that shows the hierarchy, coordination and accountability in an organisation. It is the way the organisation's units are organised with each other (centralized, decentralized);
- The Staff refers to the number and types of personnel within the organisation, also the education criteria and selection procedures;
- Skills indicate what the organisation does best, and could achieve competitive advantage;
- Shared values are the commonly held beliefs and assumptions that shape how an organisation behaves, its corporate culture. It is an indication of what the organisation wants, what it stands for and what it believes in. According to figure 2.1, the shared values are the interconnecting centre of the 7-s Model;
- Style refers to the cultural style of the organisation, how key managers behave in achieving the organisation's goal.
- Systems define the flow of activities involved in the daily operation of business, including its core processes and its support systems. They refer to the procedures, processes and routines that are used to manage the organisation;
- Strategy is the route that the organisation has chosen for its future growth. The models and theories about the strategic analysis, the strategy clock and a market definition are described next.

(Peters et al, 1982)

After analyzing these factors, influencing internationalisation, we define the segments where the product is best suitable. This definition is necessary to know what the decisive direct environmental criteria are. The market is defined by following the next steps:

- state the target market and the needs to be fulfilled;
- break this large market down into smaller sections

(Guiltinan et al, 1994)



## 2.4 External Analysis part 1: Country comparison/ selection

Market screening is a method of market analysis used to identify a small number of desirable markets by eliminating those judged to be less attractive (*Ball et al, 2006*). Selecting among alternative international markets requires information. The knowledge of information across different types of markets determines the degree of entry success (*Wood et al., 2000*). Young, 2003, mentioned three important external factors for small firm internationalisation:

- Favourable/ unfavourable foreign market conditions: The political, economical, socio-cultural, technological and legal characteristics of the target country can have a decisive influence on the entry strategy. Restrictive import policies obviously discourage export entry in favour of other entry options. Next to these macro environmental factors also the more related factors to the company's product (the direct-environmental factors), are decisive for the country selection process.
- Industry sector trends: Gives an indication of the development of the industry.
- Economic cycle: Information about economic growth, GDP per capita, inflation marks etcetera, indicate the potential/ attractiveness of the target country.

To explore if there are favourable (or unfavourable) foreign market conditions, the external analysis begins with an environmental screening. This screening can be divided into direct and macro environmental. The direct environmental screening is the starting point of the analysis. These company/product related factors are of decisive importance for HowTech. Next to the direct environmental screening, the macro environmental factors are analyzed. These factors are less decisive for the country selection process but must be taking into consideration. Direct environmental indicators are more decisive for country selection. This study ranked them with 80 percent (importance) in the country selection model. The macro environmental factors are given a percentage of 20.

The industry sector trends are analyzed in the direct environmental screening. This information gives a view of the development of the industry in that market. The economic cycle is mentioned as the third highest influencing factor in the internationalisation process. This cycle describes the flow of economic growth or decline. Below we describe the macro and direct environmental criteria. These criteria are analysed and compared for all of the six countries. The country with the most environmental potential is selected. After the description of the direct and macro environmental criteria, the country selection process is given. This process consists of eight stages based on the selection framework of Kotabe (*Kotabe et al, 2000*).

### 2.4.1 Direct Environmental criteria

Criteria which are more decisive for the country selection process are the direct environmental criteria. The variables used are not entry mode specific. Two important factors mentioned by Young, are included in this part: industry sector trends (production growth rate) and economic cycle (GDP, economic grow).

| Direct environmental criteria:    | Description:  |
|-----------------------------------|---|
| Population size and density       | Population size and density gives an indication of the size of the market |
| Urbanization                      | The more crowded urban locations the more attractive for HowTech;         |
| Economic grow                     | Correlated with the consumption of goods and services;                    |
| GDP per capita                    | More consumption possibilities result in more advertising potential;      |
| Inflation                         | Rise in prices that cause the purchasing power of nation to fall;         |
| Industrial production growth rate | Indicates the performance in a market;                                    |
| Business Freedom                  | Ability to create, operate, and close an enterprise quickly               |



|                         |   |
|-------------------------|---|
|                         | and easily;   |
| Business Sophistication | Concerns the country's overall business networks, as well as the quality of individual firms operations and strategies; |
| Airport Traffic         | A place where the SyncMovie System is applicable. High frequencies of passengers/ traffic are important;                |
| Railway traffic         | A place where the SyncMovie System is applicable. High frequencies of passengers/ traffic are important.                |

Table 2.1 Direct Environmental criteria

#### 2.4.2 Macro Environmental criteria

The macro environment consists of factors which are beyond the control of a business, such as social, technological, economical and political factors. Knowledge about the impact is important because changes of any of these factors affect the competitive environment in which organisations operates (*Johnson et al, 2006*). The PESTEL- framework categories the macro environmental criteria into six main types: Political, economical, social, technological, environmental and legal forces. The macro environmental criteria analyzed in this study:

| Macro Environmental criteria      | Description:  |
|-----------------------------------|---|
| <u>Financial Forces:</u>          |   |
| Financial freedom                 | Indicates the independency from governmental control;   |
| Investment freedom                | Indication of the free flow of capital;   |
| <u>Political Forces</u>           |   |
| Ideology/ freedom from Government | Indicates the manner of privatization. Ideally, the state will provide only true public goods, with an absolute minimum of expenditure;               |
| Political stability               | Indicates the unconstitutional and/ or violent means, including terrorism;  |
| Control of corruption             | Indicates the perception of corruption in the business environment, including levels of governmental, legal, judicial, and administrative corruption; |
| <u>Legal Forces</u>               |   |
| Employment regulations            | Ability of employees and employers to interact without restriction of the state;  |
| Property rights                   | A measure of the protection of property rights;   |
| <u>Technology Level</u>           |   |
| Technology Readiness              | Access and usage possibilities determines economies overall level of technological readiness;   |
| <u>Socio Cultural Forces</u>      |   |
| Language                          | Indicates the percentage of English speaking people in a country;   |
| Education                         | Gives general info about the skills of the countries people.  |

Table 2.2 Macro Environmental criteria

#### 2.4.3 Country Selection Process

The purpose of this part is to identify the most promising country. The ability to select a country depends on the premises that markets can be identified by comparing and evaluating country characteristics. The macro and direct (company related) environmental indicators will be assessed. The indicators described at the direct environment are thereby of main importance. The



difference in importance is explained by percentages. The direct environmental criteria are counted for 80% in the total average score, the macro for 20%. The characteristics of countries in relation with the macro environmental indicators are likely to be comparable (especially in European countries, as in this study). Direct related criteria, such as the size of the market, have a high influence on the country selection. Against this the macro environment could be decisive. Political instability, corruption or high taxes can hold back a company to enter the country. Because we research (stable) West-and Southern European countries, this will not present a problem. The country selection process in this study consists of eight stages based on the selection frame of Kotabe (*Kotabe et al, 2000*).

1. The company ranks the macro environmental indicators;
2. The company ranks the direct environmental indicators;
3. The researcher ranks the macro environmental indicators;
4. The researcher ranks the direct environmental indicators;
5. Rate the countries on each macro environmental indicator (qualitative data);
6. Rate the countries on each direct environmental indicator (qualitative data);
7. Describe the difference of importance between macro and direct environmental factors (influence on the country decision in %);
8. Compute overall score for each country.

The process is given in the table below. The numbers are referring to the descriptions above. First the importance rate for every criterion is given by the company, then by the researcher. The fourth column is the score of the desk research. The importance rate score of the company and the researcher are multiplied with the score of the desk research. The outcomes of these scores are given in the columns “Score HowTech” and “Score Researcher”. At the end, the average score includes these two weighted outcomes with the un-weighted outcome of the desk research score. This is done in order to minimize bias.

|                    |         |            |        |         |            |         |
|--------------------|---------|------------|--------|---------|------------|---------|
| <i>Criteria</i>    | Weight  | Weight     | Score: | Score   | Score      | Average |
| <i>Macro</i>       | HowTech | Researcher | desk   | HowTech | Researcher | (a)     |
| <i>Environment</i> | (1)     | (3)        | (5)    | (1)*(5) | (3)*(5)    |         |

|                    |         |            |             |         |            |         |
|--------------------|---------|------------|-------------|---------|------------|---------|
| <i>Criteria</i>    | Weight  | Weight     | Score: desk | Score   | Score      | Average |
| <i>Direct</i>      | HowTech | Researcher | research    | HowTech | Researcher | (b)     |
| <i>Environment</i> | (2)     | (4)        | (6)         | (2)*(6) | (4)*(6)    |         |

| <i>Countries</i> | Average<br>score Macro<br>Environment<br>(a) | Average<br>score Direct<br>Environment<br>(b) | (7)<br>Importance<br>Macro in %<br>20 (a*0.2) | (7)<br>Importance<br>Direct in %<br>80 (b*0.8) | Total average<br>score<br>(8) |
|------------------|--|---|---|--|-------------------------------|
|------------------|--|---|---|--|-------------------------------|

(Table 2.3 Kotabe countries selecton frame)

The criteria are described in the first column. These criteria are weighted (in the second and third column) by the researcher and by the company with the following selection criteria:

- 0 of no importance for the country selection process;
- 1 of little importance for the country selection process;
- 2 of moderate importance for the country selection process;
- 3 of high importance for the country selection process.



The score of the outcome (5-6) of the desk research could be measured as followed:

- -1 a negative outcome for HowTech;
- 0 a moderate outcome for HowTech;
- 1 a positive outcome for HowTech.

The average score outcome of the direct and macro environmental criteria are weighted with an importance percentage (7). The outcome of this is the total average score of the country (8). The percentages are:

- 20% Macro Environmental criteria
- 80% Direct Environmental criteria

## 2.5 External Analysis part 2: Market characteristics, of the selected country, influencing internationalisation

The macro environmental factors, described before, are related with the competitive forces in a country. For example, technological developments can have an impact on the competitive advantage of a company with an old used technology.

The country that is selected through the country selection process of Kotabe is further analyzed with a competitive environmental analysis. This is done with making use of the five forces framework of Porter (1980). This analysis gives a better understanding of the competitive forces in the industry and how they influence the internationalisation. The framework of Porter models an industry as being influenced by five forces. With this model it is possible to better understand the industry context in which the firm operates.

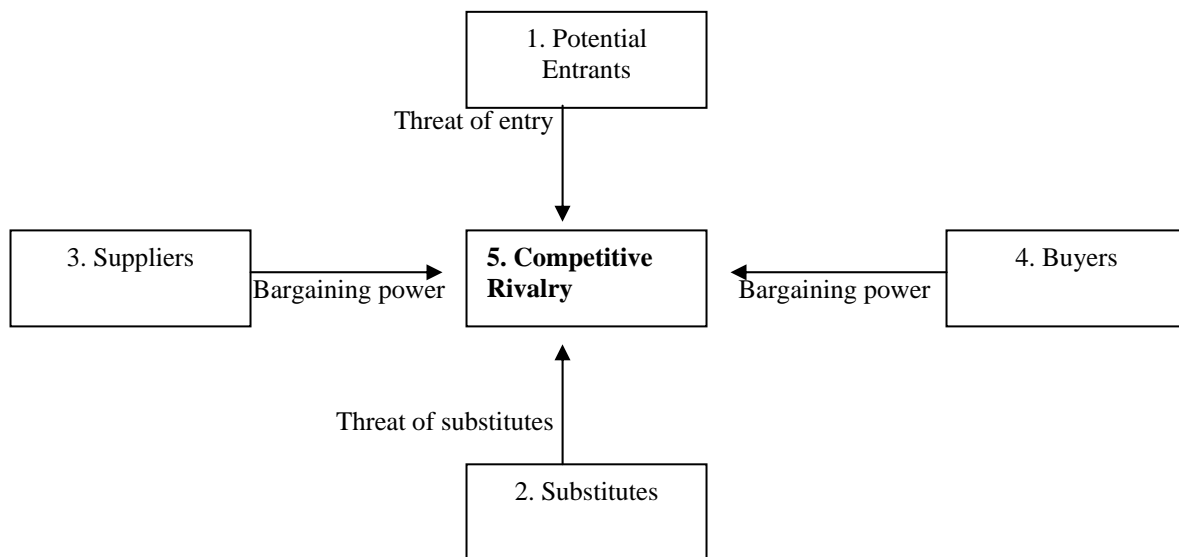


Fig. 2.2, *The five forces framework, (Porter, 1980)*

1. The possibility that new firms may enter the industry affects competition. It is not always free to enter and exit a market. Industries show characteristics that protect the high profit levels for firms in the market and inhibit additional rivals from entering the market. Typical barriers are: economies of scale, the capital requirement of entry, access to supply or distribution channels, customer or supplier loyalty, experience, expected retaliation, legislation or government action and differentiation;
2. Substitutes refer to products in other industries. A threat of substitutes exists when a product's demand is affected by the price change of a substitute product. The demand for a particular kind of product becomes elastic as customers have the possibility to switch to the alternatives. An example of substitution: a product-for-product substitution; for





- instance, a digital projection of an advertisement instead of posters. Other forms are substitution for need and generic substitution;
3. The bargaining power of buyers and suppliers can be considered together because they have a similar influence on the organisation. Suppliers can be powerful and have a dominant influence on the industry, such as selling products at a high price to capture some of the industry's profits. The market channels as media companies or special agencies are analyzed;
  4. The power of buyers gives reference to the impact that customers have on a producing industry. In a market with many suppliers and one buyer, the buyer sets the price and has a significant power influence.
  5. It becomes clear that the four competitive forces (*arrows in fig.3.4*) influence the competitive rivalry between the organisation and its rivals. Factors that affect the degree of competitive rivalry are: the difference in size of competitors, industry growth rates and, for example, high fixed costs in an industry.

This model of Porter is used to get an overview of the competitive environment HowTech will encounter. Thereby, it is important to know that these forces are dependent upon each other. Pressures from one direction can shift, for example, sources of competition. Therefore, there is a connection between these forces and the key drivers in the macro environment (*Porter, 1980*).

## 2.6 Entry Strategy

As described before, with small firm internationalisation, it is attractive for small firms to enter international markets through licensing. So we can have a statement such as “small companies only license”. This is an example of the naïve rule (*Root, 1994*). This rule ignores the heterogeneity of country markets and entry conditions. The problem can be that the company enters the market with an inappropriate entry mode strategy. A clear knowledge of the environment/ market is a must. So the review of the best entry mode strategy for feasibility is done with respect of the external analysis and with respect to the companies' resources and commitment (internal analysis). Next to a description of how to choose the right entry mode, the criteria for an appropriate marketing effort are described.

### 2.6.1 Selection right entry mode

All entry options are taken into account with respect to the company's resources and commitment and with respect to the foreign target country/market. Different criteria are compared with different entry options. Some entry modes may be ruled out for external reasons, or they may be ruled out for internal reasons. Below the table we use to make a decision for the best workable entry mode.

| <i>Criteria</i> | <i>Low Human Resource Commitment</i> | <i>Low need for Financial Resources</i> | <i>Active Marketing possible</i> | <i>Low Risk</i> |
|-----------------|--------------------------------------|---|----------------------------------|-----------------|
| <b>Modes</b>    |                                      |   |                                  |                 |
| Licensing       |                                      |   |                                  |                 |
| Direct Export   |                                      |   |                                  |                 |
| Indirect Export |                                      |   |                                  |                 |
| Investment      |                                      |   |                                  |                 |

(Table 2.4 Comparison Matrix Root, 1994)

Each criterion will be analyzed with respect to company's resources and the market characteristics of the selected country, to come to a final decision (Positive: 10, Moderate: 5, Negative: 1).



### 2.6.2 Marketing

The sales potential in a target market depends on both the entry mode and the marketing effort. The basic functions of markets are the same, but international markets often differ because of the variations in the uncontrollable environment. But even other forces could vary across countries, such as the availability of distribution channels, product aspects may be different, dissimilar promotional mix and a distinct cost structure (*Ball et al, 2006*). The foreign marketing plan is intimately related to the entry decision. The entry mode determines the degree of a company's control over the marketing program in the target country. Regardless of the entry mode, a company should be concerned with the marketing of its product in a target country. Even when its product is marketed under the direction of independent outside firms, a company's profits will depend on the market performance of those firms. The marketing mix consists of a set of strategic decisions based on these five forces: Product, Price, Channel, Promotion, and Distribution. There is a high interdependency between these forces. No single element can be effective in generating sales without the support of the other elements (*Root, 1994*).

**Product:** The product is the central focus of the marketing mix. The central question for an organisation is: "Does the characteristics of the product or service meet the needs of the customers?" If it fails to satisfy these needs, no amount of promotion or, for example, price cutting will persuade them to buy (*Ball et al, 2006*).

**Price:** Pricing is an important and complex consideration in formulating the marketing strategy. Pricing strategies and decisions require monitoring the competitive marketplace. Unlike the other three elements of the marketing mix, price is relatively easy to change. The price is highly dependent on the degree of product differentiation in the market.

**Channel:** The chain of marketing agencies that links the company to his final buyers. The channel flow is a series of transactions that ultimately transfer ownership to final buyers.

**Promotion:** The central question to this market mix element is: "Are the chosen target groups informed or educated about the organisation and its products?"

The promotional mix could be divided in advertising, personal selling, sales promotion, public relations and publicity. The promotional mix will depend on the type of product, the environmental forces, and the amount of market penetration desired (*Ball, 2006*).

**Distribution:** Subjects, such as locations, logistics, channel members, and market coverage are taken into account. The central question is: "Is there availability at the right place, at the right time, in the right quantities?" Managers are concerned with two functions: getting the product to the foreign market, and distributing the product within each market.





## 2.7 Conclusion

In this chapter the first research question is answered: ‘What factors need to be considered for internationalisation of SMEs, operating in the business- to- business (B2B) market?’ An important aspect of the entry strategy (of small firms) in the selected market is to make use of information from an established network. Therefore it is crucial to build up business relations and gain advantage with it. For small companies it is important to understand the structure or content of the relationship, the process they encompass and aspects to manage the relationship effectively. The B2B market, where HowTech operates, has several dissimilarities with business-to-consumer marketing. Often more people are involved in a business purchase, the purchase people are professional what makes it more difficult to handle, and the time of purchasing may be longer because more factors play a role in business transactions.

The entry options are licensing, exporting, or direct investment. There are internal and external factors influencing the choice of entry. An internal factor, as for example limited financial resources, is a negative influence for an entry mode as direct investment where the required financial resources are high. An external factor, as for example high competition in the target market, requires a more active entry mode. Indirect export or licensing is therefore not suitable. The internal and external factors, described below, form the basis for analysis of the next sections: internal analysis, external analysis/ country comparison, and the external analysis of market characteristics.

Young (2003) mentioned three important internal factors for small firm internationalisation:

- Firm’s human resources: High skills results in more possibilities in entry modes;
- Management competences: A high degree of commitment results in more affinity with the right entry mode;
- Differentiations: High differentiations favours export entry, while low differentiation favours local presence.

Next to these factors the 7-s model of McKinsey is used to make a characterization of the organization and its ability to change for internationalisation. The elements of the 7-s model are: structure, systems, style, staff, skills, strategy, and shared values. To explain the direct environmental criteria (in next section), the target segments are defined. This is done by stating the target market and the needs to be fulfilled, and by breaking this large market down into smaller sections.

Young (2003) mentioned three important external factors for small firm internationalisation:

- Favourable/ Unfavourable foreign market conditions: Environmental criteria, as for example restrictive import policies, can discourage an export entry mode in favour of other modes;
- Industry sector trends: Gives an indication of the development of the industry;
- Economic cycle: Information about economic growth, GDP per capita, inflation marks, indicate the potential/attractiveness of the target country.

To explore if there are favourable foreign market conditions in the six countries, direct and macro environmental criteria are analyzed. The industry sector trends and economic cycle is included in the direct environmental criteria. These criteria will be analyzed:

### *Direct environmental criteria*

- |                   |                                     |
|-------------------|-------------------------------------|
| - Population size | - Industrial production growth rate |
| - Urbanization    | - Business freedom                  |
| - Economic growth | - Business Sophistication           |
| - GDP per capita  | - Airport Traffic                   |
| - Inflation       | - Railway Traffic                   |

*Macro environmental criteria*

- |                                     |                          |
|-------------------------------------|--------------------------|
| - Financial freedom                 | - Employment regulations |
| - Investment freedom                | - Property rights        |
| - Ideology/ freedom from Government | - Technology readiness   |
| - Political stability               | - Language               |
| - Control of corruption             | - Education              |

The direct environmental criteria are more decisive for the country selection process. A criteria as business sophistication is more important and decisive than for example a macro environmental criteria as freedom from government. The country selection process is done by using Kotabe countries selection frame. The macro and direct environmental criteria are ranked by the researcher and the company and scored through the desk research. Finally one country will be selected.

The macro environmental factors are related with the competitive forces in a country. For example technological developments can have an impact on the competitive advantage of a company with an old used technology. The selected country is further analyzed with an analysis of the market characteristics. This is done by using the five forces framework of Porter (1980). The forces are:

- potential entrants
- suppliers
- buyers
- substitutes
- competitive rivalry

As mentioned before these external forces influence the entry strategy.

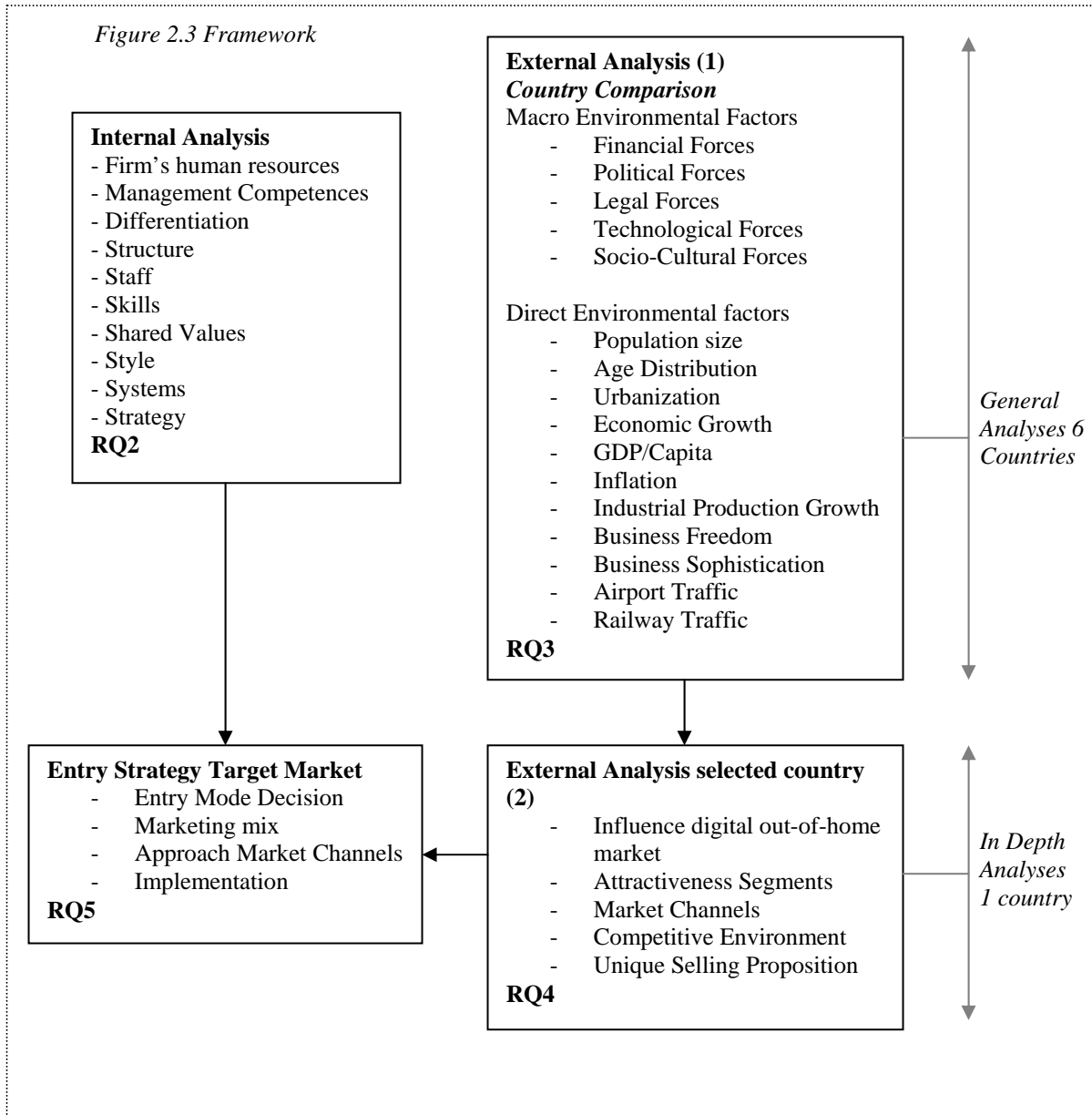
To select an entry mode, all options are taken into account with respect to the internal and external criteria influencing this decision. Some entry modes may be ruled out for internal reasons, other for external reasons. The final selection is done by using the comparison matrix of Root (1994).

The foreign marketing plan is intimately related to the entry mode. The entry mode determines the degree of a company's control over the marketing program in the target country. The marketing mix consists of a set of strategic decisions based on the five forces: Product, Price, Channel, Promotion, and Distribution.

The framework of this research is illustrated in figure 2.3. The result of the internal analysis is an overview of the strengths and weaknesses of the company influencing the internationalisation. In the first part of the external analysis, a country comparison is made finally results in selection of one country. For this country an overview of the market characteristics is given in the second part of the external analysis. This shows the opportunities and threats in the selected country. Both, the internal factors of the company, and the market characteristics of the selected country, influence the entry strategy.



Figure 2.3 Framework



## Chapter 3: Internal Analysis

The ambition of HowTech to internationalise in the near future must be based on the objectives, strengths, and capabilities of the business. Understanding the business and look for the internal influences on the entry strategy is the goal of this analysis. The internal factors mentioned in previous chapter will be analyzed in this chapter. The research question answered in this chapter:

- What are the internal factors of HowTech influencing the entry strategy?

### 3.1 Firm's human resources (staff, skills)

HowTech's staff is highly educated with scientific skills and they speak, next to their mother tongue, fluent English. Next to the managing director there are five employees. The general manager is responsible for the policy and strategy within the company, as well as searching for projects. Two marketing and sales employees also search for possibilities in the (international) market, and thereby screen the market. Two R&D employees are continually developing the product and search for possibilities, as it is important to be innovative as company. As mentioned in previous chapter, the more abundant a company's resources in management, R&D and marketing, the more numerous its entry options. With limited resources, HowTech is constrained to choose entry options that call for a small resource commitment. Investment entries as a subsidiary or a joint venture are therefore not suitable because it requires a substantial capital, management, and other company resources. Entry options as exporting or licensing are therefore possible because of the relative low commitment and low risks (*interview managing director*).

*Implications:*

- The skills of the employees are high resulting in a potential to choose for more direct investment entry options (where for example marketing skills are more important);
- The company is constrained to choose entry options that call for a small resource commitment as exporting or licensing.

### 3.2 Structure

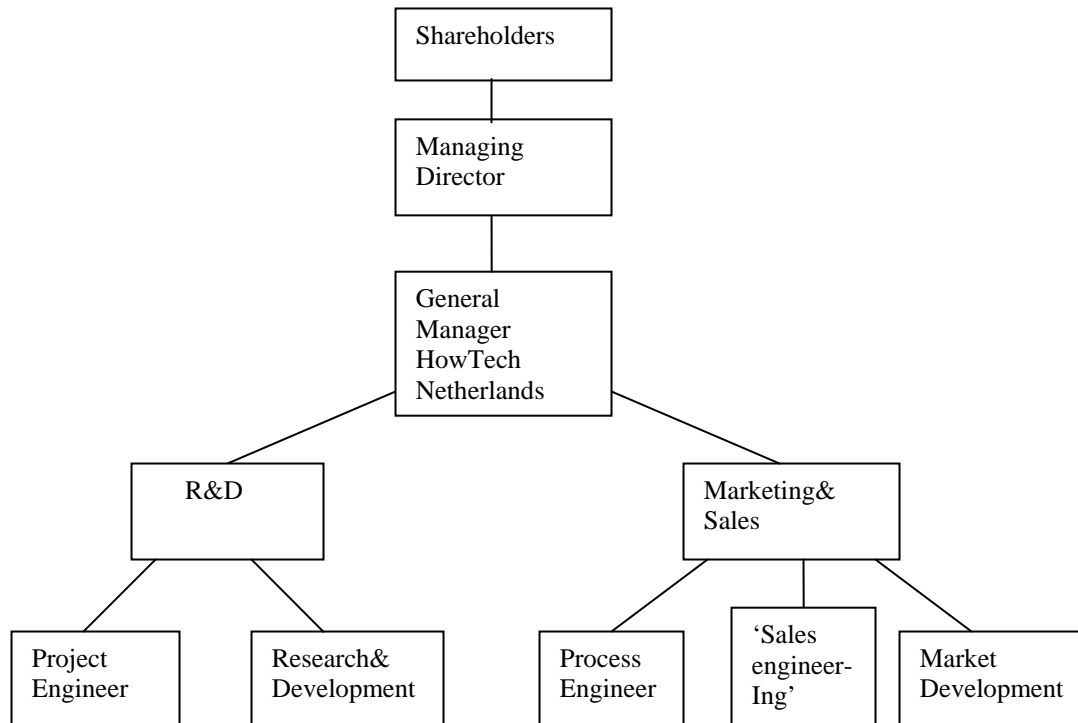


Figure 3.1, Structure HowTech (Source: Interview managing director, observation)



The organisation has a decentralized structure. Information can be quickly and easily shared throughout the organisation. The horizontal linkages overcome barriers between the departments and provide opportunities for coordination among employees to achieve organisational objectives. These linkages promote flexibility and response to change in customer needs. It also promotes a focus on teamwork and collaboration. This characteristic is a positive influence for a more active entry mode like direct export, where the marketing is the responsibility of the company. The authority for decision making in HowTech is with the managing director and the shareholders. This means that the process to cope with changing circumstances is slowed down. This is a negative influence for a direct investment entry mode. This entry mode requires a high resource commitment, and a high and quick decision making influence from the manager of the 'subsidiary' (Root, 1994).

*Implications:*

- The structure promotes flexibility, response to changes, teamwork and collaboration. Positive influence for more active entry options as direct export.
- The decision making influence of the manager of HowTech is low. Thereby the time to make decisions is long what makes an entry option as direct investment, where the ability to cope with changing circumstances must be high, difficult.

### 3.3 Management competences

The general manager of HowTech has the right mix of knowledge, skills and attitude to do his job. The small company size and the staff require him to be competent in different areas as marketing, R&D, purchasing and finance. Some competences of the manager are acting assertively, building a team, focussed on results, influence others, acting strategically and taking decisions. The manager promotes the exchange of information between employees what increases the ability to act as a team.

*Implication:*

- The manager has the competences to join the resources with a willingness to commit them to foreign market development. This high degree of commitment means that it is possible to select the entry option from a wide range of alternatives (*interview managing director*) (Root, 1994).

### 3.4 Differentiation

HowTech achieves competitive advantage with its product, the SyncMovie System. The main difference with traditional media is the longer contact time of the advertisement with passengers. The information is showed on (LCD or projection) screens on a side wall of a tunnel or corridor. The key technology of the SyncMovie System is software based. A picture representing system is showed below in fig.3.2.

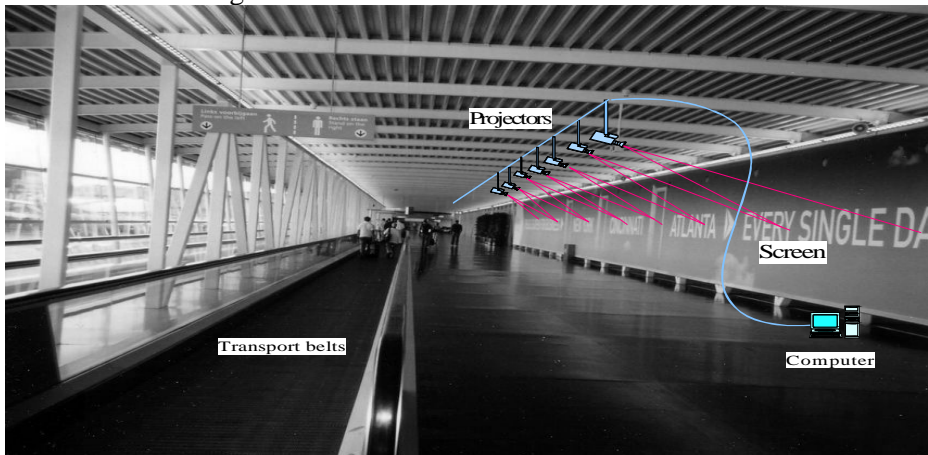


Fig.3.2. Example of the SyncMovie System



The high perceived product benefits are:

- A longer contact moment with people, compared to traditional advertisement because the advertisement moves in the same direction as people do;
- New way of advertising. People are curious, and therefore, a high attraction rate;
- Changing advertisement is simple and cheaper than replacement of traditional advertisement;
- A high attention rate;

*Implication:*

- Because of the differentiated product a low risk entry as export is possible. With low differentiation, local presence (direct investment) is preferable because the company must be competitive in other aspects, such as price, promotion, etcetera (*Root, 1994*).

### 3.5 Style

HowTech has a democratic management style. The general manager allows the employees to take part in decision-making. The communication is extensive in both directions. This style is useful in the organisation because, with complex decisions, a specific range of skills could be necessary. If we look to internationalisation it is important that the resources are joined with a willingness to commit them to foreign market development. With the high commitment from the employees of HowTech the company is able to choose more active entry modes as direct export (*Root, 1994*).

### 3.6 Shared Values

As mentioned before, HowTech has a democratic management style. The organisation could be defined as a 'learning organisation'. It learns and encourages learning among its people. The manager promotes exchange of information between employees; hence, creating a more knowledgeable workforce. This creates a flexible organisation where people will accept and adapt to new ideas and changes through a shared vision (*Daft, 2007*). Internationalisation requires new attitudes, new ways of thinking and working together. Through the shared vision of HowTech, this is better possible.

*Implication:*

- Through the democratic management style and the shared vision, commitment to internationalisation is better possible.

### 3.7 Strategy

The route to future growth is firstly to act as a technology provider in the media market. HowTech will do this by focusing on the R&D of the SyncMovie System. As mentioned before, the R&D is an important part of the organisation. Product design and development are a crucial factor in the survival of the organisation. Therefore, the R&D department of HowTech is continually searching for ways to improve their system. This is necessary due to continuous technological advances, and the changing preferences of customers. The system is a niche product which is different than those of competitors. The focus will be on certain markets: those where there are hardly any moving people, or those not efficiently reached by the conventional media. In these markets, cooperation with media agencies is very important; making long term partnerships with these agencies, and also with infrastructure authorities and source suppliers, is crucial for the company (*Hall, 1992*).

### 3.8 Systems

The SyncMovie System can be adapted to the special requirements of the customer. The installation of a system is, therefore, always made to order. For deployment of the system, HowTech works in corporation with hardware suppliers. The customer has direct connection with only the hardware supplier for technical operational questions. With an order, the hardware supplier will start with installation of the proposed hardware (screens, projectors etc.). Personnel



from HowTech (R&D) will install the software and fine-tune it with the unique system (number of screens, size). The content on the screen is managed by HowTech. The customer informs HowTech of its wishes, and the staffs upload the new content. The company's development team has close connection with sales and marketing to discuss potential ideas and possibilities (*observation*). In short, this is how HowTech works:

- The company sells airtime to advertisers;
- The hardware (screens, computers, beamers etc.) is ordered by a regular supplier;
- The advertisement/ spot is adapt to the system. Characteristics, such as the speed of the movement of the advertisement, are implemented in this stage. Different advertising movies/spots can be displayed on one system;
- The installation of the beamers, screens, and computers is contracted out to the supplier.

### 3.9 Market Definition

In this part we define the segments where the product is suitable. This definition is required to know the important direct environmental criteria, analyzed in next chapter.

#### 1. Target market

The target market for HowTech is the media industry. In this industry we could distinguish mass media and public media. Mass media is specifically designed to reach a very large audience such as the population of a nation state. The term public media has a similar meaning: it is the sum of the public mass distributors of news and entertainment across media (*interview managing director*).

#### 2. Segments

Advertising can be accomplished through many types of media including newspapers, radio, magazines, television, direct mail, point of sale, outdoor and the Internet. Advertising is an announcement made to the public to call attention to the desirable characteristics of a product or service. As described before, the SMS is ideal for public places with a high frequency of passengers, as in airports and railway stations. Virtually no other segments/ communication platforms offer as many advantages (*Bygrave, 1994*):

- The highest traffic counts;
- Young, buying-oriented target groups with above-average incomes;
- An above-average number of business travellers and decision-makers;
- A wide range of high-quality advertising vehicles at top locations;

Next to this, modern airports are developing in international cities, with fascinating worlds to experience. They offer room for both classical standard media as well as for custom, spectacular image media. Daily flights to destinations throughout the world create the ideal prerequisite for international campaigns (*Bygrave, 1994*). Below we compare the advantages/ disadvantages of outdoor advertisement with the other media forms. These are indications why advertisers should choose for one or another advertising medium.

| Table 3.1: Advantages and Disadvantages Associated with Specific Advertising Media ( <i>Bygrave, 1994</i> ) |  |  |
|---|--|--|
| Media:  | Advantages:  | Disadvantages:   |
| Newspaper   | Flexible in ad size and cost, reach large audience, segment consumer by geography, low cost relative to other media, use coupons to measure effectiveness, short lead time | Inconsistent reproduction, typically one-day exposure, hasty reading, lack of movement and sound, clutter (can be lost among others)   |
| Radio   | Specific audience (demographics), immediate/timely/multiple exposures, possible high entertainment value of ad, time and content flexibility, use of human voice           | Time limitations restrict message, need for repetition, clutter, ad recall is low, short ad exposure, don't have visual capacity, fragmented and inflexible, temporary nature of message |





|                        |   |  |
|------------------------|---|--|
| Magazines/<br>Journals | Selectively for demographic and geographic segments, high in quality reproduction, potentially large coverage area, can use colour, flexibility in size and cost, visibility of the product, use of coupons to measure effectiveness                                  | Clutter, cost associated with repeat exposure, lack of movement and sound, not immediate; publication may be weekly/monthly or less frequent, lack of flexibility in gaining attention, often limited control over location ad |
| Television             | Large coverage area, can target a specific audience, uses both visual and auditory stimulants, large repeat exposure  | Can be costly to produce and air time limitations restrict message, evidence of public distrust, hard to target customers, requires production specialists   |
| Direct Mail            | Can target a specific audience, more opportunity to educate on product/ service benefits, complete information  | Expensive, difficult to obtain 'clean' mailing list, may be perceived as junk mail/ discarded unopened   |
| Point of Sale          | Can influence impulse purchasing, helps product stand out among competition, customer has opportunity for direct response at time of ad presentation  | Can be expensive, clutter (ad can lost among other point-of sale material)   |
| <b>Outdoor</b>         | Large audience exposure depending on placement, use of colour, can provide information and directions, continuous exposure possibility, inexpensive relate to other media, quick communication of simple ideas, ability to promote products available for sale nearby | Cannot target customer, public concern over aesthetics, limited message length, initial production and preparation costs, ideal sites are difficult to access  |
| Internet               | Information available 24/7, customers access at their convenience, relatively cost effective, can target types of viewers, messages can be timely, ads can be interactive, ability to use coupons to measure effectiveness  | Maintenance necessary, not effective as stand-alone strategy, difficult to gauge impact, costs of development and maintenance can vary   |

Digital out-of-home advertisement (DOOH), as with the SMS, is a category of outdoor advertisement. DOOH is essentially any type of advertising that reaches the consumer while he or she is outside the home. This is in contrast to broadcast, print or internet advertising, which is usually viewed in the home or office. The SMS encompasses outdoor advertising but extends to the indoors as well (expos, ads in malls etcetera). The advantages and disadvantages of indoor advertisement are comparable with those of outdoor advertisement. Extra motives for advertisers to choose outdoor advertisement are:

- Lower maintenance costs and higher revenues, combined with reduced hardware costs;
- The added values of DOOH formats over traditional formats are: Superior impact of moving image, creative and dynamic copy and scalability.

(Bygrave, 1994)





### 3.10 Conclusion

With limited resources, HowTech is constrained to choose entry options that call for a small resource commitment. Investment entries as a subsidiary or a joint venture are therefore not suitable because it requires a substantial capital, management, and other company resources. Entry options as exporting or licensing are therefore possible because of the relative low commitment and low risks.

The horizontal linkages of the organisation overcome barriers between the departments and provide opportunities for coordination among employees to achieve organisational objectives. It promotes a focus on teamwork and collaboration. The management style is therefore democratic. This style is very useful in the organisation because complex decisions have to be made, that requires a specific range of skills. This organisational characteristic is a positive influence for a more active entry mode like direct export, where the marketing is the responsibility of the company and teamwork is an important aspect. The authority for decision making in HowTech is with the managing director and the shareholders. This means that the process to cope with changing circumstances is slowed down. This is a negative influence for a direct investment entry mode. This entry mode requires a high resource commitment, and a high and quick decision making influence from the manager of the 'subsidiary'.

The general manager of HowTech has the right mix of knowledge, skills and attitude to do his job. The small company size and the staff require him to be competent in different areas as marketing, R&D, purchasing and finance. The manager promotes the exchange of information between employees what increases the ability to act as a team.

HowTech achieves competitive advantage with its product, the SyncMovie System; the main difference with traditional media is the longer contact time of the advertisement with people in motion. Because of the differentiated product an entry mode as export is advisable. With low differentiation, local presence (direct investment) is preferable because the company must be competitive in other aspects, such as price or promotion.

The product of HowTech is ideal for public places with a high frequency of passengers, as with airports and railway stations. Virtually no other segments/ communication platforms offer as many advantages as the highest traffic accounts and an above-average number of business travellers and decision makers. Therefore criteria as Railway Traffic and Airport Traffic are included in the Direct Environmental Analysis in the next section. The SyncMovie System belongs to the category outdoor advertisement. Some advantages of outdoor advertisement are: large audience exposure, continuous exposure possibility and quick communication possible of simple ideas. Disadvantages are that it is difficult to target customers, the limited length of messages and ideal sites are difficult to access.

| Internal Factors influencing entry strategy  |   |
|--|---|
| High degree of commitment in the organization: more alternative entry options are possible;  | Decision making process is slow what is a negative influence for direct investment entry;   |
| The organizational structure promotes flexibility, teamwork and collaboration: positive for more active entry options as direct export where the marketing is the responsibility of the company; | Because of the small size of the firm, it is constrained to choose entry options that call for a small resource commitment as exporting or licensing; |
| High skilled workforce resulting in a potential to choose for more direct investment entry options;  | The company has limited resources what makes direct investment not possible.  |
| Highly differentiated product: Export as low risk option is possible in the beginning stage of internationalisation.   |   |

(Table 3.2: Internal Factors influencing entry strategy)

## Chapter 4: External Analysis 1: Country comparison/ selection

HowTech is interested in the most promising country. In order to give an answer to the third research question: *RQ3: What country is the most promising for entry by HowTech*, all countries (Spain, Italy, France, Germany, Belgium, UK) need to be analyzed, weighted, and ranked in importance. The macro and direct environmental criteria mentioned in the second chapter are discussed and analyzed in this section. Some criteria are more for a general understanding of the country, while other criteria are decisive and important for the country selection process. First of all, we give an explanation why the selected criteria are important for HowTech. After this explanation, a table is given with the weight scores and how to measure each criterion. The outcome of each country analysis (appendix) is given in tables.

### 4.1 Selection criteria and their importants

The decisive criteria (direct environmental) accounted for 80% of the total score. Criteria, like economic growth and GDP, are indicating the economic cycle in a country. This factor was mentioned, in previous chapter, as important criterion for small firm internationalisation. Public places as Airports and Railway stations, are mentioned as perfect locations for the system. Traffic statistics about these two places are given for each country. Macro environmental forces accounted for 20% in the country selection process and those are the more general forces. Financial, Political, Legal, Technological and Socio-cultural forces are analyzed in this.

#### *Direct Environmental criteria*

|  |  |
|--|--|
| <i>Population size and density</i>       | Population size and density gives an indication of the size of the market. Logically, the more people see (for example) advertisement, the more effective it will be.  |
| <i>Age distribution</i>                  | An indication of the age distribution of the country.<br>This factor is not of main importance but gives a general understanding of the country (not included in the country selection process)  |
| <i>Urbanization</i>                      | The distribution of the rural and urban population. An indication of the attractiveness of rural or urban locations. A high urbanization percentage is preferable.   |
| <i>Economic growth</i>                   | The economic growth is correlated with the consumption of goods and services. It is a positive change in the production of goods and services by a country in a certain period. It is conventionally measured as the percentage of increase in real gross domestic product (GDP). This is one of the key dimensions to have international success ( <i>Wood et al, 2000</i> ). |
| <i>GDP per capita</i>                    | GDP per capita is often used as an indicator of standard of living in an economy. All citizens would benefit from their countries increased economic production. This indication gives a view of the potential of the country. More consumption possibilities result in more advertising potential.  |
| <i>Inflation</i>                         | Inflation refers to a rise in prices that causes the purchasing power of a nation to fall. Important to take into consideration for HowTech.   |
| <i>Industrial production growth rate</i> | This is an indicator for the market potential. It indicates the developments/ performance of the market.   |
| <i>Business Freedom</i>                  | The ability to create, operate, and close an enterprise quickly and easily. Burdensome, redundant regulatory rules are the most harmful barriers to business freedom. A high freedom index for a country is therefore more attractive.   |
| <i>Business Sophistication</i>           | Business sophistication concerns the country's overall business networks, as well as the quality of individual firms operations and strategies. In the business- to-business market of HowTech this is one of the most important indicators for the company.   |
| <i>Airport Traffic</i>                   | Airports are one of the places where the product of HowTech is suitable. The long walls in the gates of an airport are a good place for the SyncMovie System. Lots of  |



|                        |  |
|------------------------|--|
|                        | passengers/ traffic are therefore important.   |
| <i>Railway traffic</i> | Railway stations or subways are also places where the SyncMovie System is suitable. Therefore indicators as total passengers carried in rail transport and kilometres per head of the population are traffic indicators. |

Table 4.1: Direct Environmental Criteria

*Macro Environmental Criteria*

|  |  |
|--|--|
| Financial forces:  |  |
| - <i>Financial freedom</i>                                 | This is a measure of banking security as well as independence from government control. State ownership of banks and other financial institutions such as insurer and capital markets is an inefficient burden. A high financial freedom index is favourable.   |
| - <i>Investment freedom</i>                                | This is an indication of the free flow of capital. An example is restrictions on resident or non-resident foreign exchange accounts. A high investment freedom index is therefore favourable for HowTech.  |
| Political forces   |  |
| - <i>Ideology/freedom from government</i>                  | This criterion is defined to include government expenditures, including consumption and transfers. Ideally, the state will provide only true public goods, with an absolute minimum of expenditure.  |
| - <i>Political stability:</i>                              | Political uncertainty does disturb the flow of foreign direct investment plans. This criterion indicates the unconstitutional and/ or violent means, including terrorism. Higher positive values indicate greater political stability.   |
| - <i>Control of corruption</i>                             | This criterion is bases on quantitative data that assess the perception of corruption in the business environment, including levels of governmental legal, judicial, and administrative corruption. A high control of corruption index is favourable for HowTech.  |
| Legal forces   |  |
| - <i>Employment regulations</i>                            | This is a measure of the ability of employees and businesses to interact without restriction by the state. A high labour freedom index is favourable for HowTech.  |
| - <i>Property rights</i>                                   | A measure of the protection of property rights by clear laws that are fully enforced by the state. The higher the index the more favourable for the company.   |
| - <i>Fiscal freedom</i>                                    | A measure of the burden of government from the revenue side. It includes both the tax burden in terms of the top tax rate on income (individual and corporate separately) and the overall amount of tax revenue as a portion of gross domestic product (GDP). The higher the index, the lower the tax burden of the government, the more favourable for HowTech. |
| Technology Level   |  |
| - <i>Information Communication Technology expenditures</i> | This criterion measures the interest of a country in ICT. The indication (ICT expenditures % of GDP) is related to the criterion network readiness. More expenditure leads to a higher level of technology network readiness. (not included in the country selection model)  |
| - <i>Internet Users</i>                                    | Also an indication for the technological readiness of a country, not added in the country selection model.   |
| - <i>Technology readiness</i>                              | ICT access and usage is important for the applicability of the SyncMovie System. And this access and usage possibility determines economies overall level of technological readiness. The higher the index, the more favourable for HowTech.   |
| Socio Cultural Forces                                      |  |
| - <i>Language</i>  | To do business in a foreign country the English speaking capability of people is a   |

|             |   |
|-------------|---|
|             | preference. The percentage English speaking people is given by each country. This criterion is not included in the country selection model. |
| - Education | Gives general info about the skills of the countries' people. Not included in the country selection model.                                  |

Table 4.2: Macro Environmental Criteria

#### 4.2 Weights and Measurement of the criteria

For a reference of the scores and weight indicators see section 2.4.3. The analysis of the criteria of each country and the sources of the analysis is given in the appendixes 1 to 6.

The score of the outcome of the desk research is measured as followed:

- -1 a negative outcome for HowTech;
- 0 a moderate outcome for HowTech;
- 1 a positive outcome for HowTech.

| Criteria   | Weight How-Tech | Weight Resear-cher | Measurement   |
|--|-----------------|--------------------|---|
| <b>Direct (80%)</b>  |                 |                    |   |
| Population size and density (for averages: appendix 1-6, population size and density-Table, average round-off) | 2               | 3                  | To define the most attractive market for this criterion we calculate a percentage average between the population size and the population density. The biggest population is rated 100%, the highest density also with 100%. A high percentage average is positive for the market potential. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is in between 60% and 79% and -1 if it is below the 60%. |
| Urbanization (for averages: appendix 1-6, urbanization-Table, average round-off)                               | 3               | 2                  | To define the most attractive market for this criterion we calculate the highest urbanization level between the countries with 100%. A high percentage is positive for the market potential. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is in between 60% and 79% and -1 if it is below the 60%.  |
| Economic growth (Appendix 1-6, economic growth)  | 2               | 2                  | The highest economic growth (2006-2007) between the countries is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is in between 60% and 79% and -1 if it is below the 60%.  |
| GDP per Capita (Appendix 1-6, GDP per Capita)  | 2               | 2                  | The highest GDP per capita (2007) with the countries is ranked with 100%. The other scores are calculated as a percentage of the highest score. A higher score is positive for the market potential of the country. This criterion scores 1 if the outcome is between the 90% and 100%, it scores 0 if it is between 80% and 89% and -1 if it is below the 80%.   |
| Inflation (Appendix 1-6, Inflation rate)   | 2               | 2                  | This criterion scores 1 if the outcome is lower than 1.7%. It scores 0 if it is between 1.7 and 2.2 and -1 if the inflation percentage is 2.3% or higher.   |
| Industrial prod. growth rate (Appendix 1-6, Industrial production growth rate)                                 | 1               | 2                  | This criterion scores 1 if the outcome is in between 2.6% and 3%. It scores 0 between 2.1% and 2.5% and -1 if it is in between 1.6% and 2%. A high percentage indicates more potential for the market.  |



|   |   |   |  |
|---|---|---|--|
| Business freedom<br>(Appendix 1-6, Business freedom index)            | 3 | 3 | The highest business freedom index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 90% and 100%, it scores 0 if it is between the 80% and 89% and -1 if it is below the 80%.   |
| Business Sophistication<br>(Appendix 1-6, Business Sophistication)    | 3 | 3 | The highest business sophistication index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 94% and 100%, it scores 0 if it is between the 87% and 93% and -1 if it is below the 87%.  |
| Airport traffic<br>(Appendix 1-6, Airport traffic, average round-off) | 3 | 3 | To define the most attractive market for this criterion we calculate the percentage average between the total passengers (2006) and the (average of) the top 3 busiest airports. The highest passenger's amount is rated with 100%. The highest average amount of the 3 busiest airports also with 100%. A high percentage average is positive for the market potential. This criterion scores 1 if the outcome is in between 75% and 100%, it scores 0 if it is in between 50% and 74% and -1 if it is below the 50%. |
| Railway traffic<br>(Appendix 1-6, Railway traffic, Average round-off) | 3 | 3 | To define the most attractive market for this criterion we calculate the percentage average between the (average of) total railway traffic in 2006 and the (average of) the country with the highest rate of km per head of the population. The country with the most railway traffic and the highest km per head of the population is rated with 100%. This criterion scores 1 if the outcome is in between the 75% and 100%, it scores 0 if it is in between 50% and 74% and -1 if it is below the 50%.              |
| <b>Macro (20%)</b>  |   |   |  |
| <i>Financial forces:</i>  |   |   |  |
| Financial freedom<br>(Appendix 1-6, Financial freedom index)          | 2 | 2 | The highest financial freedom index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.  |
| Investment freedom<br>(Appendix 1-6, Investment freedom index)        | 3 | 2 | The highest investment freedom index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.   |
| <i>Political forces:</i>  |   |   |  |



|   |   |   |   |
|---|---|---|---|
| Ideology, freedom from government<br>(Appendix 1-6, Ideology/freedom from government) | 1 | 1 | The highest freedom from government index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%. |
| Political stability<br>(Appendix 1-6, political stability index)                      | 1 | 3 | A stability index of 2,5 is 100% political stability. The score is 1 when the index is in between 1 and 2,5. The score is 0 when the index is between 0 and 0.9 and the score is -1 when it is below the 0.   |
| Control of corruption<br>(Appendix 1-6, Control of corruption)                        | 1 | 2 | The highest control of corruption index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.   |
| <i>Legal forces</i>   |   |   |   |
| Employment regulations<br>(Appendix 1-6, Employment regulations)                      | 2 | 1 | The highest labour freedom index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.          |
| Property rights<br>(Appendix 1-6, Protection property rights)                         | 3 | 3 | The highest property protection index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.     |
| Fiscal freedom<br>(Appendix 1-6, Fiscal freedom index)                                | 2 | 3 | The highest fiscal freedom index is ranked with 100%. The other scores are calculated as a percentage of this highest score. A high percentage is positive for the market potential of the country. This criterion scores 1 if the outcome is in between 80% and 100%, it scores 0 if it is between the 60% and 79% and -1 if it is below the 60%.          |
| <i>Technology level</i>   |   |   |   |
| -Technology readiness<br>(Appendix 1-6, Technological Readiness)                      | 3 | 3 | First the percentages are described of network technological readiness of each country. The highest percentage is ranked with 100%. The other percentages are calculated as a percentage of 100%. This criterion scores 1 if the outcome is in between 90% and 100%, it scores 0 if it is between the 80% and 89% and -1 if it is below the 80%.            |

Table 4.3 Weights and Measurements





### 4.3 Spain

If we look to the population size of Spain, we cannot say it has a negative influence for the market potential of the country. But in comparison with the other countries, it has a low ranking. Thereby, the population density of about 91 per square km is relatively low. A high density means crowded places which is important for the effectiveness of the SyncMovie System. The score of the economic growth is positive for Spain. This growth is unbroken for the last twelve years and it is due to the increase in consumption of goods and services. Indirectly, this is very important for HowTech. A negative score is the business sophistication. For a company as small as HowTech the availability of market information and networks with other companies is important. In Spain, there is a relatively low interconnection between firms. The score of the airport traffic is positive for Spain. With about 150 million passengers a year, it belongs to one of the highest in Europe. On the other hand, the railway traffic, what is relatively low in comparison with the other countries results in a score of -1. The overall business freedom is good in Spain, with no negative influences. Positive are the financial freedom, freedom from government and the fiscal freedom (*Appendix 1*). With a total weighted score of -1.73, Spain is number five in the country selection process.

| <b>Table 4.4 Selection model Spain</b>     | <b>Weight</b> | <b>Weight</b>  | <b>Score</b> | <b>Score</b> | <b>Score</b>   | <b>Score</b>   |
|--|---------------|----------------|--------------|--------------|----------------|----------------|
| <b>Criteria</b>                            | <b>HowT.</b>  | <b>Resear.</b> |              | <b>HowT.</b> | <b>Resear.</b> | <b>Average</b> |
| <i>Direct Environmental Criteria (80%)</i> |               |                |              |              |                |                |
| Population size                            | 2             | 3              | -1           | -2           | -3             | -2.00          |
| Urbanization                               | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Economic growth                            | 2             | 2              | 1            | 2            | 2              | 1.67           |
| GDP per capita                             | 2             | 2              | 0            | 0            | 0              | 0.00           |
| Inflation                                  | 2             | 2              | -1           | -2           | -2             | -1.67          |
| Industrial production growth rate          | 1             | 1              | 1            | 1            | 1              | 1.00           |
| Business freedom                           | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Business sophistication                    | 3             | 3              | -1           | -3           | -3             | -2.33          |
| Airport traffic                            | 3             | 3              | 1            | 3            | 3              | 2.33           |
| Railway traffic                            | 3             | 3              | -1           | -3           | -3             | -2.33          |
| <i>Subtotal</i>                            |               |                | -1           | -4           | -5             | -3.33          |
|  |               |                |              |              |                |                |
| <i>Macro Environmental Criteria (20%)</i>  |               |                |              |              |                |                |
| Financial freedom                          | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Investment freedom                         | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Ideology, freedom from government          | 1             | 2              | 1            | 1            | 2              | 1.33           |
| Political stability                        | 1             | 2              | 0            | 0            | 0              | 0.00           |
| Control of corruption                      | 1             | 2              | 0            | 0            | 0              | 0.00           |
| Employment regulations                     | 2             | 3              | 0            | 0            | 0              | 0.00           |
| Property right protection                  | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Fiscal freedom                             | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Technological readiness                    | 3             | 3              | 0            | 0            | 0              | 0.00           |
| <i>Subtotal</i>                            |               |                | 3            | 5            | 6              | 4.67           |
|  |               |                |              |              |                |                |
| Direct criteria (80%*-3.33)                |               |                |              |              | -2.67          |                |
| Macro criteria (20%*4.67)                  |               |                |              |              | 0.93           |                |
| <b>Total weighted with % (20-80)</b>       |               |                |              |              |                | <b>-1.73</b>   |
| Total without % (20-80) (-3.33+4.67)       |               |                |              |              |                | 1.33           |
|  |               |                |              |              |                |                |
| Total unweighted with % (20-80)            |               |                |              |              |                | -0.2           |
| Total unweighted without % (20-80)         |               |                |              |              |                | 2              |



#### 4.4 Italy

The market potential, in relation to the population size and distribution, is good. With a population of about 60 million, it belongs to the most crowded countries of Europe. But in relation to the other five countries the score is moderate, results show 0. A negative influence on the country selection is the score for business sophistication. This means in Italy there is a relatively lower interconnection between firms, in comparison with the other five. But the ranking out of 131 countries is 27, so worldwide it is high. Thereby, Italy is home to the largest number of trade fairs and exhibitions in Europe, providing an opportunity for HowTech to make useful contacts. The total annual average of airport passengers is about 96 million. It is not a bad statistic, but if we want to know the most attractive market this score is not positive for the country selection process, resulting in -1. When doing business in Italy, the industrially developed North of the country is the most attractive. The macro environment is not wholly positive for Italy. Corruption for example, is perceived as present in Italy. Property rights are secure, but judicial procedures are extremely slow. The technological readiness, important for the SMS is relatively low, especially in comparison with the other countries (*Appendix 2*). With a total weighted score of -6.6 Italy ranks number six in the country selection process.

| <b>Table 4.5 Selection model Italy</b>       | <b>Weight</b> | <b>Weight</b>  | <b>Score</b> | <b>Score</b> | <b>Score</b>   | <b>Score</b>   |
|--|---------------|----------------|--------------|--------------|----------------|----------------|
| <b>Criteria</b>                              | <b>HowT.</b>  | <b>Resear.</b> |              | <b>HowT.</b> | <b>Resear.</b> | <b>Average</b> |
| <i>Direct Environmental Criteria (80%)</i>   |               |                |              |              |                |                |
| Population size                              | 2             | 3              | 0            | 0            | 0              | 0.00           |
| Urbanization                                 | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Economic growth                              | 2             | 2              | -1           | -2           | -2             | -1.67          |
| GDP per capita                               | 2             | 2              | 0            | 0            | 0              | 0.00           |
| Inflation                                    | 2             | 2              | 0            | 0            | 0              | 0.00           |
| Industrial production growth rate            | 1             | 1              | -1           | -1           | -1             | -1.00          |
| Business freedom                             | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Business sophistication                      | 3             | 3              | -1           | -3           | -3             | -2.33          |
| Airport traffic                              | 3             | 3              | -1           | -3           | -3             | -2.33          |
| Railway traffic                              | 3             | 3              | 0            | 0            | 0              | 0.00           |
| <i>Subtotal</i>                              |               |                | -4           | -9           | -9             | -7.33          |
| <i>Macro Environmental Criteria (20%)</i>    |               |                |              |              |                |                |
| Financial freedom                            | 2             | 2              | 0            | 0            | 0              | 0.00           |
| Investment freedom                           | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Ideology, freedom from government            | 1             | 2              | -1           | -1           | -2             | -1.33          |
| Political stability                          | 1             | 2              | 0            | 0            | 0              | 0.00           |
| Control of corruption                        | 1             | 2              | -1           | -1           | -2             | -1.33          |
| Employment regulations                       | 2             | 3              | 1            | 2            | 3              | 2.00           |
| Property right protection                    | 3             | 3              | -1           | -3           | -3             | -2.33          |
| Fiscal freedom                               | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Technological readiness                      | 3             | 3              | -1           | -3           | -3             | -2.33          |
| <i>Subtotal</i>                              |               |                | -2           | -4           | -5             | -3.67          |
| Direct criteria (80%*-7.33)                  |               |                |              |              | -5.87          |                |
| Macro criteria (20%*-3.67)                   |               |                |              |              | -0.73          |                |
| <b>Total weighted with % (20-80)</b>         |               |                |              |              |                | <b>-6.60</b>   |
| <b>Total without % (20-80) (-7.33+-3.67)</b> |               |                |              |              |                | <b>-11.00</b>  |
| Total unweighted with % (20-80)              |               |                |              |              |                | -3.6           |
| Total unweighted without % (20-80)           |               |                |              |              |                | -6             |





#### 4.5 France

France is populated with about 64 million people, which makes it one of Europe's most crowded countries. Only the density is far lower in comparison with the other countries, making the overall score of population 0. The expectation of the consumption and total investment is to slow down in the next years. This negative expectation (for the country selection) is found back in the score of economic growth which is -1. The GDP per capita is very high in comparison with the other countries. This high GDP results in more consumption. The business freedom is well protected in France. Starting a business only takes an average of seven days, compared to the world average of 43 days. The business sophistication and traffic statistics are moderate (score 0) compared with the other countries. The airport and railway traffic are moderate in comparison with the other five countries. The macro environmental criteria are positive for France. Only the freedom from government gets a -1. This is because of the many public companies and high expenditures (high control) of the government (*Appendix 3*). With a total weighted score of 3.2, France ranks number three in the country selection process.

| <b>Table 4.6 Selection model France</b>    | <b>Weight</b> | <b>Weight</b>  | <b>Score</b> | <b>Score</b> | <b>Score</b>   | <b>Score</b>   |
|--|---------------|----------------|--------------|--------------|----------------|----------------|
| <b>Criteria</b>                            | <b>HowT.</b>  | <b>Resear.</b> |              | <b>HowT.</b> | <b>Resear.</b> | <b>Average</b> |
| <i>Direct Environmental Criteria (80%)</i> |               |                |              |              |                |                |
| Population size and density                | 2             | 3              | 0            | 0            | 0              | 0.00           |
| Urbanization                               | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Economic growth                            | 2             | 2              | -1           | -2           | -2             | -1.67          |
| GDP per capita                             | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Inflation                                  | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Industrial production growth rate          | 1             | 1              | -1           | -1           | -1             | -1.00          |
| Business freedom                           | 3             | 3              | 1            | 3            | 3              | 2.33           |
| Business sophistication                    | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Airport traffic                            | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Railway traffic                            | 3             | 3              | 0            | 0            | 0              | 0.00           |
| <i>Subtotal</i>                            |               |                | 1            | 4            | 4              | 3.00           |
|  |               |                |              |              |                |                |
| <i>Macro Environmental Criteria (20%)</i>  |               |                |              |              |                |                |
| Financial freedom                          | 2             | 2              | 0            | 0            | 0              | 0.00           |
| Investment freedom                         | 3             | 2              | 0            | 0            | 0              | 0.00           |
| Ideology, freedom from government          | 1             | 2              | -1           | -1           | -2             | -1.33          |
| Political stability                        | 1             | 2              | 0            | 0            | 0              | 0.00           |
| Control of corruption                      | 1             | 2              | 1            | 1            | 2              | 1.33           |
| Employment regulations                     | 2             | 3              | 0            | 0            | 0              | 0.00           |
| Property right protection                  | 3             | 3              | 0            | 0            | 0              | 0.00           |
| Fiscal freedom                             | 2             | 2              | 1            | 2            | 2              | 1.67           |
| Technological readiness                    | 3             | 3              | 1            | 3            | 3              | 2.33           |
| <i>Subtotal</i>                            |               |                | 2            | 5            | 5              | 4.00           |
|  |               |                |              |              |                |                |
| Direct criteria (80%*3.00)                 |               |                |              |              | 2.40           |                |
| Macro criteria (20%*4)                     |               |                |              |              | 0.80           |                |
| <b>Total weighted with % (20-80)</b>       |               |                |              |              |                | <b>3.20</b>    |
| <b>Total without % (20-80) (3.00+4.00)</b> |               |                |              |              |                | <b>7.00</b>    |
|  |               |                |              |              |                |                |
| Total unweighted with % (20-80)            |               |                |              |              |                | 1.2            |
| Total unweighted without % (20-80)         |               |                |              |              |                | 3              |



#### 4.6 Germany

The glory of the German industry is not only because of the big firms. The small- and medium sized firms constitute what the Germans call the “Mittelstand”. High attention to these SME’s means high attractiveness for HowTech. The population size is the biggest of Europe, with about 82 million people. The GDP per capita is one of the highest in Europe. This is confirmed with the PPP (Price Purchasing Power) of Germany which is the fifth largest in the world. The airport and railway traffic belongs to Europeans highest, results in a score of 1. The business sophistication ranking out of 131 countries is nr.1. HowTech, as a small company, wants to have access to information, and with a high developed business network, this is possible. The overall business freedom is well protected in Germany, results in a score of 1. Next to these positive direct environmental criteria, there are positive macro environmental influences. The investment freedom is high in Germany; there are no restrictions on capital transactions or current transfers. Also, the political stability is an advantage in Germany. It indicates a stabilized government with a low risk of unconstitutional and/or violent means. Also, the property rights protection, the fiscal freedom and technological readiness are positive for Germany, results in a score of 1 (*Appendix 4*). With a total weighted score of 12.6, Germany ranks number one in the country selection process.

| <b>Table 4.7 Selection model Germany Criteria</b> | <b>Weight HowT.</b> | <b>Weight Resear.</b> | <b>Score</b> | <b>Score HowT.</b> | <b>Score Resear.</b> | <b>Score Average</b> |
|---|---------------------|-----------------------|--------------|--------------------|----------------------|----------------------|
| <i>Direct Environmental Criteria (80%)</i>        |                     |                       |              |                    |                      |                      |
| Population size                                   | 2                   | 3                     | 1            | 2                  | 3                    | 2.00                 |
| Urbanization                                      | 3                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Economic growth                                   | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| GDP per capita                                    | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Inflation   | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Industrial production growth rate                 | 1                   | 1                     | 0            | 0                  | 0                    | 0.00                 |
| Business freedom                                  | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Business sophistication                           | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Airport traffic                                   | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Railway traffic                                   | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| <i>Subtotal</i>                                   |                     |                       | 6            | 16                 | 17                   | 13.00                |
| <i>Macro Environmental Criteria (20%)</i>         |                     |                       |              |                    |                      |                      |
| Financial freedom                                 | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Investment freedom                                | 3                   | 2                     | 1            | 3                  | 2                    | 2.00                 |
| Ideology, freedom from government                 | 1                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Political stability                               | 1                   | 2                     | 1            | 1                  | 2                    | 1.33                 |
| Control of corruption                             | 1                   | 2                     | 1            | 1                  | 2                    | 1.33                 |
| Employment regulations                            | 2                   | 3                     | 0            | 0                  | 0                    | 0.00                 |
| Property right protection                         | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Fiscal freedom                                    | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Technological readiness                           | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| <i>Subtotal</i>                                   |                     |                       | 6            | 13                 | 14                   | 11.00                |
|   |                     |                       |              |                    |                      |                      |
| Direct criteria (80%*13.00)                       |                     |                       |              |                    | 10.40                |                      |
| Macro criteria (20%*10.67)                        |                     |                       |              |                    | 2.20                 |                      |
| <b>Total weighted with % (20-80)</b>              |                     |                       |              |                    |                      | <b>12.60</b>         |
| <b>Total without % (20-80) (13.00+11.00)</b>      |                     |                       |              |                    |                      | <b>24.00</b>         |
|   |                     |                       |              |                    |                      |                      |
| Total unweighted with % (20-80)                   |                     |                       |              |                    |                      | 6                    |
| Total unweighted without % (20-80)                |                     |                       |              |                    |                      | 12                   |



#### 4.7 Belgium

Belgium is one of the ten largest trading nations of the world. With a high GDP per capita (score 1) the consumption is relatively high in Belgium. Next to this, Belgium is the highest urbanized country in Europe with 97%. The business freedom is well protected in Belgium (score 1). Starting a business takes an average of four days, compared to the world average of 43 days. Negative criteria for the country selection model are the population and traffic statistics. With a population size of about 10 million people, Belgium is one of the smallest populated countries in Europe. Against this, the population's density is very high with 340 people per square kilometre. With a total passengers statistic of 19 million in 2006, and only one relatively busy airport (Brussel, International Airport) the potential is not as attractive as some other countries. The macro environmental criteria are positive for Belgium. The country has one of the world's most developed financial systems; the investment freedom is the highest of the six countries; corruption is perceived as minimal; employment regulations are relatively flexible and property rights are well protected. Against this, the income tax rates are one of the worlds highest, and the corporate tax is also high (*Appendix 5*) With a total weighted score of 2.33, Belgium ranks number four in the country selection process.

| <b>Table 4.8 Selection model Belgium Criteria</b> | <b>Weight HowT.</b> | <b>Weight Resear.</b> | <b>Score</b> | <b>Score HowT.</b> | <b>Score Resear.</b> | <b>Score Average</b> |
|---|---------------------|-----------------------|--------------|--------------------|----------------------|----------------------|
| <i>Direct Environmental Criteria (80%)</i>        |                     |                       |              |                    |                      |                      |
| Population size                                   | 2                   | 3                     | -1           | -2                 | -3                   | -2.00                |
| Urbanization                                      | 3                   | 2                     | 1            | 3                  | 2                    | 2.00                 |
| Economic growth                                   | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| GDP per capita                                    | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Inflation   | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Industrial production growth rate                 | 1                   | 1                     | 1            | 1                  | 1                    | 1.00                 |
| Business freedom                                  | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Business sophistication                           | 3                   | 3                     | 0            | 0                  | 0                    | 0.00                 |
| Airport traffic                                   | 3                   | 3                     | -1           | -3                 | -3                   | -2.33                |
| Railway traffic                                   | 3                   | 3                     | -1           | -3                 | -3                   | -2.33                |
| <i>Subtotal</i>                                   |                     |                       | 1            | 1                  | -1                   | 0.33                 |
| <i>Macro Environmental Criteria (20%)</i>         |                     |                       |              |                    |                      |                      |
| Financial freedom                                 | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Investment freedom                                | 3                   | 2                     | 1            | 3                  | 2                    | 2.00                 |
| Ideology, freedom from government                 | 1                   | 2                     | -1           | -1                 | -2                   | -1.33                |
| Political stability                               | 1                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Control of corruption                             | 1                   | 2                     | 1            | 1                  | 2                    | 1.33                 |
| Employment regulations                            | 2                   | 3                     | 1            | 2                  | 3                    | 2.00                 |
| Property right protection                         | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Fiscal freedom                                    | 2                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Technological readiness                           | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| <i>Subtotal</i>                                   |                     |                       | 5            | 13                 | 13                   | 10.33                |
| Direct criteria (80%*-0.33)                       |                     |                       |              |                    | 0.27                 |                      |
| Macro criteria (20%*10.00)                        |                     |                       |              |                    | 2.07                 |                      |
| <b>Total weighted with % (20-80)</b>              |                     |                       |              |                    |                      | <b>2.33</b>          |
| <b>Total without % (20-80) (0.33+10.33)</b>       |                     |                       |              |                    |                      | <b>10.67</b>         |
|   |                     |                       |              |                    |                      |                      |
| Total unweighted with % (20-80)                   |                     |                       |              |                    |                      | 1.8                  |
| Total unweighted without % (20-80)                |                     |                       |              |                    |                      | 6                    |



#### 4.8 United Kingdom

The UK economy is the largest in Europe after Germany. The GDP per capita is the fifth largest in the world. The population size is the biggest in Europe, after Germany. The population density is higher than Germany. This indication is confirmed in the urbanization statistics, 90% in the UK. The business freedom is strongly protected in the UK's regulatory environment, with a 91% freedom index. The business sophistication is moderate in comparison with the other five countries (score 0). The airport traffic statistics have a positive influence on the country selection process. With about 211 million passengers, the UK is home to many of Europe's largest and busiest airports as well as the busiest international airport in the world, London Heathrow Airport. London is a real aviation hub. In London alone, there are three other busy airports. The railway traffic is moderate in comparison with the other countries (score 0). The macro environmental criteria of the UK are positive for the country selection process. The financial freedom is the highest of the six, with an index of 90%. The UK was the largest receiver of foreign direct investment in 2005. The investment freedom is also the highest with 90%. Next to this the property rights are well protected and the technological readiness is also the best of the six (Appendix 6). With a total weighted score of 10.93 the UK ranks number two in the country selection process.

| <b>Table 4.9 Selection model UK Criteria</b> | <b>Weight HowT.</b> | <b>Weight Resear.</b> | <b>Score</b> | <b>Score HowT.</b> | <b>Score Resear.</b> | <b>Score Average</b> |
|--|---------------------|-----------------------|--------------|--------------------|----------------------|----------------------|
| <i>Direct Environmental Criteria (80%)</i>   |                     |                       |              |                    |                      |                      |
| Population size                              | 2                   | 3                     | 1            | 2                  | 3                    | 2.00                 |
| Urbanization                                 | 3                   | 2                     | 1            | 3                  | 2                    | 2.00                 |
| Economic growth                              | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| GDP per capita                               | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Inflation                                    | 2                   | 2                     | -1           | -2                 | -2                   | -1.67                |
| Industrial production growth rate            | 1                   | 1                     | 0            | 0                  | 0                    | 0.00                 |
| Business freedom                             | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Business sophistication                      | 3                   | 3                     | 0            | 0                  | 0                    | 0.00                 |
| Airport traffic                              | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Railway traffic                              | 3                   | 3                     | 0            | 0                  | 0                    | 0.00                 |
| <i>Subtotal</i>                              |                     |                       | 5            | 13                 | 13                   | 10.33                |
| <i>Macro Environmental Criteria (20%)</i>    |                     |                       |              |                    |                      |                      |
| Financial freedom                            | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Investment freedom                           | 3                   | 2                     | 1            | 3                  | 2                    | 2.00                 |
| Ideology, freedom from government            | 1                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Political stability                          | 1                   | 2                     | 0            | 0                  | 0                    | 0.00                 |
| Control of corruption                        | 1                   | 2                     | 1            | 1                  | 2                    | 1.33                 |
| Employment regulations                       | 2                   | 3                     | 1            | 2                  | 3                    | 2.00                 |
| Property right protection                    | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| Fiscal freedom                               | 2                   | 2                     | 1            | 2                  | 2                    | 1.67                 |
| Technological readiness                      | 3                   | 3                     | 1            | 3                  | 3                    | 2.33                 |
| <i>Subtotal</i>                              |                     |                       | 7            | 16                 | 17                   | 13.33                |
| Direct criteria (80%*9.67)                   |                     |                       |              |                    | 8.27                 |                      |
| Macro criteria (20%*13.00)                   |                     |                       |              |                    | 2.67                 |                      |
| <b>Total weighted with % (20-80)</b>         |                     |                       |              |                    |                      | <b>10.93</b>         |
| <b>Total without % (20-80) (10.33+10.93)</b> |                     |                       |              |                    |                      | <b>23.67</b>         |
|  |                     |                       |              |                    |                      |                      |
| Total unweighted with % (20-80)              |                     |                       |              |                    |                      | 5.4                  |
| Total unweighted without % (20-80)           |                     |                       |              |                    |                      | 12                   |



#### 4.9 Country Comparison

With respect to the population size and density, Germany and the UK have the highest score. The lowest density is in Spain resulting in a negative score in the country selection model. Belgium has the lowest population size what also results in a negative score. The Urban population is the highest in Belgium with 97% followed by the UK (90%). The lowest urban population is in Italy with 68%. (*Appendix 1-6*)

The economic growth is in favour of Spain and the UK with respectively 3.8% and 3.1% in 2006-2007. This growth is due to the increase of consumption of goods and services. Thereby the economic growth in Spain is unbroken since 12 years. After Spain and the UK Germany is following with 2.5%. Positive score for the country selection model regarding to the GDP per capita are for Belgium, France, Germany and the UK. The price purchasing power parity in Germany is one of the highest in the world. The industrial growth rate in 2007 is in favour of Spain and Belgium with 3% followed by the UK, Germany, France and Italy. These all are indicators for the market potential in a country. It indicates the developments/ performance in a market. (*Appendix 1-6*)

The overall freedom to start, operate, and close a business is relatively well protected in all countries. The highest freedom indexes are in France, Germany, Belgium and the UK with about 90% business freedom. In Spain and Italy this is about 75%. The business sophistication index is in favour of Germany. The country ranks nr.1 with this factor. This high interconnection between companies leads to greater opportunities for innovation and the reduction of barriers to entry for new firms. The score is respectively followed by France, Belgium, the UK, Spain and Italy. (*Appendix 1-6*)

Positive scores in the country selection model related to airport traffic are for UK, Germany and Spain. London serves as the largest aviation hub in the world. The UK is home to many of Europe's largest and busiest airports as well as the busiest international airport in the world, London Heathrow. The UK is followed by respectively Germany, Spain, France, Italy and Belgium. Railway traffic statistics are in favour of Germany followed by France, Italy, the UK, Spain and Belgium. (*Appendix 1-6*)

The financial freedom index is the highest in the UK followed by Belgium, Spain, France, Italy and Germany. High freedom means an open financial system with a high independence of the government. The investment freedom is the highest in Belgium and the UK. Spain has the highest score with 56.2% looking to the freedom from government. The lowest is France with 13.2%. The political stability is the highest in Germany what means a stabilized government with a low risk of unconstitutional mean. The control of corruption is the highest in the UK followed by Germany, France, Belgium, Spain and Italy. In Italy corruption is perceived as present. In each country employees and business have a certain ability to interact without restriction by the state with the highest scores in the UK, Belgium, and Italy with around 90% followed by France, Spain, and Germany (around 60%). The property rights are well protected in each country except in Italy where the judicial procedures are extremely slow. The fiscal burden is relatively the same for each country with as peak Belgium. The income tax rate in Belgium is one of the worlds highest. The ICT access and usage in each country is well developed with the highest score for the UK (75.8%) and Italy with the lowest score (79%). (*Appendix 1-6*)

#### 4.10 Conclusion

The difference in weighted scores of Germany and the UK is minimal (12.6-10.93). The scores, without the weight factors of the researcher and the company (un-weighted), are also in advantage of Germany. So first of all, we cannot conclude Germany is the only opportunity for HowTech to internationalise. Especially the UK, where after France, Belgium, Spain and even Italy have possibilities. HowTech is a business- to- business company (B2B). The business relation with other companies as media companies and for example hardware suppliers is of crucial importance. If we look to Germany, the business market is very sophisticated (rank 1 out of 131) with many business networks. Business relationships can be developed more effectively in a business sophisticated market. Germany differentiates itself with this factor, in relation to the UK. Also the railway traffic statistics are in advantage of Germany compared to the UK. The system is meant for places with a high frequency of passengers. Railway stations and airports are therefore perfect places for the SMS. If we look to the total passengers a year and the km per head of the population, this is in advantage of Germany. With Germany's stable macro environment, HowTech has freedom to do business. The next section will be the micro environmental analysis of Germany.

| Criteria                                   | Spain        | Italy         | France      | Germany      | Belgium      | UK           |
|--|--------------|---------------|-------------|--------------|--------------|--------------|
| <i>Direct Environmental Criteria (80%)</i> |              |               |             |              |              |              |
| Population size                            | -2.00        | 0.00          | 0.00        | 2.00         | -2.00        | 2.00         |
| Urbanization                               | 0.00         | 0.00          | 0.00        | 0.00         | 2.00         | 2.00         |
| Economic growth                            | 1.67         | -1.67         | -1.67       | 0.00         | 0.00         | 1.67         |
| GDP per capita                             | 0.00         | 0.00          | 1.67        | 1.67         | 1.67         | 1.67         |
| Inflation                                  | -1.67        | 0.00          | 1.67        | 0.00         | 0.00         | -1.67        |
| Industrial production growth rate          | 1.00         | -1.00         | -1.00       | 0.00         | 1.00         | 0.00         |
| Business freedom                           | 0.00         | 0.00          | 2.33        | 2.33         | 2.33         | 2.33         |
| Business sophistication                    | -2.33        | -2.33         | 0.00        | 2.33         | 0.00         | 0.00         |
| Airport traffic                            | 2.33         | -2.33         | 0.00        | 2.33         | -2.33        | 2.33         |
| Railway traffic                            | -2.33        | 0.00          | 0.00        | 2.33         | -2.33        | 0.00         |
| <i>Subtotal</i>                            | -3.33        | -7.33         | 3.00        | 13.00        | 0.33         | 10.33        |
|  |              |               |             |              |              |              |
| <i>Macro Environmental Criteria (20%)</i>  |              |               |             |              |              |              |
| Financial freedom                          | 1.67         | 0.00          | 0.00        | 0.00         | 1.67         | 1.67         |
| Investment freedom                         | 0.00         | 0.00          | 0.00        | 2.00         | 2.00         | 2.00         |
| Ideology, freedom from government          | 1.33         | -1.33         | -1.33       | 0.00         | -1.33        | 0.00         |
| Political stability                        | 0.00         | 0.00          | 0.00        | 1.33         | 0.00         | 0.00         |
| Control of corruption                      | 0.00         | -1.33         | 1.33        | 1.33         | 1.33         | 1.33         |
| Employment regulations                     | 0.00         | 2.00          | 0.00        | 0.00         | 2.00         | 2.00         |
| Property right protection                  | 0.00         | -2.33         | 0.00        | 2.33         | 2.33         | 2.33         |
| Fiscal freedom                             | 1.67         | 1.67          | 1.67        | 1.67         | 0.00         | 1.67         |
| Technological readiness                    | 0.00         | -2.33         | 2.33        | 2.33         | 2.33         | 2.33         |
| <i>Subtotal</i>                            | 4.67         | -3.67         | 4.00        | 11.00        | 10.33        | 13.33        |
|  |              |               |             |              |              |              |
| <b>Total weighted with % (20-80)</b>       | <b>-1.73</b> | <b>-6.60</b>  | <b>3.20</b> | <b>12.60</b> | <b>2.33</b>  | <b>10.93</b> |
| <b>Total without % (20-80)</b>             | <b>1.33</b>  | <b>-11.00</b> | <b>7.00</b> | <b>24.00</b> | <b>10.67</b> | <b>23.67</b> |
|  |              |               |             |              |              |              |
| <b>Total unweighted with % (20-80)</b>     | <b>-0.2</b>  | <b>-3.6</b>   | <b>1.2</b>  | <b>6</b>     | <b>1.8</b>   | <b>5.4</b>   |
| <b>Total unweighted without % (20-80)</b>  | <b>2</b>     | <b>-6</b>     | <b>3</b>    | <b>12</b>    | <b>6</b>     | <b>12</b>    |

Table 4.10 Conclusion Country Selection



## Chapter 5: External Analysis 2: Market characteristics influencing entry strategy

In the previous chapter we analyzed the macro and more direct environmental criteria (related to HowTech) for the six countries. The outcome is Germany as country for further analysis. In this chapter we analyze the market characteristics of Germany. At first a prognosis of the digital out-of-home market is given to analyze the potential of the market. Then we analyze the present airports/railway stations in Germany, what are attractive locations for the media system. The next part, the market channels, an analysis is given of how they work and the kind of influence is exerted by each one. The competitive environment is analyzed to indicate the competitive rivalry in the market, and how it influences the entry strategy. The strength of HowTech is not differentiated if the competitor has the same strength. Important therefore is to analyse the unique selling proposition of HowTech what is the last part of this chapter. The research question answered:

*RQ4: What are the market characteristics, of the selected country, influencing the entry strategy of HowTech?*

### 5.1 Potential digital out-of-home market

The expectation for digital out-of-home media (DOOH) advertising revenues in Western Europe is that it will quadruple over the next five years (*HorizonT/Nielsen Media Research*). Driven by the migration to digital, the out-of-home sector will be the only media to post real revenue growth in the next five years. The cost associated with digital advertising is considered to be much lower than the costs associated with traditional types of advertising. Both enhanced effectiveness and less cost results in a higher return on investment for digital marketing, in comparison with advertising through traditional media. With increasing entertainment, communication, media options and a proliferation of devices that allow consumers to tune out advertising, marketers are expected to rely more and more on creative messaging that consumers will not want to skip. The added value of DOOH formats over traditional OOH formats would be, for example, the superior impact of moving images, a creative and dynamic scope and the booking flexibility. *Implication:*

- The SyncMovie System, as a digital media system gives advantages over traditional formats. The prediction of the growth in the digital out-of-home market is a positive development that stimulates the market development of HowTech.

(*HorizonT/Nielsen Media Research*)

### 5.2 Target segments

The internal analysis divided the segments for HowTech into two categories: Railway station, and Airports. HowTech's digital advertising system, the SyncMovie System, is meant for places with a high frequency of passengers. For this reason, we will focus on the segments: Airports and Railway stations. Indoor advertising, as in expos or ads in malls, are also attractive, and could be analysed in a next study.

#### 5.2.1 Airports Germany

About 120 international scheduled airlines serve Germany, carrying more than 100 million passengers a year. Of these airlines, 100 serve Frankfurt, the nation's biggest airport. The relatively new airport at Munich has become a second hub, and other major airports are located in Düsseldorf and Hamburg. Berlin promises to be a major air centre in the future. Within many airports in Germany, there is a very aggressive program to link air travel to rail travel. High speed InterCity trains directly serve the Frankfurt and Düsseldorf airports. Frankfurt as the busiest airport, has about 1300 takeoffs and landings a day, and is the third biggest in Europe after London-Heathrow and Paris. It has scheduled connections to nearly 300 airports, in more than one hundred countries. And it set a new record for passengers handled in 2006, with nearly 53





million. To cope with this traffic the airport has active plans to construct a fourth runway and, on the site of the now abandoned U.S. Rhein-Main Air Base, a third terminal.

Many of the passengers had Frankfurt itself as a destination, since the city is an important commercial centre. But Frankfurt is also a transfer point for air and rail connections to other German cities and other countries. Thereby, Frankfurt is the biggest media-platform of Germany. Media Frankfurt, the market leader in German airport advertising, offers the possibility for advertising firms to also advertise in other busy airports, such as Hannover, Hamburg and Munich. Frankfurt is getting high competition from the Franz Josef Strauss Airport in Munich, which is Germany's second air hub. Munich Airport has been voted Europe's best airport three years in a row (survey of Skytrax) and ranks seventh among Europe's busiest hubs. In 2006 the airport had another record year, with the passenger total reaching 30.8 million and breaking the 30 million barrier for the first time. This rapid growth led first, to an expression of the original Munich terminal and then, in 2003, to the opening of a second terminal. The third busiest airport is Düsseldorf, which counted 16.6 million passengers in 2006. (<http://www.media-frankfurt.de>)

Implication:

- Frankfurt as the busiest airport, the biggest media platform and their network with other big airports is an attractive location.

### 5.2.2 Railway stations Germany

About 5.400 railway stations in Germany that are owned and operated by the German Railway subsidiary DB Station&Service are assigned into six categories. Their assignment in the categories also influences the amount of money railway companies need to pay to DB Station&Service for using the facilities at the stations. The 20 stations of Category 1 are considered traffic hubs. These stations are of most relevance for HowTech. They are considered equal to international airports in terms of service, and are permanently staffed and carry all sorts of railway-related facilities as well as usually featuring a shopping mall in the station. Most of these are the main stations of large cities with 500,000 inhabitants and higher. Though, some in smaller cities, like Mainz main station or Karlsruhe main station, are regarded as important because they are the intersection of important railway lines. Berlin and Frankfurt have more than one Category 1 stations. The list of 20 main stations in Germany is given in Appendix 8.

Over 60 stations belong to Category 2. They are either important for long-distance traffic or offer connections to large airports. 250 stations belong to category 3, which is described as a regional hub with the possibility of intercity services. These stations will usually feature a station hall where travellers can buy tickets and groceries. Category 4 includes 600 stations. They are profiled as highly-frequented local traffic stops and hubs. Category 5 includes 1,300 stations. These stations belong to smaller, rural towns or to suburban areas of major cities. Category 6 has the lowest passenger numbers, akin to bus stops. (*Federation Statistical Office*) Implication:

- The Railway Stations of the first category, which are the traffic hubs and, therefore, the perfect locations for instalment of systems.

## 5.3 Market Channels

In the business- to- business market of HowTech there are multiple channels to do business with:

- Advertisers
- Advertising agencies
- Special Agencies
- Media Agencies (airport-railway stations as described by the segments)

These agencies are all involved in a buying process. Below we identify how they work and the kind of influence exerted by each one.

(Source: Interview Ströer, Kinetic, Media Frankfurt)





### 5.3.1 Advertisers

Advertisers are the end customer of HowTech. They can book airtime on the SyncMovie System to display their advertisement. This is done with intermediaries, such as special agencies and media agencies. Decisions regarding the advertising message require highly specialized creative and technical skills. As a result, most organisations find that it is uneconomical to perform this work internally. Instead, they often purchase the skills of independent specialists: Advertising agencies. In Appendix 11 there is a description of Germany's leading advertisers in 2007 by advertising expenditure. HowTech has indirect contact with advertisers because of the intermediaries, such as the agencies described below. (Source: Interview Ströer, Kinetic, Media Frankfurt)

- *Together with advertising agencies, advertisers make their promo-material;*
- *Advertisers make use of intermediaries (special agencies) who find the most effective way for them to communicate their message (advertisement) with people.*

### 5.3.2 Advertising Agencies

An advertising agency is a service business dedicated to creating, planning and handling advertising for its clients. An ad agency is independent from the client and provides an outside point of view to the effort of selling the client's products and services. HowTech has direct contact with advertising agencies. The spots/ advertisement movie should be delivered in a way that is suitable for the SyncMovie System. In Appendix 12, Germany's most creative advertising agencies are described. (Source: Interview Ströer, Kinetic, Media Frankfurt)

- *The advertisement must be adapted in collaboration with HowTech to the requirements of the SyncMovie System.*

### 5.3.3 Special Agencies (Spezial Agenturen)

Special agencies, such as Kinetic (interview), have specialized themselves in Out-of-Home advertisement and give advice. They are an intermediary between the medium provider as HowTech and the advertisers or media agencies. They offer a dedicated expertise in out-of-home planning and buying solutions, forging strong working relationships with clients, agencies, suppliers and media owners across all aspects of communication on the move. HowTech should promote their system through these companies. In Appendix 13 a list of Special Agencies which have relations with the dominant media provider in Germany, Ströer. (Source: Interview Ströer, Kinetic, Media Frankfurt)

- *Special Agencies selects different kinds of mediums by Media Agencies like Media Frankfurt. A special agency like Kinetic operates in distinct and special business areas. This makes it easier for advertisers to identify which service is most relevant to their communication goals.*

### 5.3.4 Media Agencies

Media agencies, as Media Frankfurt, have a broad portfolio of advertising media at highly frequented locations. They sell advertisement space to advertisement providers such as HowTech. A media platform, such as in Frankfurt, reaches more than 62 million passengers a year with its exclusive marketing rights, not only in Frankfurt airport, but also their network with other big airports. Media Agencies can have contact with advertisers directly as well as to special agencies. So advertisers can book directly or via agencies. Many media agencies have their own media development department/ or product management which collects information from potential medium providers. (Source: Interview Ströer, Kinetic, Media Frankfurt)

- *Media Agencies have a large media product portfolio and they sell advertising space to media providers like HowTech;*
- *Advertisers can book directly on a media system such as the SyncMovie System but also via special agencies.*



## 5.4 Competitive environment Germany

For HowTech it is important to gain advantage over their competitors. First of all, it is important to know what are the direct competitive products/ rivals. But there are, as described in the theory, other factors in the environment which influence the competitiveness. First we begin with a description of the competitive products which are present in the target segments of HowTech. Then we describe the present competitors, the threat of new entry/substitutes and at last we make a comparison of the policy of HowTech with that of the main competitor.

### 5.4.1 Competitive products in Airports/ Railway Stations

Germany's largest airports have a large portfolio of advertising media in indoor and outdoor locations. The media are categorized in 4 categories:

- Indoor Portrait format (Small sized advertisement possibility in indoor locations)
- Indoor Landscape format (Big sized advertisement possibility in indoor locations)
- Outdoor Portrait format (Small sized advertisement possibility in outdoor locations)
- Outdoor Landscape format (Big sized advertisement possibility in outdoor locations)

The SyncMovie System belongs mainly to the first category: the Indoor portrait format. The average prices of the products are given in Appendix 9.

Below a short description is given of the products in the different categories. The consequences of this large product portfolio for HowTech are also described.

| Category/ Product:              | Description:  |
|---------------------------------|---|
| <b>Indoor Portrait format:</b>  |   |
| <i>Posters</i>                  | Posters are mainly positioned in exclusively highly frequented areas like entrances or check-in counters;   |
| <i>Showcases</i>                | A possibility to design an own show window. These showcases are in the near of shops, cafes and restaurants;  |
| <i>Coloramas</i>                | An electronic display system without moving images/advertisement. These screens are placed at terminal areas, close to the customer;                |
| <i>Banners/ Cross Banners</i>   | Banners are hanging above check-in halls, terminals;  |
| <i>Push carts</i>               | These can be found in many airports. They are always in motion and valued by departing and arriving passengers laden with luggage;                  |
| <i>Branded Seating Areas</i>    | For check in areas, offer air passengers an opportunity to sit down and look to the advertisement;  |
| <b>Indoor Landscape format:</b> |   |
| <i>Magni Panels</i>             | Panels for jumbo photos or digital prints;  |
| <i>Baggage Claim</i>            | Illuminated Suitcases/Panels: A sort of panel/ suitcase with two sites of displaying advertisement. It is meant for jumbo photos or digital prints; |
| <i>Cinema Panels</i>            | Jumbo photo's or digital screen prints, displayed with beamers;   |
| <i>Wall Wraps</i>               | Digital prints on an entire wall;   |
| <i>Sky-posters</i>              | Digital posters meters above the check-in counters;   |
| <i>KingSize Lightboxes</i>      | Big sized back-lighting boxes, places at frequented locations as exits from stairways to the baggage claim areas;                                   |
| <i>Public Parking Branding</i>  | Examples are gate banners, jumbo poster, ticket dispenser and floor graphics;   |
| <i>Show Wall</i>                | Digital advertising on a wall. Not in motion;   |
| <i>Welcome Branding</i>         | These walls are located in front of baggage claim area exits;   |
| <i>Motion Media</i>             | Media (digital prints) placed beyond moving stairs, moving walkways, lifts and automatic entrance and exit doors;                                   |



|   |  |
|---|--|
| <i>Light Corridor/ Ambient Corridor</i>     | Placed in walkways from parking garages to terminals. Long lighting walls with advertisement.                  |
| <b><i>Outdoor Portrait format:</i></b>      |  |
| <i>Citylight-posters</i>                    | A classical outdoor advertising medium with backlighting and innovative scrolling mechanism;                   |
| <i>Arrival Lane</i>                         | Column Wraps across entrances and exits;   |
| <i>Flags</i>                                | In front of terminals;   |
| <i>Welcome Tower/Megaposter/3-D Special</i> | 18 metres in high, mainly at an approach to a terminal.  |
| <b><i>Outdoor Landscape format:</i></b>     |  |
| <i>City light boards</i>                    | Several displays with a synchronized content;  |
| <i>Premium Wall</i>                         | A broad screen with advertising space visible from arrival and departure levels;                               |
| <i>Glass Bridges</i>                        | A broad screen, just like the premium wall;  |
| <i>Passenger Busses</i>                     | Advertising space above or under the windows and doors;  |
| <i>Skyline and stations</i>                 | The advertising message is shown to both departing and arriving air passengers by transport between terminals; |

(Table 5.1 Product Portfolio Airporst/ Railway Stations Germany, source: Media Frankfurt, Hamburg, Hannover)

### ***Consequences for HowTech:***

The products mentioned in the table are all competitive products for HowTech. The products are differentiated from each other. The competitive rivalry is big in locations, such as airports and railway stations. Focussing on their core business, its differentiated product with distinctive advantages is important for HowTech. An active entry mode, such as direct investment or direct export (with active marketing), is recommended in a market with high competition.

### ***5.4.2 Present Competitors***

A competitor analysis (competitor intelligence) is important for HowTech to make the organisation more competitive relative to its existing set of competitors and potential competitors. Below we analyse the position of the present competitors in Germany. The gathered information is converted into intelligence, which influence the company's entry strategy (Brody, 2008). The market leader, in the German Out-of-Home market, is the Ströer Group. Below we describe more about this company.

#### ***The Ströer Group***

The Ströer Group is Europe's third-biggest marketer of out-of-home media. The company is on its way to being a global provider. The company is present in more than 500 German 'cities' and is the potential main competitor for HowTech. One of the 36 subsidiaries (Appendix 10) of the Ströer Group is Ströer Infoscreen. Infoscreen is the market leader for digital out-of-home media in Germany. The products are comparable with the SyncMovie System and are located at railway stations and airports. The AD Walk is an example of such a comparable product. It is a digital product of Infoscreen directed at air and rail passengers, and consists of five screens arranged in one direction, and which can be synchronized. The advantage of this digital product is that it can be booked flexible and that the advertisement can be exchanged in a fast way. The advantage of the company is that they have a main market share and much experience, due to their early market entrance. This market share and experience is, as the company said, very important,



because advertisers in Germany prefer to buy by the number 1, rather than the number 2. For Infoscreen, railway stations are the best suitable places for the product because of the waiting places that are relatively dark. Again HowTech must counter the advantages (experience, market share) of Ströer Infoscreen by focusing the activities to avoid the attention of this factor ([infoscreen.de/](http://infoscreen.de/) Interview Ströer Infoscreen). Below we describe the product portfolio of Ströer Out-of-Home Media.

*Product Portfolio Ströer Out-of-Home Media:*

| <b>Category</b>          | <b>Description</b>   |
|--------------------------|--|
| <i>Poster Media</i>      | This category include mega-lights, billboards, City light posters, City light columns, solus site columns, city stars, video boards and bridge banners;  |
| <i>Directional Media</i> | This category include company sight posts, advertising on lampposts, advertising on clocks or bicycle stands, traditional advertising media as mega-lights and city light posters;   |
| <i>Cultural Media</i>    | Provides advertising opportunities in the town and city for creative artists and cultural institutions or events. The product area includes the traditional advertising column, the triangular stands and culture posters; |
| <i>Megaposter</i>        | This category includes building coverings, MegaFlags and 3D objects for urban settings and trade shows;  |
| <i>Station Media</i>     | Only found in train stations: Big Banners, Ground Posters and Backlights;  |
| <i>Transport Media</i>   | Messages on buses or train;  |
| <i>Event Media</i>       | For opening up train stations and public places for promotional activities;  |
| <i>Infoscreen:</i>       | Digital media in 30 German cities.   |

Table 5.2: Product Portfolio Ströer

The great product portfolio of Ströer is comparable with the products that are present at airports and railway stations in Germany (see competitive products). If we look to the main airport of Germany, also the greatest media platform, Frankfurt airport, Ströer offers their advertising media there. Media Frankfurt GmbH has three parties who hold interest: Fraport as the airport authority of Frankfurt Main Airport, the JCDecaux Group as the world market leader in airport advertising and one of the three largest out-of-home Media companies worldwide, and the Ströer group (<http://www.media-frankfurt.de>). The Ströer group have similar purposes for their products, as does HowTech, and their services are aimed at the same customer group. When entering the German market, Ströer will be the main rival of HowTech. The German out-of-home industry is dominated by this company. The effect of this is that HowTech must react on the less competitive out-of-home advertisement industry (with one dominant organisation). HowTech must accommodate itself to this situation, by focusing their activities to avoid the ‘attention’ of the dominant player. Next to this, the risk to enter the market is big because of the many advantages of the competitor. (Johnson et al, 2006). Below we compare the internal characteristics, the general product characteristics, the market experience, and the price advantages/disadvantages of HowTech and Ströer Infoscreen.



*Comparison HowTech with Ströer Infoscreen*

| <b>Criteria</b> | <b>Internal</b>                               | <b>Product Portfolio</b>                      | <b>General Product Characteristics</b>   | <b>Market Experience</b>   | <b>Price</b>   |
|-----------------|---|---|--|--|--|
| HowTech         | - small sized company with limited resources  | - One digital media system                    | - Digital programmable;<br>- Flexible booking is possible;<br>- The advertisement could be changed easily;<br>- High acceptance/ satisfaction of customers.<br>- Longer interaction time with the passenger, through the synchronization of the advertisement with the movement of passengers. | - Low market experience/ low feedback of customers<br>- Established partnership with supplier  | - No cost advantages. Cannot compete on low price levels   |
| Ströer          | - large sized company with multiple resources | - Multiple products from different categories | - Digital programmable;<br>- Flexible booking is possible;<br>- The advertisement could be changed easily;<br>- High acceptance/ satisfaction of customers;  | - Big market share<br>- Advantage of first entrance in the out-of-home market<br>- Networks with media agencies, special agencies, suppliers, advertising agencies | - Because of their big size, partnership with agencies, the company has a cost advantage. They can compete and be differentiated with their low price. |

*Table 5.3: Comparison HowTech- Ströer*

- Internal: The ability to react in a changing environment is low for HowTech because of its limited resources. The development of the product or new products may be difficult due to the lack of financial resources. Thereby, a direct investment entry mode/ local presence, is simply not possible because of the small company size and limited resources. So, the competitor can be more responsive to the market than HowTech;
- Product Portfolio: HowTech can focus on the marketing of their single product. Ströer has a large product portfolio with products in different categories. The dependency and, thereby, the risk of the market performance of the SyncMovie System is very high. With more products, negative results can be compensated with the positive results of others. An active entry mode like direct investment or active marketing via direct export is recommended to compete with the large product portfolio of Ströer.
- General Product Characteristics: The characteristics of the products of Ströer are comparable with those of HowTech. The competitive advantage of the system of HowTech is the longer contact time with passengers;
- Market experience: Very important in the German market. Ströer is the dominant player in the advertisement market. They have an advantage of first entrance in the market and



- they built great networks with media agencies, special agencies, suppliers and advertisement agencies. HowTech is in the beginning stage of this process. To get this relationship, an active entry mode is recommended.
- Price: Bigger companies, such as Ströer with many transactions/projects, ordinarily have a cost advantage. It is possible for those companies to compete on price. For HowTech this is not possible. HowTech must encounter this price advantage with the uniqueness and quality of their own system.

#### **5.4.3 Threat of new entry**

With a high competition in an industry it is easier for other companies to enter this industry. This could be a barrier for HowTech because of the dominance of one player in the out-of-home market. Other possible barriers because of this small competition:

- the competitor could have cost advantages because of their quantity of medium provision;
- the competitor has control over supply and/or distribution channels. Ströer have, for example 10% control over Media Frankfurt;
- existing media players have close customer relations, and maybe long-term contracts;
- the switching costs could be high for customers;
- early entrants into an industry, such as Ströer, gain experience sooner than others. This can give them advantage in terms of cost and/or customer/supplier loyalty.

*(Johnson et al, 2006/ Media Frankfurt)*

#### **5.4.4 Threat of Substitutes**

The list of present advertising products at Airports and Train Stations in Germany is big, as described before. The threat is that these alternative products have better performance parameters or lower prices than offered by HowTech. The developments in the digital out-of-home (DOOH) market are in the beginning stage. The DOOH advertising revenues in Western Europe are expected to rise within the next years, which mean a high stimulation of developments for new alternative advertising medium products.

### **5.5 Unique Selling Proposition**

Success in the target market requires that HowTech differentiate itself from its competitors by offering something unique and valuable to customers. This can be done through quick service, high reliability, low costs, or innovative products. HowTech can achieve competitive advantage with the last factor. The SyncMovie System is an innovative product. The most important criterion for the advertisement market is 'interaction time'. The contact time for digital out-of-home advertisement is higher than with traditional media, such as posters. The SyncMovie System is unique in the fact that the displayed content is shifting in synchronization with the movement of the passengers. This makes the interaction time very high, which gives the company a unique selling proposition.

### **5.6 Conclusion**

The digital out-of-home revenues in Western Europe are expected to grow strongly. For advertisers, it is attractive because of the relatively low costs associated with digital advertising. DOOH as the SyncMovie System has many advantages above traditional out-of-home media. The main advantage is the higher eye-catching rate.

The SyncMovie System, as digital advertisement product, is meant for out-of-home places with a high frequency of passengers. Airports and railway stations are therefore perfect places for the system and are the target segments in this research. Frankfurt has the busiest airport, the biggest media platform and their network with other big airports in Germany, is an attractive location. Looking to Railway Stations, the traffic hubs in the first category are the most attractive locations for HowTech. The frequency of passengers is high and the locations are suitable.





The present products at airports/ railway stations are all competitive products for HowTech. The products are differentiated from each other. The competitive rivalry is big in these locations. An active entry mode, such as direct investment or direct export (active marketing), is recommended in a market with high competition.

The market channels in the advertisement market are: Advertisers, Advertising Agencies, Special Agencies and Media Agencies. Together with advertising agencies, advertisers make their promotional material. Advertisers make use of intermediaries (special agencies) who find the most effective way for them to communicate their message (advertisement) with people. Special Agencies select different kinds of mediums by Media Agencies like Media Frankfurt. A special agency, like Kinetic, operates in distinct and special business areas. This makes it easier for advertisers to identify which service is most relevant for their communication goals. Media Agencies have a large media product portfolio and they sell advertising space to advertisement providers, such as HowTech. Advertisers can book directly on a media system, such as the SyncMovie System, but also via special agencies.

The Ströer Group is the market leader in Out-of-Home advertisement in Germany. It is a large sized company, with a broad product portfolio, established networks with media agencies and with the advantage of first entrance in the digital out-of-home market. Because of one dominant competitor it could be difficult to enter the market. The competitor may have a cost advantage or have control over supply and distribution channels. HowTech must encounter these advantages by focusing on their core competence: the distinctive advantages of the SyncMovie System. Next to this the risk to enter the market is big because of the many advantages of the competitor.

The general product characteristics of a main competitor of HowTech, Infoscreen (subsidiary Ströer) are:

- Digital programmable;
- Flexible booking is possible;
- The advertisement could be changed easily;
- High acceptance/ satisfaction of customers.

The SyncMovie system has the same advantages. The unique selling proposition is that the displayed content is shifting in synchronization with the movement of the passengers. So the interaction time is higher.

| <b>Market Characteristics influencing entry strategy</b>   |   |
|--|---|
| The high expectation of revenue growth in the digital out-of-home market in Western European countries;  | Many competitive products at airports/ railway stations. Requires an entry mode where active marketing is possible, as with direct investment or direct export; |
| The network of Media Frankfurt with other German Airports; easy to exploit economies of scale;   | The power of one dominant firm. To compete against this power, an active entry mode like direct export or direct investment is required;                        |
| Through the uniqueness of the SyncMovie system HowTech can achieve competitive advantage. This differentiated product calls for an export entry. With low differentiation the firm must compete on other marketing forces as price or promotion. | Fast development of the digital out-of-home market. This calls for a high ability to respond on market changes what makes an active entry mode preferable.      |

Table 5.4: Market characteristics influencing entry strategy



## Chapter 6: Entry Strategy formulation

This section begins with analysing the different entry options for HowTech. Then we look to the strength and weaknesses (internal) and opportunities and threats (external) that influence the entry strategy. The outcome of this is an overview of the decisive criteria for selecting the best workable entry mode. This method of deciding on the right entry mode is also called the pragmatic rule (*Root, 1994*). The advantage of this rule is that the risk of entering a target market with the wrong mode is minimized, because non-workable entry modes are rejected. After selecting the entry mode the marketing mix is described and the way to approach the market channels. The fifth research question is answered in this chapter: *What is the most appropriate entry strategy?*

### 6.1 Entry options

#### *Licensing*

HowTech (licensor) can license an independent German media company (licensee) with the purpose to penetrate the market. Instead of transferring a physical product, HowTech transfer their intangible assets and services that are not subject to import restrictions. The transfer of this is accompanied by technical services to ensure the proper use of the assets.

The financial risk for HowTech is very low with this entry mode. If the worst happens, the most the company can lose is the licensing income. This may not be inconsequential, but the loss is far below then with direct investment methods (*Root, 1994*). The main disadvantage of licensing is the licensor's lack of control over the marketing plan and program in the target country. When license, HowTech remains dependent on the licensee's market performance and the company can do little to get a better performance. Another disadvantage is the low absolute size of income as compared to that from exporting or investing in the target country. And also not unimportant, licensing income is limited to the duration of the licensing agreement, which is usually five to ten years. The last disadvantage is the risk of creating a competitor (*Root, 1994*).

#### *Exporting*

HowTech can choose for exporting as an entry mode. This is possible through indirect channels or through direct export. The advantage of indirect channels is that the firm can start exporting with no direct investment in fixed capital, low start-up costs, few risks, and profits on current sales. When having success with this entry mode the company can choose to enter new target markets (through this indirect channels), and, for example, shift to direct export. The disadvantage of this entry mode is the lack of control over the marketing of the product. Indirect exporting does not allow a company to have its own international market entry strategy. It demands little, if any, foreign country/market knowledge; it insulates the manufacturer from foreign markets (*Root, 1994*).

The advantages of direct exporting are partial or full control over the foreign marketing plan, more and quicker information feedback, and a better learning experience, which can improve the marketing effort. With this entry mode, HowTech will have a closer product adaptation, can price more responsive, and can better protect their patent. This entry mode is possible when the company takes its responsibility for international marketing and carries out its entry strategy (*Root, 1994*).

#### *Direct Investment*

Investment entry involves the transfer to a target country of an entire enterprise. With entry modes as an own subsidiary or a joint venture, the company transfer managerial, technical, marketing and other skills to the target market. This enables the company to exploit more fully its competitive advantages. The disadvantage of direct investment is that it requires substantially more capital, management and other company resources. This higher resource commitment also means higher exposure to risks (*Root, 1994*).





## 6.2 Internal factors influencing entry strategy

The foreign entry mode decision will gradually change. Knowledge about a market and the competition in that market is essential when a company wants to have greater control over foreign marketing operations. To gain greater control, the company will have to commit more resources to foreign markets and thereby assume greater market and political risks (Root, 1994). HowTech, as a small sized company, lack the financial and human resources for entry modes as a subsidiary or a joint venture. The ability for the company are entry modes as licensing or export, where the risks are lower and the need for a high resource commitment is also relatively low in comparison with direct investment modes. The organizational structure of HowTech promotes flexibility, teamwork and collaborations. These characteristics are positive for more active entry options as direct export where the marketing is the responsibility of the company. The product of HowTech is differentiated. Export entry in the beginning is, therefore, attractive. Low differentiation calls for local presence because the company must compete on other marketing forces rather than product, as price or promotion.

## 6.3 Market Characteristics influencing entry strategy

Because of the big advertisement product portfolio of railway stations and airports it can be difficult for HowTech to differentiate. The marketing of the product is important to compete with these products. An active entry mode as with direct investment or direct export is recommended in a market with high competition. In the German advertisement market there is one dominant media provider with a large product portfolio. To compete against the power of this firm, an active entry mode is required.

The business market is very sophisticated in Germany what makes local presence or at less active marketing attractive. An example is Media Frankfurt that has a network with other airports. Positive results in the airport of Frankfurt will result in market development to the other airports. Thereby the digital out-of-home market will develop fast. This calls for a high ability to respond on market changes what makes an active entry mode preferable.

## 6.4 Selecting entry mode

Below the decisive internal and external factors which are the outcome of the internal analysis and the external analysis of the German market.

| <i>Decisive Internal Factors</i>   | <i>Decisive External Factors</i>   |
|--|--|
| Small sized company with limited human resources that calls for entry modes with low commitment        | Many competitive products in the market what calls for an entry mode with active marketing   |
| Limited financial resources calls for entry modes with a low financial risk                            | One dominant competitor with several advantages. This makes the risk greater in the market. Low risk entry modes are therefore recommended                           |
| Local presence is less necessary because of the differentiated product of HowTech                      | A high business sophisticated market makes local presence or at less active marketing attractive   |
| The marketing skills of the employees are high what makes an entry mode with active marketing possible | There is a fast development of the digital out-of-home market. This calls for a high ability to respond on market changes what makes an active entry mode preferable |

Table 6.1: Decisive internal and external factors

The decisive internal and external factors lead to some criteria for choosing the best workable entry mode. First of all we see the company has limited human and financial resources. Next to these criteria we see some characteristics of the German market that pushes the company to



choose for an active entry mode with control over the marketing plan. At last, because of the limited financial resources of the company, the risk of the entry mode must be minimal. This lead to the following four criteria:

- Human Resource Commitment: When the score is positive (10) there is a low need for human resource commitment with the entry mode. A negative score (1) means the need for human resources is high with the entry mode.
- Need for Financial Resources: When the score is positive there is a low need for financial resources with the entry mode. A negative score means the need for financial resources is high with the entry mode.
- Active marketing possible: When the score is positive active marketing is possible when choosing that entry mode. A negative score means the company insulate itself from the foreign market and active marketing is not possible.
- Risk: When the score is positive the financial risk related to that entry mode is low. When the score is negative the financial risk related to the entry mode is high.

| <b>Criteria</b> | <i>Human<br/>Resource<br/>Commitment</i> | <i>Need for<br/>Financial<br/>Resources</i> | <i>Active<br/>Marketing<br/>possible</i> | <i>Financial<br/>Risk</i> | <i>Total</i> |
|-----------------|--|---|--|---------------------------|--------------|
| <b>Modes</b>    |  |   |  |                           |              |
| Licensing       | 10                                       | 10  | 1  | 10                        | 31           |
| Direct Export   | 5  | 10  | 10                                       | 10                        | 35           |
| Indirect Export | 10                                       | 10  | 1  | 10                        | 31           |
| Investment      | 1  | 1   | 10                                       | 1                         | 13           |

Table 6.2: Comparison Matrix (Positive: 10, Moderate: 5, Negative: 1)

#### *Licensing*

When HowTech licenses an independent foreign company, the need for human resource commitment is low resulting in a score of 10. The company will not own physical assets in the target country and the most that a company can lose is the licensing income. The need for financial resources and the risk with this entry mode is therefore low resulting in a score of 10. The disadvantage of licensing as an entry strategy perspective is the lack of control over the marketing plan. For this reason the score is negative (1).

#### *Investment*

Investment entry requires substantially more capital, management, and other company resources. This higher resource commitment also means higher exposure to risk. The score of human resource commitment, need for financial resources, and risk are therefore negative (1). Active marketing with investment is possible resulting in a score of 10. Local presence enables HowTech to exploit more fully its competitive advantages.

#### *Indirect export*

By using indirect channels, HowTech can start exporting with no incremental investments in fixed capital, low start-up costs and a low human resource commitment. This results in positive scores for human resource commitment, need for financial resources, and financial risk. Indirect export demands little foreign country/market knowledge, it insulates the company from the market. With indirect export the company has not the ability to have control over marketing resulting in a score of 1.

#### *Direct export*

Direct export requires that HowTech assumes responsibility for the foreign marketing plan. Because of the limited human resources this is difficult to handle. In comparison with investment entry the need for human resource commitment is moderate, resulting in a score of 5. The need for financial resources is low; no direct investments in fixed capital are necessary, resulting in a



score of 10. The financial risk, as a consequence, is also low scored with 10. With direct export HowTech can improve the marketing effort with for example closer product adaptation or more responsive pricing. Active marketing is possible, and scored with 10. With the total score of 35, direct export is selected as the best workable entry mode. HowTech will buy advertising space at airport or railway stations. Media agencies sell this advertising space. The product of HowTech is exported and installed to the location. Advertisers can book airtime on the media system via Media agencies or Special agencies.

## 6.5 The Marketing Mix

As described in the theory to design a marketing plan, managers must make decisions on policies relating to the product, place/channels, pricing, promotion and personnel. This marketing mix must relate to each other in order to design an integrated marketing plan (*Root, 1994*). Because of the advice of direct export, what meant active market penetration, the marketing mix is important for HowTech. Below we describe the different elements of the marketing mix as part of the entry strategy of HowTech in Germany.

### **Product:**

The developments of digital out-of-home advertisement are in the beginning stages. In the next years, it is expected that there will be strong trends towards these developments (*Interview Ströer*). The main factor with media products is visibility, interaction time, and the frequency of (looking) passengers. With a rise of mobility of people, out-of-home media will be more and more attractive (*Interview Kinetic*). The worldwide experience of a special agency, Kinetec, knows that the recognition of out-of-home advertisement is between 30% and 40%.

The advantages of present OOH media:

- flexible booking;
- digitally programmed;
- higher interaction time than traditional media;
- possible to select the target group;
- a higher acceptance/satisfaction of customers;
- higher positive effect on revenues in comparison with traditional media;
- effective in reaching moving people.

(*Interview Ströer, Kinetic, Media Frankfurt*)

The advantages of the SyncMovie System (SMS) of HowTech are in congruence with above mentioned general advantages. The system has a higher interaction time, a higher attraction rate, and the change of advertisement is simple and cheaper than replacement of traditional advertisement. The competitive advantage of the SMS is the expected higher interaction time because the advertisement is moving in synchronization with the movement of the passenger.

Next to these advantages, HowTech must take the advertising regulations into account and adapt the product in congruence with the German standards. Germany has a considerable number of laws which have a direct bearing on advertising. Under German law, advertising may not be deceitful or misleading. In general, advertising has to be 'correct about the characteristics, the way of manufacturing and the pricing of the products' ([www.werberat.de/](http://www.werberat.de/) [www.wettbewerbszentrale.de](http://www.wettbewerbszentrale.de)).

There are two main self-regulatory organisations in Germany:

1. Zentrale zur Bekämpfung unlauteren Wettbewerbs/ Centre for Combating unfair competition;
2. Deutscher Werberat/ German Advertising Standards authority.

Relevant legislation covers: Misleading advertising, unfair competition, comparisons, distance selling, medical care, medicines, discounts, sales promotions, services and premiums, prices, trademarks, data protection, education, financial services. Advertising is governed by civil law in



Germany, which means that state and government authorities have no right of action. The Deutsche Werberat does not have or seek statutory powers and its decisions are not legally binding. The Zentrale also do not have statutory powers. It is a registered association, judicially authorised to pursue collective actions or individual complaints in court if the 'Unfair Competition Act', if infringed upon ([www.werberat.de/](http://www.werberat.de/) [www.wettbewerbszentrale.de](http://www.wettbewerbszentrale.de)). We can say that the advertisement is not the responsibility of HowTech themselves, but, instead, of the advertising agency.

### ***Place/ Channel***

The SyncMovie System is best suitable in places, such as airports and railway stations because of the high frequency of passengers and the perfect locations, as in gates and corridors in train stations. When an advertiser wants to advertise for a target group, airports are more suitable than railway stations. If we look to the different categories of media products at Media Frankfurt, the customers choose, most often, indoor advertisement because it offers opportunities to reach particular target groups. They can choose, for example, between areas in the airport, such as business/leisure, Asian flights, US flights, etcetera (*interview Media Frankfurt*). For HowTech's system, it is important to have a place with enough room to actually install the system. Places in airports are therefore suitable (enough space) while places, such as corridors in railway stations in Germany that are very small could be a problem for the installation (*interview Kinetic*).

### ***Price***

A systematic approach to entry pricing is very difficult. HowTech must make pricing decisions with some uncertainty about the own costs and about demand and competition in the target market. Also, they need to consider laws, as mentioned by the product-element of the marketing mix. An important influence on the pricing decision is, for example, the pricing policies of competitors. So the question is: "What should be the role of price in the foreign marketing plan of HowTech?" In regard to the interview with the managing director of HowTech, the company wants to achieve competitive advantage through their high perceived product benefits with a substantial price premium. This means that the product of HowTech should be sufficiently differentiated from their competitors to 'justify' significantly higher prices. This strategy is called a focussed differentiation (*Johnson et al, 2006*). Looking to the media offer in, for example, Frankfurt airport ([www.media-frankfurt.de](http://www.media-frankfurt.de)), there are many competitive products, such as wall wraps or digital posters, as described before. A better strategy for HowTech, in the beginning, will be: differentiation without a price premium. This strategy seeks to provide products or services that offer benefits different from those of the competitors and that are widely valued by buyers. The aim is to achieve competitive advantage by offering better products at the same price (*Johnson et al, 2006*). In the latter case, when the product of HowTech is widely valued, and the demand is getting higher, a strategy such as focused differentiation may be appropriate.

### ***Promotion***

When entering the German market, HowTech should understand that customers in that market know little or nothing about the product and company. For HowTech it is difficult to approach directly the end customers/ advertisers. They have to make use of the channel members. Advertisers in Germany first go to special agencies who give them advice on the 'best' environment and media product. It is important to promote the product to these agencies and also to media agencies. Media agencies at the location of advertisement have contact with clients directly as well as with Media specialists like Kinetic (*Interview Media Frankfurt, Kinetic*). The way of communication with the channel members could be done through promoting at trade fairs, the website, brochures and personal selling. It is of importance to select, develop and manage customer relationships (*Ford et al, 2002*).



### **Personnel**

The relevance of external communication and the establishment of links with outside organisations have been widely noted for small firms in general (*Groen et al, 2005*). For HowTech, it is of most importance to establish networking relationships with media agencies and special agencies. The right knowledge, skills and experience of the marketing personnel is, thereby, very important (*Groen et al, 2005*).

### **6.6 Approach market channels**

We mentioned before that advertisers in Germany ordinarily make use of intermediaries, special agencies, who consult them what will be the most effective way for them to communicate their message with people. Those special agencies then can book the advertisement-medium for the advertiser by the media agency. The second possibility for advertisers is to book the advertisement medium directly at the media agency (such as Media Frankfurt) (*Source: Interview Ströer, Kinetic, Media Frankfurt*).

As mentioned by the small firm internationalisation theory, making use of established networks is very important. An example of this is the network of airports of Media Frankfurt. Next to this, it is important for HowTech to make business relationships with special agencies; they recommend the best advertisement medium to advertisers. HowTech must have the ability and commitment to establish business relationships (*Young et al, 2003*).

HowTech need strong relationships with agencies to succeed in the marketplace. Therefore, it is important to understand the elements that form the constituent part of a business relationship. Below are some important elements for strengthening business relationships:

- Important to learn about everyone the company works with. Then, act on that knowledge. When HowTech knows much about everyone, from the advertisers to the media agencies to its employees, the company can provide them with what they need when their needs change;
- Encourage a sense of ownership among the employees what creates strong ties with the business. The business will be much more likely to survive setbacks with this approach;
- Communication styles are also important. Not all people communicate in the same fashion. Germans, for example, put truth and directness before diplomacy, believing that the fact is the important issue and that personal emotions should not deflect the truth from being spoken;
- One-on-one conversations with advertisers/ media agencies and special agencies are important to find out what HowTech can do better. Most of the time unsatisfied customers don't approach a company with a detailed list of the things they'd like for you to improve on (*Young et al, 2003*).

### **6.7 Implementation**

The advantages of direct export can be realized only when HowTech assumes responsibility for the international marketing effort in carrying out its entry strategy. In the score model (selection entry mode) we see low human resource commitment as decisive criteria for HowTech. The ability for the company to have full control over the marketing plan in Germany is low because of its limited human resources. Therefore, it is recommended that HowTech expand its workforce with an employee that has high marketing skills capacities. A perfect candidate could be an account manager. The account manager will serve as the primary point of contact between the customer and the company. The provision of customer support, planning and optimization for the account, as well as developing a relationship with businesses is included in the function. With relation to the entry strategy of HowTech in the German market, the function of the account manager will be:



- The responsibility of the account manager for customers of HowTech. The direct customers are the Media Agencies. Indirect customers, the advertisers. The manager gives the customer advice of how they could improve their advertisement. This with keeping in mind the product of HowTech, the SyncMovie System;
- The account manager follows the developments in the German advertising market and searches for new developments in the market. Direct contact with the R&D department of HowTech is very important;
- The account manager can promote the SyncMovie System by giving demonstrations/presentations to media agencies and special agencies. The visits of special congresses and companies where new products are presented are therefore important;
- Establishing and keeping business relationships with media agencies, special agencies, advertisers, advertising agencies, suppliers and other stakeholders.

In a digital advertisement market with fast developments, it is important to obtain market intelligence. Successful business planning and development requires a good understanding of market potential, and of the capabilities of the company against those of the competitors. A market intelligence system should be used. This is a set of procedures and sources used by managers to obtain everyday information about developments in the marketing environment. This information should be transformed into actionable management intelligence for marketing decisions. Steps to set up the marketing intelligence system:

- Train and motivate the sales force to spot and report new developments;
- The company can also motivate distributors, retailers, and other intermediaries to pass along important intelligence;
- The company can set up a customer advisory panel made up of representative customers or representatives from media agencies and special agencies. This to discuss service issues, new technologies, and customer strategic requirements;
- The company can establish a marketing information centre to collect and circulate marketing intelligence.

## 6.8 Conclusion

HowTech does not have the financial and human resources for direct investment modes, such as a subsidiary or a joint venture. The possible entry modes for the company are licensing or export, where the risk is lower and the need for a high resource commitment is also relatively low in comparison with direct investment modes. The product of HowTech is differentiated. Export entry is, therefore, attractive in the beginning stage of foreign entry. Low differentiation calls for local presence because a company must compete on other marketing forces, such as price or promotion.

The business market in Germany is very sophisticated, with many relationships between businesses. With entry modes, such as indirect export or licensing, the company becomes dependent on other companies. The firm has less advantage of this opportunity in the German market. Direct export or direct investments are preferable because of the more active market penetration and the company have a better ability to establish business relationships. Next to this highly sophisticated market, the advertising market makes a strong growth. The competition is increasing in a market with already many competitive advertisement products, what calls for an active entry mode to respond faster on market changes.

With making use of the internal and external factors influencing the entry mode, the best workable entry mode is selected: Direct export. With the low financial risk, no direct investments in fixed capital, and the possibility for active marketing, this entry mode offers the best opportunity for HowTech. The marketing mix is important with this entry mode. The product of





HowTech meets the general needs of customers and offers a distinctive advantage: the higher interaction time. The company must take into account the German standards for advertisement. Airports have enough space for installation of media products while corridors in railway stations in Germany are very small, which could be a problem for the installation. In a market with many competitive products and one dominant competitor, the pricing strategy should be 'differentiation without a price premium'. The aim of this strategy is to achieve competitive advantage by offering better products at the same price.

HowTech cannot only do direct business with advertisers. The company must deal with media agencies that have a broad portfolio of advertising media. Advertisers or special agencies can book airtime on different advertisement media from media agencies. HowTech should promote their product to media and special agencies. HowTech serve the general needs of media agencies.

Business relationships are important for HowTech to succeed in the marketplace. Important elements are to encourage a sense of ownership among its own employees, and the communication style and one-on-one conversations with advertisers/ media agencies and special agencies.

With the current situation it is difficult for HowTech to achieve the advantages of the selected entry mode, direct export. The company must assume responsibility for the international marketing effort in carrying out its entry strategy. The ability of the company to have full control over the marketing plan (advantage direct export) is not possible because of its limited human resources. Therefore, it is recommended that HowTech expand its workforce with a specialist with high marketing capacities, such as an account manager. The account manager is responsible for customers of HowTech, following and search for new market developments, promote the system of HowTech through demonstrations or presentations to media/ special agencies or advertisers, and finally establish and remain business partners with those agencies. A market intelligence system should be used to follow the developments in the German market and obtain market intelligence.



## Chapter 7: Conclusions and Recommendations

The research begins with the following objectives:

- Research for possibilities in European markets, resulting in the most promising country for HowTech to enter;
- The most appropriate market entry strategy.

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Keeping these objectives in consideration the problem formulation is defined:

*How can a small sized company, such as HowTech B.V., realise its international growth ambition?*

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### 7.1 Conclusions

Due to the relatively small size of the home market, HowTech wants to expand to other European countries. Penetrating other European markets is one of the goals of the company. To give a solution to the problem formulation, the following activities were executed: An analysis of the important factors for internationalisation of SMEs operating in the business- to- business market; an internal analysis of factors influencing the entry strategy; a country comparison and selection through analyzing macro and direct environmental criteria; an analysis of market characteristics of the selected country influencing the entry strategy; and finally the formulation of an entry strategy.

The analysis of the internal factors concludes that the firm has limited resources and is therefore constrained to choose entry options that call for a small resource commitment as exporting or licensing. Investment entry as with a subsidiary or a joint venture is therefore not suitable because it requires a substantial capital, management, and other company resources. The decentralized organizational structure promotes flexibility, teamwork and collaboration. The willingness of the employees to internationalise is high. Looking to the management competences we see the general manager promotes the exchange of information between employees what increases the ability to act as a team. These characteristics are positive for more active entry options as direct export where the marketing is the responsibility of the company, and collaboration is important. We see that the company has not the ability for direct investment entry options. Looking to the product of HowTech, it is differentiated. With low differentiation, local presence is required because the company must compete on other marketing forces, as price or promotion to be competitive in the market. With a differentiated product also local presence is preferable to have a quick response on the market, but export is better possible.

After a macro and direct environmental screening Germany is selected being the most promising country. The population size is the biggest in Europe with a high density and urbanization index. This is positive for the product of HowTech which is best suitable in crowded public places. The GDP per capita is one of the highest in Europe what is confirmed with the PPP (Price Purchasing Power) which is the fifth largest in the world. The airport and railway traffic statistic belong to Europeans highest which is a positive indicator for Germany. The overall business freedom is well protected in Germany and the country is number one in business sophisticated countries in the world. Next to these factors also the macro environmental factors are in advance of Germany. The investment freedom is high in Germany, there are no restrictions on capital transactions or current transfers, the government is stable with a low risk of unconstitutional and/or violent means, the property right protection is well, and the fiscal freedom and technological readiness are positive for Germany.

The digital out-of-home revenues in Western Europe are expected to grow strongly. For advertisers, it is attractive because of the relatively low costs associated with digital advertising.



Because of the fast developments a high ability to respond on market changes is preferable what calls for an active entry mode. There are many competitive products in Germany at airports and railway stations. The competitive rivalry is big. An active entry mode, as a subsidiary or a joint venture is recommended in a market with high competition. In the purchase decision process there are different members who play a role for HowTech. Advertisers initiate the buying proposal and help define the product requirements. Advertisers make use of intermediaries who influence the buying decisions. These intermediaries are special agencies who provide information of different advertisement mediums. The attractive locations for the product of HowTech, airports and railway stations, are represented by media agencies. These agencies sell advertisement space to medium providers as HowTech. The media agency functions also as an intermediary for HowTech. Advertisers can book airtime on products from the product portfolio of Media Agencies, directly, or via special agencies. The marketing remains the responsibility of the medium provider.

Making use of the internal and external factors influencing the entry mode, a suitable entry mode is selected: Direct export. With the low financial risk, no direct investment in fixed capital and the possibility for active marketing, this entry mode is the best workable for HowTech. With direct export, the company must take responsibility for the international marketing effort in carrying out its entry strategy. Full control over the marketing plan is not yet possible because of its limited resources. If HowTech wants to realise its international growth ambition it is recommended to expand its workforce with a German account manager. Next to this it is important to obtain continually market intelligence to understand the market potential, and the capabilities of the company against those of the competitors. A market intelligence system should be used. This is a set of procedures and sources to obtain everyday information about developments in the marketing environment. This information should be transformed into actionable management intelligence for marketing decisions. Good control from the general manager over systems, operations, and administration is required to be confident that no unpleasant surprises in the foreign operations will occur.

For HowTech it is important to keep in mind the internal and external influences when realising its international growth ambition. When entering the German market through direct export HowTech will build up experience. This is a development process that takes the firm toward more international sophistication and commitment. In a latter stage, a (higher risk) direct investment entry mode could be preferable. The probability of a successful investment entry will be enhanced by building on experience gained through export to the target country.

## 7.2 Recommendations

The following points are recommended for HowTech:

- The function of the account manager will be:
  - To attract customers and gives them advice of how they could improve their advertisement;
  - Following the developments in the German advertising market and searches for new developments in the market. Direct contact with the R&D department of HowTech is very important;
  - Promoting the SyncMovie System by giving demonstrations/ presentations to agencies and potential advertisers;
  - Establish and remain business relationships with the companies' stakeholders as media agencies and special agencies.



- The following management controls are recommended:
  - Written standards for documentation of systems, operations, and administration;
  - Access to the System is restricted at all times to authorized personnel only;
  - Informing employees as to how they can maximize their contribution to the fulfilment of organizational objectives;
- Steps to set up the marketing intelligence system:
  - Train and motivate the sales force to spot and report new developments;
  - The company can also motivate distributors, retailers, and other intermediaries to pass along important intelligence;
  - The company can set up a customer advisory panel made up of representative customers or representatives from media agencies and special agencies, to discuss service issues, new technologies, and customer strategic requirements;
  - The company can establish a marketing information centre to collect and circulate marketing intelligence.
- The SyncMovie System is already included in the product development portfolio of Media Frankfurt which is situated in Airport Frankfurt. The media agency is the biggest media-platform in Germany. Because of their network, Media Frankfurt offers the possibility for advertisers and advertisement providers to also be present in airports as in Hannover, Hamburg and Munich. This is a perfect first location for HowTech.
- There are indicators that Spain, Italy, Belgium, France and the UK are interesting markets to export too. HowTech should look further into the possibilities of exporting to these markets. When the company is interested in other foreign countries, the selection framework is a fast way to identify environmental attractive countries.

### 7.3 Reflection

In the beginning of the thesis a literature research was done. To realise company's international growth ambition many theories are used. We see that the decision of the entry mode is influenced by internal and external factors. Those external factors can be subdivided in direct environmental factors (company/product related), macro environmental factors, and micro environmental factors. For the screening process of the six countries the macro and direct environmental (company related) factors are analyzed. The outcome of this is the first stage of the process of internationalisation: assessing foreign markets. The next stages are the goals in the target market, the entry mode decision and the marketing plan. Theories about how to screen countries, entry modes, small firm internationalisation, business- to- business marketing, and country selection processes are used. The challenge in this was to combine all the theories in one theoretical framework.

The sources used for the screening process of the six countries are as far as can the same indexes/ data. This makes comparison between the countries possible. Macro Environmental forces as financial freedom, investment freedom and for example control of corruption are measured with the help of the freedom index ([www.heritage.org](http://www.heritage.org)). Economic data of the countries are measured with making use of information from the EVD ([www.evd.nl](http://www.evd.nl)) and the CIA ([www.cia.gov](http://www.cia.gov)).

The theory used for the screening of the six countries is a combination of the PESTEL framework and the market selection- model of Ball. The model of Ball indicates that the process have stages. The first stage, the basic needs, is an initial screening based on the basic need potential (for HowTech for example the availability of busy public places). After this stage some countries should be rejected for further analysis because of the relative negative outcome. In this research we don't use this method. The external factors (combination Ball-PESTEL) are analyzed for all 6



countries to make a comparison on different aspects what makes the final decision of the target market more valuable.

The information available for the micro environmental analysis in Germany is minimal, which makes it difficult to give a complete view of the competition of the out-of-home advertisement market. An important reliable fact is that there is one dominant player in the German market. This information comes from interviews with potential channel members of HowTech.

The design of the marketing plan is included as a small part of this research. The information in this part is too minimal. An extensive marketing plan should be conducted. A detailed marketing plan is simply not possible in a research such as this, with so many subjects to cover.

#### **7.4 Suggestions for further research**

In this research environmental factors are analyzed influencing the entry strategy of HowTech. The selection among alternative international markets requires information. This information determines, for a large part, the degree of success (or failure) achieved in the international arena. As we see, for example, with the direct environmental factors, the level of economic development in a country is included. This is perceived as one of the key dimensions to have international success in the target market. The researched criteria are cited in the literature as most appropriate for international country/market analysis. Nonetheless, there may be other variables of concern. The readers of this thesis must keep in mind that this is an exploratory study, undertaken to examine attractive countries for (the product of) HowTech. Thus, no concrete generalizations can be, or are, made in this study. Suggestions for further research are:

- When entering the German market, research must be periodically conducted on the influence of (changing) macro and micro environmental factors on the competitiveness of HowTech;
- Networking is very important for HowTech in the market. Research on entrepreneurship in networks could therefore be conducted.



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<https://www.cia.gov>: Central Intelligence Agency

<http://www.destatis.de>: Federal statistical office

<http://www.evd.nl>: EVD International Entrepreneurship and Cooperation

<http://epp.eurostat.ec.europa.eu>: European Statistical Insitute

<http://heritage.org>: The Heritage Foundation

<http://www.horizont.ne>: HorizonT/Nielsen Media Research

<http://humandevelopment.bu>: Statistical institute

<http://www.ine.es>: Central Bureau of Statistics of Spain

<http://www.infoscreen.de>: Medium (Infoscreen) provider in Germany

<http://www.kineticww.com>: Special Agency Germany

<http://www.media-frankfurt.de>: Official airport/media site

<http://www.oup.com>: Oxford University Press

<http://www.state.gov>: US department of state

<http://w3.unece.org>: United Nations, Economic Commission for Europe

<http://www.weforum.org>: Committed to improving the state of the world

<http://www.werberat.de>: Advertising Standards Authority

<http://www.wettbewerbszentrale.de>: Centre for combating unfair competition

<http://www.worldbank.org/>: International organisation, data publisher



## Appendices

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### International growth ambition A country selection and market entry advice for HowTech B.V.

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**December 2008**





## Appendices

### **International growth ambition A country selection and market entry advice for HowTech B.V.**

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#### **Master Thesis Business Administration**

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## Appendix 1: Spain

### Spain



### Direct Environmental Criteria Spain

#### *Spanish Market*

Spain has secured a leading place among European economies. An advantage of the Spanish economy is that it still retains the core operations in the country, instead of having outsourced. Therefore the control over the whole process remains in place and gives more room for improvement of operations. Weaknesses of the Spanish companies are in their size, in their lack of financial means and also on the lack of investment in R&D. This is partly why Spanish companies find it difficult to go international. The market is very fragmented. 99% of companies (both clients and suppliers) are small to medium which means that they do not exert any power or institute their conditions.

The advertising industry is traditionally mainly located in Barcelona, where the most of the creative used to live. The industry has been steadily moving to Madrid, where the largest companies are established. A large part of the market of advertising is for media agencies: there are several in Spain, the largest 17 ones are reunited in the Association of Media Agencies (AAM). (Source: Evd)

#### *Population size and density:*

Spain had 46.063.000 inhabitants at the end of 2006. Its population density of 91,4 persons per square kilometre is lower than that of most Western European countries. Except Madrid, the most populated regions lie around the coast. The population growth rate in 2006 is 0.09% (<http://www.evd.nl>).



|   | <b>Spain</b> | Italy | France | Germany | Belgium | UK    |
|---|--------------|-------|--------|---------|---------|-------|
| 1.Population (*1000)                    | <b>46063</b> | 59131 | 64473  | 82400   | 10400   | 70000 |
| 2.Population Density (per square km)    | <b>91.4</b>  | 196   | 118    | 230     | 340     | 390   |
| 1.% of biggest population $\frac{3}{4}$ | <b>56</b>    | 72    | 78     | 100     | 13      | 85    |
| 2.% of highest density $\frac{1}{4}$    | <b>23</b>    | 50    | 30     | 59      | 87      | 100   |
| <b>Average % (round off)</b>            | <b>48</b>    | 67    | 66     | 90      | 32      | 93    |

### *Age distribution*

The age distribution in Spain (2006):

0-14 years: 14.4% (male 3.000.686/ female 2.821.325)  
 15-64 years: 67.8% (male 13.751.963/ female 13.653.426)  
 65 years and over: 17.8% (male 2.993.496/ female 4.176.946)

(<http://www.evd.nl>).

### *Urbanization*

| Year  | Rural (*1000) Population | Urban (*1000) Population | % Rural of total Population | % Urban of total population |
|-------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| 2000  | 9.550                    | 30.680                   | 23.7                        | 76.3                        |
| 2005  | 10.103                   | 33.295                   | 23.3                        | 76.7                        |
| 2010* | 10.196                   | 34.912                   | 22.6                        | 77.4                        |

In this table we see a steady progressive grow of the urbanization percentage and a steady digressive decline in rural percentage. This phenomenon that is changing the population distribution is the rural-to-urban shift. Towns and cities in Spain are experiencing the maximum population. So the economy is driving the rural citizens of Spain to migrate to the urban environments.

(<http://esa.un.org>)

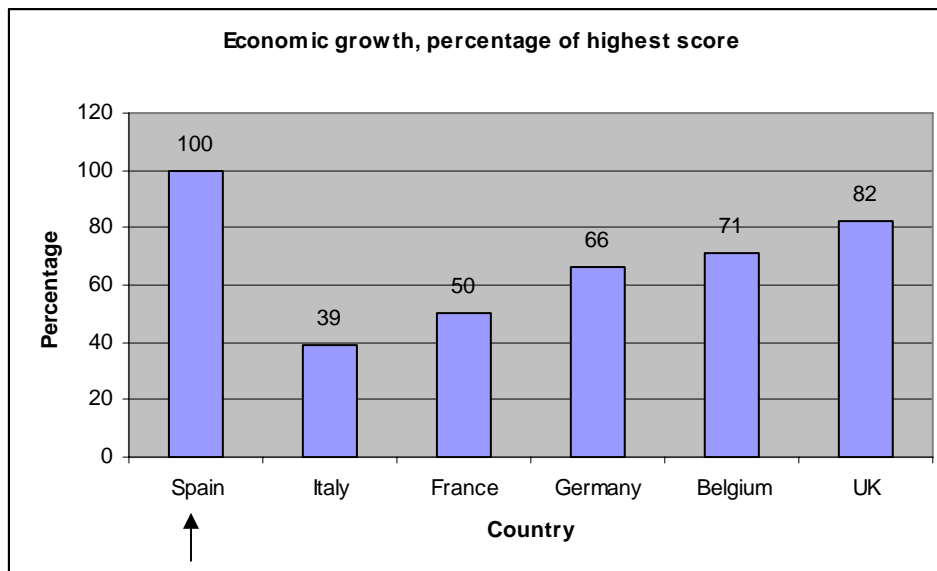
|  | <b>Spain</b> | Italy | France | Germany | Belgium | UK |
|--|--------------|-------|--------|---------|---------|----|
| 2. %Urban of total population            | <b>77</b>    | 68    | 77     | 73      | 97      | 90 |
| 2. %of highest urban of total population | <b>79</b>    | 70    | 79     | 75      | 100     | 93 |



### ***Economic growth***

The economical situation in Spain is favourable. Spain belongs with the 3.8% economic growth (2006-2007) to the top of the EU-countries. These grow is due to the increase of consumption of goods and services, and the demand of houses. Thereby the economic growth is unbroken since 12 years. The service sector dominates the Spanish economy with 66.4% of the GDP and is growing harder than industry and agriculture. Tourism is very important for the Spanish economy. Spain is one of the most popular destinations in the world. The purchasing power in Spain is bigger than most of the other EU-countries. The purchasing power is the biggest in the Basken, Catalonia, Madrid, the Balearen and Navarra. The people in Andalusia, Castilla, Extremadura and Galicia have a relative lower income (<http://www.evd.nl>).

|                           | <b>Spain</b> | Italy | France | Germany | Belgium | UK  |
|---------------------------|--------------|-------|--------|---------|---------|-----|
| Economic Grow % 2006-2007 | <b>3.8</b>   | 1.5   | 1.9    | 2.5     | 2.7     | 3.1 |



### ***GDP***

Spain's accession to the European Community, now EU, in January 1986 required the country to open its economy to trade and investment, modernize its industrial base, improve infrastructure, and revise economic legislation to conform to EU guidelines. In doing so, Spain increased gross domestic product (GDP) growth. GDP in Spain:

|                               |                              |
|-------------------------------|------------------------------|
| GDP (official exchange rate): | \$1.439 trillion (2007 est.) |
| GDP (real growth rate):       | 3.8% (2007/2006)             |
| GDP per capita:               | \$30.100 (2007 est.)         |
| GDP composition:              |                              |
|                               | Agriculture: 3.5%            |
|                               | Industry: 29.8%              |
|                               | Services: 66.6%              |

(<https://www.cia.gov>)



|                        | <b>Spain</b>   | Italy   | France  | Germany | Belgium | UK      |
|------------------------|----------------|---------|---------|---------|---------|---------|
| GDP per Capita (2007)  | <b>\$30100</b> | \$30400 | \$33200 | \$34200 | \$35300 | \$35100 |
| % of the highest score | <b>85</b>      | 86      | 94      | 97      | 100     | 99      |

### ***Inflation***

The inflation in the last couple of years was high in Spain. In 2006 the consumer prices were rising with 3.5%. One of the causes of this was the strong rise of the consumption of consumers. The expectation is that the inflation will decrease through less grow of the consumption. The expectation of the inflation till 2011:

| 2006 | 2007 | 2008* | 2009* | 2010* | 2011* |
|------|------|-------|-------|-------|-------|
| 3.5% | 2.5% | 2.3%  | 2.3%  | 2.3%  | 2.3%  |

(<http://www.evd.nl>)

|                         | <b>Spain</b> | Italy | France | Germany | Belgium | UK  |
|-------------------------|--------------|-------|--------|---------|---------|-----|
| <b>Inflation % 2007</b> | <b>2.5</b>   | 1.9   | 1.6    | 2.1     | 1.8     | 2.3 |

### ***Industrial production growth rate: 3% in 2007 (cia.gov.).***

|  | <b>Spain</b> | Italy | France | Germany | Belgium | UK  |
|--|--------------|-------|--------|---------|---------|-----|
| Industrial production growth rate (2007-%) | <b>3</b>     | 1.5   | 2      | 2.1     | 3       | 2.3 |

### ***Business Freedom (2008 assessment)***

The overall freedom to start, operate, and close a business is relatively well protected by Spain's regulatory environment. Starting a business takes an average of 47 days, compared to the world average of 43 days. Obtaining a business license takes less than the world average of 19 procedures and 234 days. The overall business freedom percentage is 77.5% (<http://heritage.org>).

|                           | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---------------------------|--------------|-------|--------|---------|---------|------|
| Business freedom (2008) % | <b>77.5</b>  | 76.8  | 87.1   | 88.9    | 93.7    | 90.8 |
| % of the highest score    | <b>83</b>    | 82    | 93     | 95      | 100     | 97   |

### ***Business Sophistication***

The ranking of Spain out of 131 countries is nr. 27. The score: 4.81 (out of 7). In comparison with the other 5 countries this score is low. This mean the interconnection between firms, the quality of Spain's overall business networks, is relative lower. The consequence is a lower degree of efficiency, and a higher barrier to entry for new firms (<http://www.weforum.org>).





|   | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---|--------------|-------|--------|---------|---------|------|
| Business sophistication (2008) (out of 7) | <b>4.81</b>  | 4.91  | 5.47   | 5.93    | 5.44    | 5.41 |
| Ranking (out of 131 countries)            | <b>27</b>    | 24    | 10     | 1       | 12      | 13   |
| % of the highest score                    | <b>81</b>    | 83    | 92     | 100     | 92      | 91   |

### ***Airport Traffic***

Spain's airports have witnessed impressive traffic growth of between 7% and 10% for each of the last five years. Total airport traffic passed 200 million passengers in 2007 and at current growth rates Spain could overtake the UK as the biggest country in Europe for air travel by 2010.

Traffic at Madrid Barajas and Barcelona El Prat airports accounted for 40% of Spain's total airport traffic last year. Both grew above the national average thanks to recent infrastructure improvements which attracted both EasyJet and Ryanair to set up bases in Madrid and the creation of Click Air in Barcelona.

#### *The five busiest (passengers) airports in Spain (2006):*

- |  |                         |
|--|-------------------------|
| 1. Madrid, Barajas International Airport:    | 45.5 million passengers |
| 2. Barcelona, International Airport:         | 30 million passengers   |
| 3. Palma de Mallorca, Sont Sant Joan Airport | 22.4 million passengers |
| 4. Malaga Airport                            | 13.1 million passengers |
| 5. Gran Canaria, International Airport       | 10.3 million passengers |

*The total passengers in Spain are 151 million in 2006.*

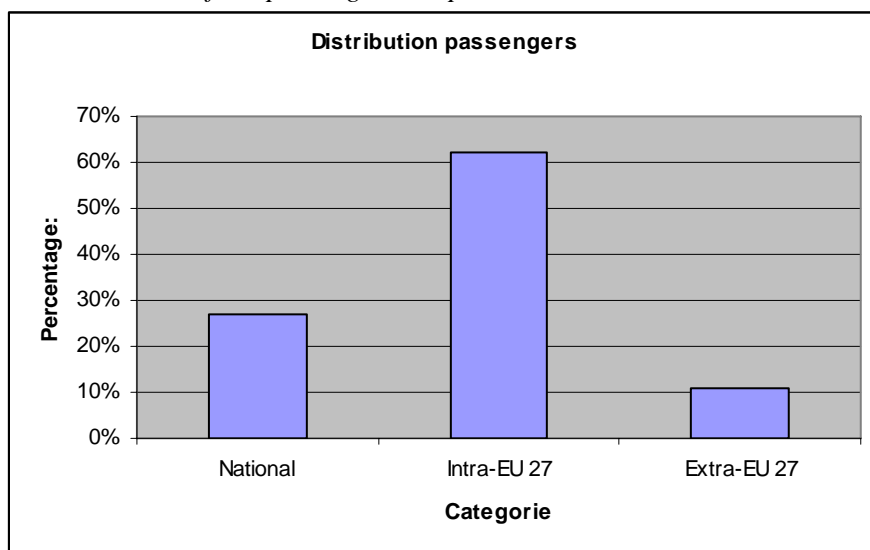
*Passengers' growth 2006/2005: 4.8%*

*Total airports in Spain: 154 (2007)*

(<http://epp.eurostat.ec.europa.eu>)

(Source: official sites of the airports/ CIA)

*The distribution of the passengers in Spain:*



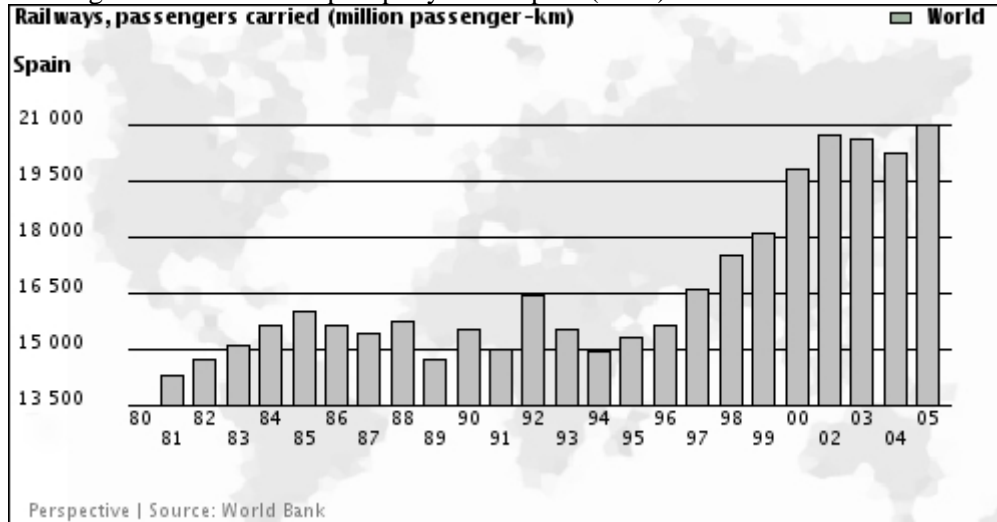
(<http://epp.eurostat.ec.europa.eu>)

|   | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---|--------------|-------|--------|---------|---------|------|
| 1. Total passengers (millions)                          | <b>151</b>   | 96    | 113    | 154     | 19      | 211  |
| 2. Average passengers (millions) top 3 busiest airports | <b>32.6</b>  | 20.1  | 30.8   | 33.4    | 6.4     | 41.8 |
| 1. % of highest amount of passengers                    | <b>78</b>    | 48    | 74     | 80      | 15      | 100  |
| 2. % of highest amount of (top 3) passengers            | <b>72</b>    | 46    | 54     | 73      | 9       | 100  |
| <b>Average % (round off)</b>                            | <b>75</b>    | 47    | 64     | 76.5    | 12      | 100  |



### ***Railway Traffic***

Passengers-km of rail transport per year in Spain (2006): 21.250 million



For the period 1980-2005, an annual mean of 16.532 million kilometres is recorded for this country. The change in comparison with 1980 is 56%.

- Passenger km per head of population: 460
- Passengers carried in rail transport per year (2005): 505 million

(Source: <http://www.worldbank.org>)

#### ***Top 5 largest metropolitan areas in Spain (2006):***

1. Madrid - 5.6 million people
2. Barcelona - 4.7 million
3. Valencia - 1.7 million
4. Sevilla - 1.3 million
5. Bilbao - 1 million

|   | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---|--------------|-------|--------|---------|---------|------|
| 1. Railway traffic (passengers) total (millions)            | <b>505</b>   | 1150  | 1000   | 1850    | 186     | 1160 |
| 2. Km per head of the population (2006)                     | <b>460</b>   | 780   | 1220   | 910     | 910     | 770  |
| 1. % of highest amount of traffic 3/4                       | <b>27</b>    | 62    | 54     | 100     | 10      | 63   |
| 2. % of highest amount of km per head of the population 1/4 | <b>38</b>    | 64    | 100    | 75      | 75      | 63   |
| <b>Average % (round off)</b>                                | <b>30</b>    | 63    | 66     | 94      | 26      | 63   |



## Macro Environmental Criteria Spain

### Financial forces

#### *Financial freedom*

Spain is fully integrated into international financial markets. There were 53 domestic credit entities in 2005. All commercial banks are privately owned, and Banco Santander Central Hispano and Banco Bilbao Vizcaya Argentaria account for almost a third of loans. The government provides subsidized financing through credit institutions. The index of financial freedom is 80% (2008) (<http://heritage.org>).

|                                 | Spain | Italy | France | Germany | Belgium | UK  |
|---------------------------------|-------|-------|--------|---------|---------|-----|
| Financial Freedom index% (2008) | 80    | 60    | 70     | 60      | 80      | 90  |
| % of the highest score          | 89    | 67    | 78     | 67      | 89      | 100 |

#### *Investment freedom*

Foreign investment of up to 100% of equity is permitted, and capital movements are completely liberalized. There are no restrictions or controls on resident or non-resident foreign exchange accounts. Transfers must be declared to deposit institutions. The bank of Spain requires reporting on most credit and lending activities. Index of investment freedom is 70% (2008) (<http://heritage.org>).

|                                  | Spain | Italy | France | Germany | Belgium | UK  |
|----------------------------------|-------|-------|--------|---------|---------|-----|
| Investment Freedom index% (2008) | 70    | 70    | 60     | 80      | 90      | 90  |
| % of the highest score           | 78    | 78    | 67     | 89      | 100     | 100 |

### Political forces

#### *Ideology/ Freedom from Government*

Spain is organizationally composed in the form of called 'Estado de las Autonomias' (state of autonomies); it is one of the most decentralized countries in Europe, along with Switzerland, Germany and Belgium. Spain is a constitutional monarchy and a parliamentary democracy. The constitutional monarchy's government and its law are the government and the law of a limited monarchy (<https://www.cia.gov>).

The total government expenditures, including consumption and transfer payment, are moderate. In 2007, government spending equaled 38.2% of GDP. In comparison with other EU countries, state involvement in the economy is low. The index of freedom from government is 56.2% (<http://heritage.org>).



|                                       | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---------------------------------------|--------------|-------|--------|---------|---------|------|
| Freedom from government index% (2008) | <b>56.2</b>  | 29.4  | 13.2   | 34      | 17.9    | 40.1 |
| <b>% of the highest score</b>         | <b>100</b>   | 52    | 23     | 61      | 32      | 71   |

### ***Political stability***

This index draws 194 different measures from 17 different sources of subjective governance data constructed by 15 different organizations. These sources include international organizations, political and business risk rating agencies and non-government organizations. The choice of units for governance ensures that the estimates of governance have a mean of zero, a standard deviation of one, and range from around -2,5 to around 2,5. Higher positive values indicate greater political stability.

The most outstanding feature of the government of Spain was the decentralization of powers to the regions. The disputes between the regions were the prime reason for the political instability in the country. The political stability index for Spain is **0.82**. This indicates a likelihood of a stabilized government with a relative low risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### ***Control of corruption***

Corruption in Spain is perceived as minimal. Spain ranks 23<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. There is an acceptance a bribe is a crime. There is no obvious bias for or against foreign investors. Corruption is not an obstacle to investment. The freedom index form corruption is 68% (2008) (<http://heritage.org>).

|                                | <b>Spain</b> | Italy | France | Germany | Belgium | UK  |
|--------------------------------|--------------|-------|--------|---------|---------|-----|
| Control of Corruption % (2008) | <b>68</b>    | 49    | 74     | 80      | 73      | 86  |
| <b>% of the highest score</b>  | <b>79</b>    | 57    | 86     | 93      | 85      | 100 |

### **Legal Forces**

#### ***Employment regulations***

Inflexible employment regulations hinder overall productivity growth and employment opportunities. The non-salary costs of employing a worker are high, and the rigidity of hiring and firing a worker creates a risk aversion for companies that would otherwise employ more people and grow. Regulations related to the number of work hours are rigid.

Spain cannot be classified as a Liberal Market Economy (LMEs), or as a Coordinated Market Economy (CMEs). Spain displays a Mediterranean style of capitalism. It has an ambiguous position. Spanish governments are also trying to make labour markets more flexible, but distributional conflicts do not leading to a liberal solution.

The index of labour freedom for Spain is 56.7 % (2008) (<http://heritage.org>).



|                               | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|-------------------------------|--------------|-------|--------|---------|---------|------|
| Labour freedom % (2008)       | <b>56.7</b>  | 73.5  | 63.8   | 52.8    | 69.9    | 80.7 |
| <b>% of the highest score</b> | <b>70</b>    | 91    | 79     | 65      | 87      | 100  |

### ***Property Rights***

The judiciary is independent in practice, but bureaucratic obstacles are there. Contracts are secure, although enforcement is very slow. Patent, copyright, and trademark laws exceed EU levels of intellectual property protection. Enforcement actions using Spain's new IPR legal framework have greatly increased the criminal and civil actions against intellectual property pirates. The property rights index is 70% (2008) (<http://heritage.org>).

|                                    | <b>Spain</b> | Italy | France | Germany | Belgium | UK  |
|------------------------------------|--------------|-------|--------|---------|---------|-----|
| Property right protection % (2008) | <b>70</b>    | 50    | 70     | 90      | 80      | 90  |
| <b>% of the highest score</b>      | <b>78</b>    | 56    | 78     | 100     | 89      | 100 |

### ***Fiscal Freedom***

The top income tax rate is 43%, and the top corporate tax rate is 32.5%. Other taxes include a value-added tax (VAT), a property tax and a transportation tax. In the most recent year, overall tax revenue as a percentage of GDP was 36.1%. The fiscal freedom index of Spain is 54.5% (<http://heritage.org>).

|                               | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|-------------------------------|--------------|-------|--------|---------|---------|------|
| Fiscal freedom index % (2008) | <b>54.5</b>  | 54.3  | 53.2   | 58.4    | 43.9    | 61.2 |
| <b>% of the highest score</b> | <b>89</b>    | 89    | 87     | 95      | 72      | 100  |

### ***Technology Level***

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 5.10%  
(<http://humandevelopment.bu>)

#### ***Internet Users 2006***

Total internet users: 18.5 million  
% of total population: 39.1%  
(<https://www.cia.gov>.)





### ***Technological Readiness***

The ranking of 127 countries: nr. 31  
 Percentage readiness out of 7: 63.9%  
 (7 or 100% is best developed)

(<http://www.weforum.org>)

|   | <b>Spain</b> | Italy | France | Germany | Belgium | UK   |
|---|--------------|-------|--------|---------|---------|------|
| Technological Readiness Ranking out of 127 countries (2008) | <b>31</b>    | 42    | 21     | 16      | 25      | 12   |
| % readiness (7=100%)  | <b>63.9</b>  | 60.1  | 73     | 74.1    | 70.3    | 75.8 |
| % of the highest score                                      | <b>84</b>    | 79    | 96     | 98      | 93      | 100  |

### **Socio Cultural Forces**

#### ***Language***

The official language in Spain is Spanish, also called Castilian, and is the first language of over 72% of the population. Galician is spoken in the region of Galicia and Basque by increasing numbers of the population of Euskadi, the Spanish Basque Country. Catalan is spoken in Catalonia and the Balearic Islands, and the closely-related Valencian in the Valencia region. All these languages have official regional status. Other minority languages including Aragonese and Asturian are not officially recognised. The percentage of the population with English speaking capabilities is 22%.

(<http://www.evd.nl>).

#### ***Education***

About 70% of Spain's student population attends public schools or universities. Compulsory education begins with primary school or general basic education for ages 6-14. Following graduation, students attend either a secondary school offering a general high school diploma or a school of professional education offering a vocational training program. The Spanish university system offers degree and post-graduate programs in all fields: law, sciences, humanities, and medicine, and the superior technical schools offer programs in engineering and architecture.

(<http://www.state.gov>).



## Appendix 2: Italy

Italy



### Direct Environmental Criteria Italy

#### *Italian Market*

Italian industry is highly concentrated in the northern part of the country. The Lombardy region, whose centre is Milan (the financial and industrial capital of Italy), accounts for 25% of all companies. The Italian market is very competitive and profitability is the top priority. Italy is home to the largest number of trade fairs and exhibition in Europe, providing an opportunity for exporters to make useful contacts. (<http://www.evd.nl>)

#### *Population size and density*

Italy had 59.131.287 inhabitant at the end of 2006. Italy has the fifth-highest population density in Europe, about 196 persons per square kilometre. The population growth rate in 2006 is 0.6% (<http://www.evd.nl>).

|   | Spain | <b>Italy</b> | France | Germany | Belgium | UK    |
|---|-------|--------------|--------|---------|---------|-------|
| 1.Population (*1000)                    | 46063 | <b>59131</b> | 64473  | 82400   | 10400   | 70000 |
| 2.Population Density (per square km)    | 91.4  | <b>196</b>   | 118    | 230     | 340     | 390   |
| 1.% of biggest population $\frac{3}{4}$ | 56    | <b>72</b>    | 78     | 100     | 13      | 85    |
| 2.% of highest density $\frac{1}{4}$    | 23    | <b>50</b>    | 30     | 59      | 87      | 100   |
| <b>Average % (round off)</b>            | 48    | <b>67</b>    | 66     | 90      | 32      | 89    |



### ***Age distribution***

The age distribution of Italy (2007):

0-14 years: 14.07% (male 4.278.614/ female 4.043.286)  
 15-64 years: 66.5% (male 19.519.205/ female 19.497.430)  
 65 years and over: 19.94% (male 4.920.622/ female 6.872.130)  
 (<http://www.evd.nl>).

### ***Urbanization***

| Year  | Rural (*1000)<br>Population | Urban (*1000)<br>Population | % Rural of total<br>Population | % Urban of<br>total population |
|-------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| 2000  | 18.910                      | 38.782                      | 32.8                           | 67.2                           |
| 2005  | 18.995                      | 39.652                      | 32.4                           | 67.6                           |
| 2010* | 18.677                      | 40.354                      | 31.6                           | 68.4                           |

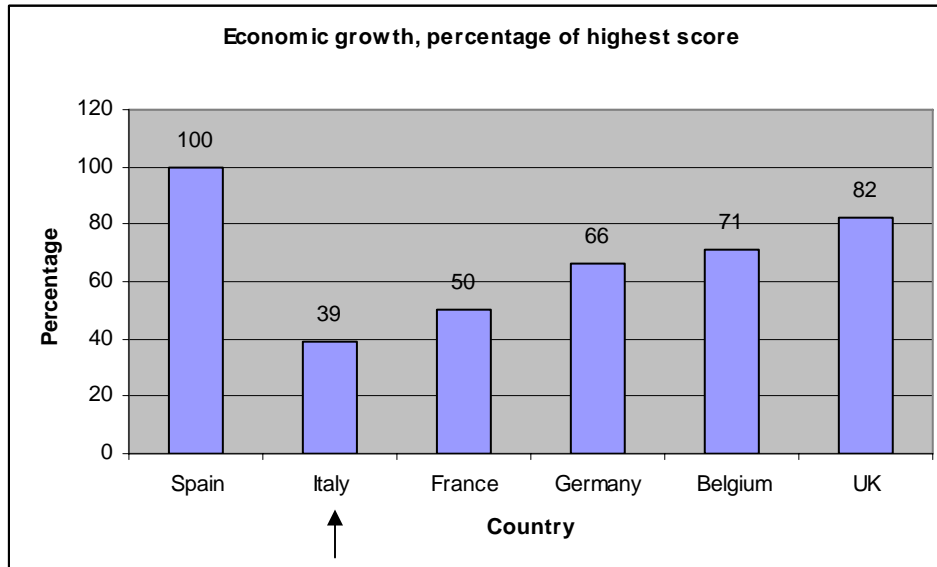
The most populated commune is Rome. The quick rise in the urban population could be due to the rise of immigrants, making up 5% of the total population. About 3.7 million migrants live in Italy (<http://esa.un.org>).

|  | Spain | <b>Italy</b> | France | Germany | Belgium | UK |
|--|-------|--------------|--------|---------|---------|----|
| 2. %Urban<br>of total<br>population                  | 77    | <b>68</b>    | 77     | 73      | 97      | 90 |
| 2. %of<br>highest<br>urban of<br>total<br>population | 79    | <b>70</b>    | 79     | 75      | 100     | 93 |

### ***Economic growth***

Economic growth in Italy was stagnated in the period 2001-2005. But since 2006 the development of the economy is successful. The GDP grow is about 2%. This is lower than the expected average of other EU-countries. There are economical differences in regions in Italy. The past years, the middle and south of Italy had a bigger economical grow than the North. The Italians earn their income especially in the service sector with 66% of GDP. The industry cares 29.8% of GDP and agriculture 3.5% (<http://www.evd.nl>).

|                                 | Spain | <b>Italy</b> | France | Germany | Belgium | UK  |
|---------------------------------|-------|--------------|--------|---------|---------|-----|
| Economic<br>Grow %<br>2006-2007 | 3.8   | <b>1.5</b>   | 1.9    | 2.5     | 2.7     | 3.1 |



### ***GDP***

Italy has a diversified industrial economy with roughly the same total and per capita output as France and the UK. This capitalistic economy remains divided into a developed industrial north, dominated by private companies, and a less-developed, welfare dependent, agricultural south, with 20% unemployment. GDP in Italy:

GDP (official exchange rate): \$2.105 trillion (2007 est.)  
 GDP (real growth rate): 1.5% (2007/2006)  
 GDP per capita: \$30.400 (2007 est.)  
 GDP composition: Agriculture: 1.9%  
 Industry: 29.8%  
 Services: 69.2%

(<https://www.cia.gov>)

|                        | Spain   | <b>Italy</b>   | France  | Germany | Belgium | UK      |
|------------------------|---------|----------------|---------|---------|---------|---------|
| GDP per Capita (2007)  | \$30100 | <b>\$30400</b> | \$33200 | \$34200 | \$35300 | \$35100 |
| % of the highest score | 85      | <b>86</b>      | 94      | 97      | 100     | 99      |

### ***Inflation***

In 2003 the inflation of 2.7% belongs to one of the highest of the EU-countries. In 2004 inflation decrease to 2.2% and in 2005 it was 1.9%. In 2006 inflation rises to 2.5% as a consequence of the high oil prices. In 2007 the inflation percentage was 1.9%.

| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------|------|------|------|------|------|
| 2.4% | 2.7% | 2.2% | 1.9% | 2.5% | 1.9% |

(<http://www.evd.nl>).

|                  | Spain | <b>Italy</b> | France | Germany | Belgium | UK  |
|------------------|-------|--------------|--------|---------|---------|-----|
| Inflation % 2007 | 2.5   | <b>1.9</b>   | 1.6    | 2.1     | 1.8     | 2.3 |


**Industrial production growth rate: 1.5% in 2007 (*cia.gov.*)**

|  | Spain | Italy      | France | Germany | Belgium | UK  |
|--|-------|------------|--------|---------|---------|-----|
| Industrial production growth rate (2007-%) | 3     | <b>1.5</b> | 2      | 2.1     | 3       | 2.3 |

**Business Freedom (2008 assessment)**

The overall freedom to start, operate, and close a business is relatively well protected by Italy's regulatory environment. The government has streamlined bureaucratic procedures. Starting a business takes an average of 13 days, compared to the world average of 43 days. Obtaining a business license requires less than the world average of 19 procedures and slightly more than the world average of 234 days. The overall business freedom percentage is 76.8% (<http://heritage.org>).

|                           | Spain | Italy       | France | Germany | Belgium | UK   |
|---------------------------|-------|-------------|--------|---------|---------|------|
| Business freedom (2008) % | 77.5  | <b>76.8</b> | 87.1   | 88.9    | 93.7    | 90.8 |
| % of the highest score    | 83    | <b>82</b>   | 93     | 95      | 100     | 97   |

**Business Sophistication**

The ranking of Italy out of 131 countries is nr. 24. The score: 4.91 (out of 7). In comparison with the other 5 countries this score is low. This mean the interconnection between firms, the quality of Italy's overall business networks, is relative lower. The consequence is a lower degree of efficiency, and a higher barrier to entry for new firms (<http://www.weforum.org>).

|   | Spain | Italy       | France | Germany | Belgium | UK   |
|---|-------|-------------|--------|---------|---------|------|
| Business sophistication (2008) (out of 7) | 4.81  | <b>4.91</b> | 5.47   | 5.93    | 5.44    | 5.41 |
| Ranking (out of 131 countries)            | 27    | <b>24</b>   | 10     | 1       | 12      | 13   |
| % of the highest score                    | 81    | <b>83</b>   | 92     | 100     | 92      | 91   |



### ***Airport traffic***

Leonardo da Vinci Fiumicino Airport in Rome is the largest airport in Italy, and the second largest international gateway. The second and third busiest airports are in Milan. Milan Malpensa Airport handles mainly international flights, and the smaller Milan Linate airport mostly domestic and European flights.

*The four busiest (passengers) airports in Italy (2006):*

- |   |                         |
|---|-------------------------|
| 1. Rome, Leonardo da Vinci Fiumicino airport: | 30.2 million passengers |
| 2. Milan, Malpensa International Airport      | 21.8 million passengers |
| 3. Milan, Linate Airport                      | 9.7 million passengers  |
| 4. Venetië, Marco Polo International Airport  | 7.7 million passengers  |

*The total passengers in Italy are 96 million in 2006.*

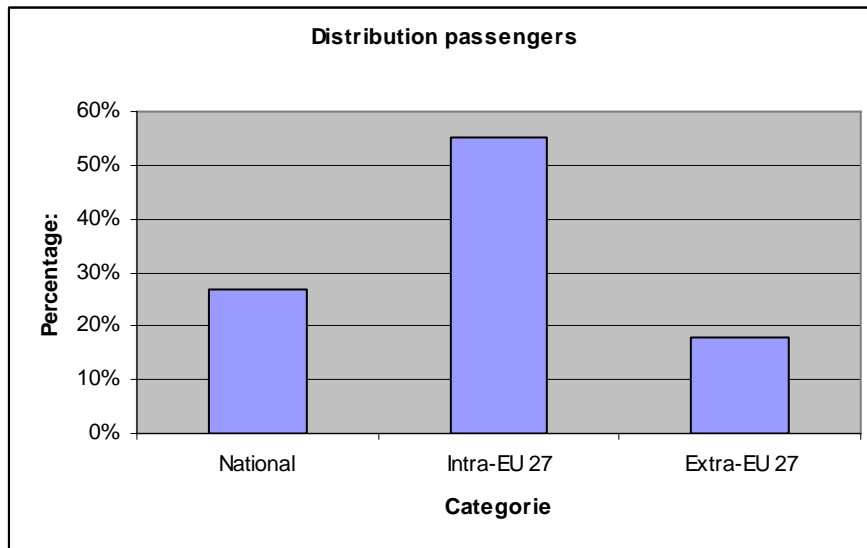
*Passengers' growth 2006/2005: 9.1%*

*Total airports in Italy: 132 (2007)*

*(Source: official sites of the airports/ CIA)*

*(<http://epp.eurostat.ec.europa.eu>)*

*The distribution of the passengers in Italy:*



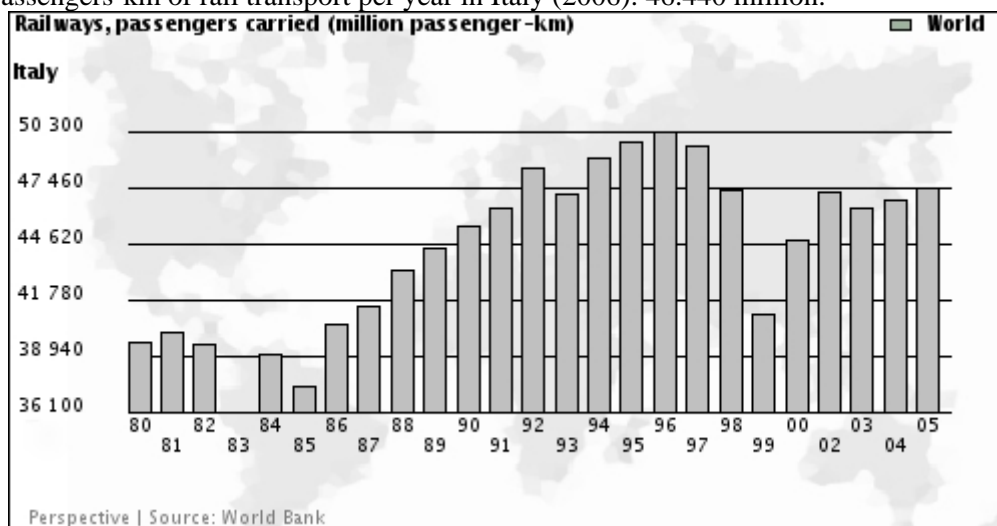
*<http://epp.eurostat.ec.europa.eu>*



|   | Spain | <b>Italy</b> | France | Germany | Belgium | UK   |
|---|-------|--------------|--------|---------|---------|------|
| 1. Total passengers (millions)                          | 151   | <b>96</b>    | 113    | 154     | 19      | 211  |
| 2. Average passengers (millions) top 3 busiest airports | 32.6  | <b>20.1</b>  | 30.8   | 33.4    | 6.4     | 41.8 |
| 1. % of highest amount of passengers                    | 78    | <b>48</b>    | 74     | 80      | 15      | 100  |
| 2. % of highest amount of (top 3) passengers            | 72    | <b>46</b>    | 54     | 73      | 9       | 100  |
| <b>Average % (round off)</b>                            | 75    | <b>47</b>    | 64     | 76.5    | 12      | 100  |

### Railway Traffic

Passengers-km of rail transport per year in Italy (2006): 46.440 million.



For the whole of the period 1980-2005, an annual mean of 44.320 (million) kilometres is recorded for the country. 1996 shows the highest level (50.300), 1983 the lowest (36.100). In this case, the registered change is 20%.

- Passenger km per head of population: 780
- Passengers carried in rail transport per year (2006): 1.150 million

(Source: <http://www.worldbank.org>)



***Top 5 largest metropolitan areas in Italy (2006):***

1. Roma - 3.8 million people
2. Milano - 3.7 million
3. Napoli - 3.1 million
4. Torino - 2.2 million
5. Bari - 1.6 million

(Source: <http://www.worldbank.org>)

|   | Spain | <b>Italy</b> | France | Germany | Belgium | UK   |
|---|-------|--------------|--------|---------|---------|------|
| 1. Railway traffic (passengers) total (millions)                      | 505   | <b>1150</b>  | 1000   | 1850    | 186     | 1160 |
| 2. Km per head of the population (2006)                               | 460   | <b>780</b>   | 1220   | 910     | 910     | 770  |
| 1. % of highest amount of traffic $\frac{3}{4}$                       | 27    | <b>62</b>    | 54     | 100     | 10      | 63   |
| 2. % of highest amount of km per head of the population $\frac{1}{4}$ | 38    | <b>64</b>    | 100    | 75      | 75      | 63   |
| <b>Average % (round off)</b>  | 30    | <b>63</b>    | 66     | 94      | 26      | 63   |



## Macro Environmental Criteria Italy

### Financial forces

#### *Financial freedom*

Credit is allocated on market terms, and foreign participation is welcome. Only three major financial institutions (Cassa Deposito e Prestiti, Bancoposta, and the sports bank Istituto per il Credito Sportivo) remain state controlled. There were 784 banks at the end of 2005. The six largest banks account for over 54,6 percent of assets, though the market is less concentrated than elsewhere in Europe. Regulations and prohibitions can be burdensome, and approval is needed to gain control of a financial institution. Italy has the EU's fourth-largest insurance market. The index of financial freedom is 60% (2008) (<http://heritage.org>).

|                                 | Spain | Italy     | France | Germany | Belgium | UK  |
|---------------------------------|-------|-----------|--------|---------|---------|-----|
| Financial Freedom index% (2008) | 80    | <b>60</b> | 70     | 60      | 80      | 90  |
| % of the highest score          | 89    | <b>67</b> | 78     | 67      | 89      | 100 |

#### *Investment freedom*

Italy welcomes foreign investment, but the government can veto acquisitions involving foreign investors. Foreign investment is closely regulated in defence, aircraft manufacturing, petroleum exploration and development, domestic airlines, and shipping. The Sviluppo Italia agency is trying to attract investment with incentive packages. There are no barriers to repatriation of profits, transfers, payments, or current transfers. The index of investment freedom is 70% (2008) (<http://heritage.org>).

|                                  | Spain | Italy     | France | Germany | Belgium | UK  |
|----------------------------------|-------|-----------|--------|---------|---------|-----|
| Investment Freedom index% (2008) | 70    | <b>70</b> | 60     | 80      | 90      | 90  |
| % of the highest score           | 78    | <b>78</b> | 67     | 89      | 100     | 100 |

### Political forces

#### *Ideology/ Freedom from Government*

Italy has a capitalistic economy. It remains divided into a developed industrial north, dominated by private companies, and a less-developed, welfare-dependent, agricultural south. The current government has numerous short-term reforms aimed at improving competitiveness and long-term growth. Italy is a democratic republic and consists of a multi-party system. Power is exercised by the Council of Ministers, which is led by the President of the Council of Ministers of Italy (premier) (<https://www.cia.gov>).

Total government expenditures, including consumption and transfer payments, are very high. In 2007, government spending equalled 48.5% of GDP. Reducing the budget deficit and public debt (over 100% of GDP) is a priority, but progress has been sluggish. The index of freedom from government is 29.4% (<http://heritage.org>).



|                                       | Spain | Italy       | France | Germany | Belgium | UK   |
|---------------------------------------|-------|-------------|--------|---------|---------|------|
| Freedom from government index% (2008) | 56.2  | <b>29.4</b> | 13.2   | 34      | 17.9    | 40.1 |
| % of the highest score                | 100   | <b>52</b>   | 23     | 61      | 32      | 71   |

### *Political stability*

For an explanation of the political stability index see the appendix of Spain.

The political stability index for Italy is **0.81**. This indicates a likelihood of a stabilized government with a relative low risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### *Control of corruption*

Corruption is perceived as present in Italy. Italy ranks 45<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. Corruption is more common than in other European countries. The index of Freedom from Corruption is 49% (2008) (<http://heritage.org>).

|                                | Spain | Italy     | France | Germany | Belgium | UK  |
|--------------------------------|-------|-----------|--------|---------|---------|-----|
| Control of Corruption % (2008) | 68    | <b>49</b> | 74     | 80      | 73      | 86  |
| % of the highest score         | 79    | <b>57</b> | 86     | 93      | 85      | 100 |

### *Legal forces*

#### *Employment regulations*

In Italy there are flexible employment regulations which could be further improved to enhance employment opportunities and productivity growth. The non-salary cost of employing a worker is very high, but dismissing a redundant employee can be costless. Rules on the number of work hours are relatively rigid.

Italy cannot be classified as a Liberal Market Economy (LMEs), or as a Coordinated Market Economy (CMEs). Italy displays a Mediterranean style of capitalism. It has a ambiguous position. Italy could be characterized by strong coordination in financial markets. In labour relations there is not such strong coordination. The historical reason for this development has been the high level of state intervention in economic policy making in these countries. The coordination of labour relations was a process led by the state, in charge of setting minimum wages, and with the ability to translate a wage increase in a firm to the entire sector. However Italy becomes reluctant to coordinate their labour relations, the economy become more coordinated.

The labour freedom index for Italy is 73.5% (2008) (<http://heritage.org>).

|                        | Spain | Italy       | France | Germany | Belgium | UK   |
|------------------------|-------|-------------|--------|---------|---------|------|
| Labor freedom % (2008) | 56.7  | <b>73.5</b> | 63.8   | 52.8    | 69.9    | 80.7 |
| % of the highest score | 70    | <b>91</b>   | 79     | 65      | 87      | 100  |

#### *Property rights*



Property rights and contracts are secure, but judicial procedures are extremely slow, and many companies choose to settle out of court. Many judges are politically oriented. Enforcement of intellectual property rights falls below the standards of other developed Western European countries. The property right index for Italy is 50% (2008) (<http://heritage.org>).

|                                    | Spain | <b>Italy</b> | France | Germany | Belgium | UK  |
|------------------------------------|-------|--------------|--------|---------|---------|-----|
| Property right protection % (2008) | 70    | <b>50</b>    | 70     | 90      | 80      | 90  |
| <b>% of the highest score</b>      | 78    | <b>56</b>    | 78     | 100     | 89      | 100 |

### ***Fiscal Freedom***

Italy has high tax rates. The top income tax rate is 43%, the corporate tax rate is 33%. Other taxes include a value-added tax (VAT), a tax on interest, and an advertising tax. In the most recent year, overall tax revenue as a percentage of GDP was 40.4%. The fiscal freedom index for Italy is 54.3% (<http://heritage.org>).

|                               | Spain | <b>Italy</b> | France | Germany | Belgium | UK   |
|-------------------------------|-------|--------------|--------|---------|---------|------|
| Fiscal freedom index % (2008) | 54.5  | <b>54.3</b>  | 53.2   | 58.4    | 43.9    | 61.2 |
| <b>% of the highest score</b> | 89    | <b>89</b>    | 87     | 95      | 72      | 100  |

### **Technology Level**

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 5.70%

(<http://humandevlopment.bu>)

#### ***Internet Users 2006***

Total internet users: 28.9 million

% of total population: 49

(<http://www.cia.gov>)

#### ***Technological Readiness***

The ranking of 127 countries: nr. 42

Percentage readiness out of 7: 60.1%

(7 or 100% is best developed)

(<http://www.weforum.org>)



|   | Spain | Italy       | France | Germany | Belgium | UK   |
|---|-------|-------------|--------|---------|---------|------|
| Technological Readiness Ranking out of 127 countries (2008) | 31    | <b>42</b>   | 21     | 16      | 25      | 12   |
| % readiness (7=100%)  | 63.9  | <b>60.1</b> | 73     | 74.1    | 70.3    | 75.8 |
| % of the highest score                                      | 84    | <b>79</b>   | 96     | 98      | 93      | 100  |

### Socio Cultural Forces

#### *Language*

Italian is a Romance language spoken as a first language by about 63 million people. In Switzerland, Italian is one of four official languages. It is also the official language of San Marino and a second official language in some areas of Istria, in Slovenia and Croatia, where an Italian minority exists. It is the primary language of the Vatican City and is widely used and taught in Monaco and Malta. It is also widely understood in France with over one million speakers. The percentage of the population with English speaking capabilities is 24%.

(<http://www.evd.nl>).

#### *Education*

Italy education is compulsory at the primary level which starts at the age of six. The lower secondary school, Scuola Media Inferiore, starting at the age of eleven go on for 3 years. Students must pass an exam to move up to scuola secondaria superiore or liceo, higher secondary school. Higher secondary school is of five year till the student is eighteen or nineteen years old. Further Italy has 42 state universities, 6 private universities, 3 technical universities and 12 specialized universities

(<http://www.evd.nl>).



## Appendix 3: France

### France



### Direct Environmental Criteria France

#### *France Market*

France is the fourth-leading industrial power, after the US, Japan and Germany. The great concentrations of French industry are in and around Paris, in Alsace and Lorraine, and around Lyon and Clermont-Ferrand. French industry, in general, is strong on inventiveness. (*Source: Evd*)

#### *Population size and density:*

France had at the beginning of 2008, 64.473.140 inhabitants. 61.875.822 of these lives in metropolitan France, whereas 2.597.318 lives in the French overseas departments and territories. The population density is 118 persons per square kilometre. The population growth rate in 2007 is 0.59% (<http://www.evd.nl>).

|                                      | Spain | Italy | <b>France</b> | Germany | Belgium | UK    |
|--------------------------------------|-------|-------|---------------|---------|---------|-------|
| 1.Population (*1000)                 | 46063 | 59131 | <b>64473</b>  | 82400   | 10400   | 70000 |
| 2.Population Density (per square km) | 91.4  | 196   | <b>118</b>    | 230     | 340     | 390   |
| 1.% of biggest population ¾          | 56    | 72    | <b>78</b>     | 100     | 13      | 85    |
| 2.% of highest density ¼             | 23    | 50    | <b>30</b>     | 59      | 87      | 100   |
| <b>Average % (round off)</b>         | 48    | 67    | <b>66</b>     | 90      | 32      | 89    |



### ***Age distribution***

The age distribution of France (2007):

0-14 years: 18.6% (male 6.063.181/ female 5.776.272)  
 15-64 years: 65.2% (male 20.798.889/ female 20.763.283)  
 65 years and over: 16.2% (male 4.274.290/ female 6.038.011)  
 (<http://www.evd.nl>).

### ***Urbanization***

| Year  | Rural (*1000)<br>Population | Urban (*1000)<br>Population | % Rural of total<br>Population | % Urban of<br>total population |
|-------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| 2000  | 14.349                      | 44.838                      | 24.2                           | 75.8                           |
| 2005  | 14.209                      | 46.781                      | 23.3                           | 76.7                           |
| 2010* | 13.891                      | 48.616                      | 22.2                           | 77.8                           |

Just as the countries mentioned before, the urban population grow and a decline in the rural population. France is a country of mass immigration that goes mainly to urban areas (<http://esa.un.org>).

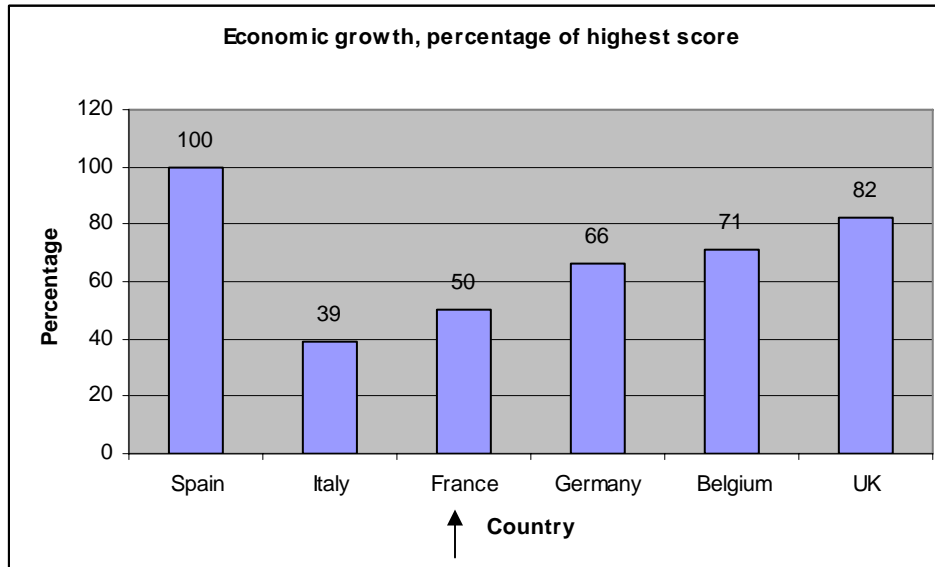
|  | Spain | Italy | <b>France</b> | Germany | Belgium | UK |
|--|-------|-------|---------------|---------|---------|----|
| 2. %Urban<br>of total<br>population                  | 77    | 68    | <b>77</b>     | 73      | 97      | 90 |
| 2. %of<br>highest<br>urban of<br>total<br>population | 79    | 70    | <b>79</b>     | 75      | 100     | 93 |

### ***Economic growth***

Economic growth for France in 2006/2007 was 1.9%. The expectation is that the rise of particular consumption and total investment will slow down in 2008. The GDP in 2008 is expected to increase only with 1.5%. France is the sixth-largest economy in the world. It has substantial agricultural resources, a large industrial base, and a highly skilled work force. A dynamic service sector accounts for a large share of economic activity and is responsible for nearly all job creation in recent years.

|                                 | Spain | Italy | <b>France</b> | Germany | Belgium | UK  |
|---------------------------------|-------|-------|---------------|---------|---------|-----|
| Economic<br>Grow %<br>2006-2007 | 3.8   | 1.5   | <b>1.9</b>    | 2.5     | 2.7     | 3.1 |





### **GDP**

France is in transition from a modern economy that has featured extensive government ownership to one that relies more on market mechanism. The government has partially or fully privatized many large companies but it maintains a strong presence in some sectors, particularly power, public transport, and defence industries. With at least 75 million foreign tourists per year, France is the most visited country in the world and maintains the third largest income in the world from tourism.

GDP (official exchange rate): \$2.560 trillion (2007 est.)  
 GDP (real growth rate): 1.9% (2007/2006)  
 GDP per capita: \$33.200 (2007 est.)  
 GDP composition: Agriculture: 2.2%  
 Industry: 21%  
 Services: 76.7%

(<https://www.cia.gov>)

|                        | Spain   | Italy   | <b>France</b>  | Germany | Belgium | UK      |
|------------------------|---------|---------|----------------|---------|---------|---------|
| GDP per Capita (2007)  | \$30100 | \$30400 | <b>\$33200</b> | \$34200 | \$35300 | \$35100 |
| % of the highest score | 85      | 86      | <b>94</b>      | 97      | 100     | 99      |

### **Inflation**

The inflation rate in 2007 was 1.6%. In February 2008 the inflation in France was 3.2%, the highest in sixteen years. The cause of this was the higher prices of food and energy. The expectation of the average inflation of 2008 is around 2.6% (<http://www.evd.nl>).

|                         | Spain | Italy | <b>France</b> | Germany | Belgium | UK  |
|-------------------------|-------|-------|---------------|---------|---------|-----|
| <b>Inflation % 2007</b> | 2.5   | 1.9   | <b>1.6</b>    | 2.1     | 1.8     | 2.3 |



**Industrial production growth rate: 2% in 2007 (cia.gov.)**

|  | Spain | Italy | <b>France</b> | Germany | Belgium | UK  |
|--|-------|-------|---------------|---------|---------|-----|
| Industrial production growth rate (2007-%) | 3     | 1.5   | <b>2</b>      | 2.1     | 3       | 2.3 |

**Business Freedom (2008 assessment)**

The overall freedom to start, operate, and close a business is well protected by France's regulatory environment. Starting a business takes an average of seven days, compared to the world average of 43 days. Obtaining a business license requires less than the world average of 19 procedures and 234 days. The overall business freedom percentage is 87.1% (<http://heritage.org>).

|                               | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|-------------------------------|-------|-------|---------------|---------|---------|------|
| Business freedom (2008) %     | 77.5  | 76.8  | <b>87.1</b>   | 88.9    | 93.7    | 90.8 |
| <b>% of the highest score</b> | 83    | 82    | <b>93</b>     | 95      | 100     | 97   |

**Business Sophistication**

The ranking of France out of 131 countries is nr. 10. The score: 5.47 (out of 7). In comparison with the other 5 countries this is a middle score. This mean there is an interconnection between firms, and the quality of Italy's overall business networks is good. The consequence is a not perfect/not bad degree of efficiency, and the barrier to entry for new firms is not high (<http://www.weforum.org>).

|   | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|---|-------|-------|---------------|---------|---------|------|
| Business sophistication (2008) (out of 7) | 4.81  | 4.91  | <b>5.47</b>   | 5.93    | 5.44    | 5.41 |
| Ranking (out of 131 countries)            | 27    | 24    | <b>10</b>     | 1       | 12      | 13   |
| <b>% of the highest score</b>             | 81    | 83    | <b>92</b>     | 100     | 92      | 91   |



### ***Airport traffic***

France is one of the most visited countries in the world and it has many airports. There are international airports at all country's major cities and smaller ones in every corner of the country. Paris Charles de Gaulle International Airport is France's largest in the country. The airport handles every year tens of millions of passengers who pass through its three terminals.

#### *The five busiest (passengers) airports in France (2006):*

|   |                         |
|---|-------------------------|
| 1. Paris, Charles de Gaulle Internat. Airport | 56.8 million passengers |
| 2. Orly, International Airport                | 25.6 million passengers |
| 3. Nice, Cote d'Azur Internat. Airport        | 9.9 million passengers  |
| 4. Lyon, Saint-Exupéry Internat. Airport      | 6.8 million passengers  |
| 5. Marseille, Provence Airport                | 6.1 million passengers  |

*The total passengers in France are 113 million in 2006.*

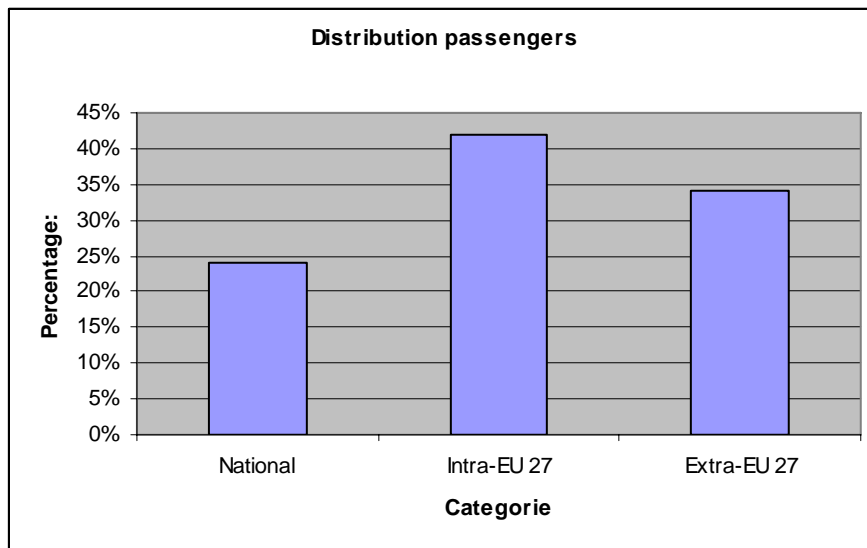
*Passenger growth 2005/2006: 4.8%*

*Total airports in France: 476 (2007)*

(<http://epp.eurostat.ec.europa.eu>)

(Source: official sites of the airports/ CIA)

#### *The distribution of the passengers in France:*



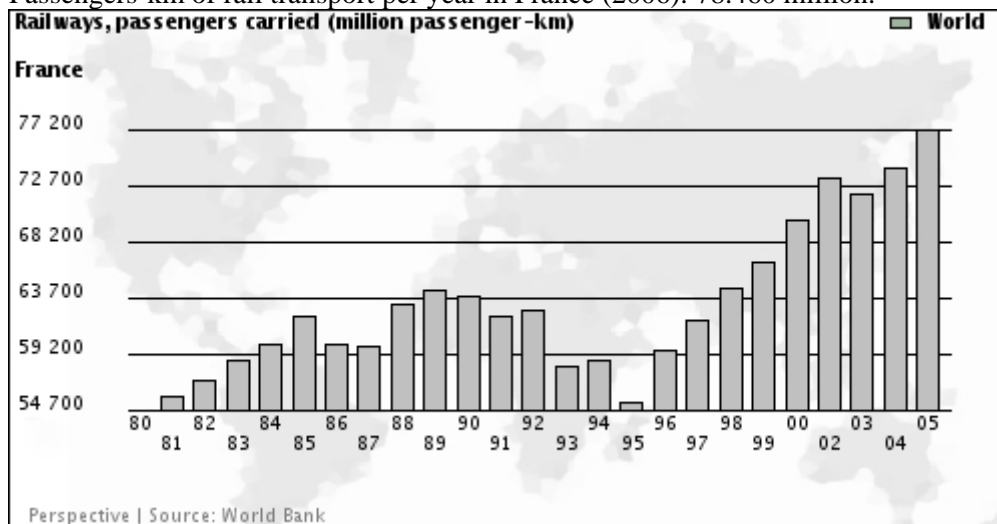
<http://epp.eurostat.ec.europa.eu>



|   | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|---|-------|-------|---------------|---------|---------|------|
| 1. Total passengers (millions)                          | 151   | 96    | <b>113</b>    | 154     | 19      | 211  |
| 2. Average passengers (millions) top 3 busiest airports | 32.6  | 20.1  | <b>30.8</b>   | 33.4    | 6.4     | 41.8 |
| 1. %of highest amount of passengers                     | 78    | 48    | <b>74</b>     | 80      | 15      | 100  |
| 2. %of highest amount of (top 3) passengers             | 72    | 46    | <b>54</b>     | 73      | 9       | 100  |
| <b>Average % (round off)</b>                            | 75    | 47    | <b>64</b>     | 76.5    | 12      | 100  |

### ***Railway Traffic***

Passengers-km of rail transport per year in France (2006): 78.460 million.



For the whole of the period 1980-2005, an annual mean of 62.976 million kilometres is recorded for this country. 2005 shows the biggest level 77.200, 1980 record the lowest with 54.700. In this case, the registered change is 41%.

- Passenger km per head of population: 1.220
- Passengers carried in rail transport per year (2006): 1.000 million

(Source: <http://www.worldbank.org>)

***Top 5 largest metropolitan areas in France (2006):***

1. Paris - 2.2 million people
2. Lyon - 1.8 million
3. Marseille - 1.5 million
4. Lille (Metropole) 1.1 million
5. Toulouse 1.1 million

|   | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|---|-------|-------|---------------|---------|---------|------|
| 1. Railway traffic (passengers) total (millions)            | 505   | 1150  | <b>1000</b>   | 1850    | 186     | 1160 |
| 2. Km per head of the population (2006)                     | 460   | 780   | <b>1220</b>   | 910     | 910     | 770  |
| 1. % of highest amount of traffic ¾                         | 27    | 62    | <b>54</b>     | 100     | 10      | 63   |
| 2. % of highest amount of km per head of the population 1/4 | 38    | 64    | <b>100</b>    | 75      | 75      | 63   |
| <b>Average % (round off)</b>                                | 30    | 63    | <b>66</b>     | 94      | 26      | 63   |



## Macro Environmental Criteria France

### Financial forces

#### *Financial freedom*

France's financial, legal, regulatory, and accounting system are consistent with international norms. There is no distinction between commercial and investment banks. Most loans are provided at market terms. The government has sold its majority stake in most financial institutions but still owns the Caisse des Depots et Consignations and holds minority stakes elsewhere. At the end of 2005, 161 foreign banks, including 57 non-EU banks, accounted for about 10% of total assets. France is the world's fourth largest insurance market, and foreign companies held 21.5% of the market in 2004. Capital markets are well developed, and foreign investors participate freely. The index of financial freedom is 70% (2008) (<http://heritage.org>).

|                                 | Spain | Italy | France    | Germany | Belgium | UK  |
|---------------------------------|-------|-------|-----------|---------|---------|-----|
| Financial Freedom index% (2008) | 80    | 60    | <b>70</b> | 60      | 80      | 90  |
| % of the highest score          | 89    | 67    | <b>78</b> | 67      | 89      | 100 |

#### *Investment freedom*

Regulations are simple, and many incentives are available. Foreign companies complain of high payroll and income taxes, pervasive regulation of labour and products markets, and negative attitudes toward foreign investors. Residents and non-residents may hold foreign exchange accounts. There are no restrictions or control of payments, transfers, or repatriation of profits and non residents may purchase real estate. The index of investment freedom is 60% (2008) (<http://heritage.org>).

|                                  | Spain | Italy | France | Germany | Belgium | UK  |
|----------------------------------|-------|-------|--------|---------|---------|-----|
| Investment Freedom index% (2008) | 70    | 70    | 60     | 80      | 90      | 90  |
| % of the highest score           | 78    | 78    | 67     | 89      | 100     | 100 |

### Political forces

#### *Ideology/ Freedom from Government*

The French Republic is a unitary semi-presidential republic with strong democratic traditions. This semi system is a system of government in which a prime minister and a president are both active participants in the day-to-day administration of the state.

The government has partially or fully privatized many large companies, banks, and insurers, and has ceded stakes in leading firms as Air France and Renault for example. France's leaders remain committed to a capitalism in which they maintain social equity by mean of laws, tax policies, and social spending that reduce the impact of free markets on public health and welfare (<https://www.cia.gov>).

The total government expenditures, including consumption and transfer payments, are very high. In 2007, government spending equalled 53.8% of GDP. State-owned or state-controlled



enterprises dominate such industries as postal services, electricity and rail. The index of freedom from government is 13.2% (<http://heritage.org>).

|                                       | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|---------------------------------------|-------|-------|---------------|---------|---------|------|
| Freedom from government index% (2008) | 56.2  | 29.4  | <b>13.2</b>   | 34      | 17.9    | 40.1 |
| <b>% of the highest score</b>         | 100   | 52    | <b>23</b>     | 61      | 32      | 71   |

### ***Political stability***

For an explanation of the political stability index see the appendix of Spain.

The political stability index for France is **0.73**. This indicates a likelihood of a stabilized government with a minimal risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### ***Control of corruption***

Corruption is perceived as minimal. France ranks 18<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. The index of freedom from corruption is 74% (2008) (<http://heritage.org>).

|                                | Spain | Italy | <b>France</b> | Germany | Belgium | UK  |
|--------------------------------|-------|-------|---------------|---------|---------|-----|
| Control of Corruption % (2008) | 68    | 49    | <b>74</b>     | 80      | 73      | 86  |
| <b>% of the highest score</b>  | 79    | 57    | <b>86</b>     | 93      | 85      | 100 |

### ***Legal forces***

#### ***Employment regulations***

Employment rules could be further improved to enhance employment opportunities and productivity growth. The non-salary cost of employing a worker is very high, and dismissing a redundant employee can be relatively costly. Restrictions on the number of work hours remain inflexible.

France cannot be classified as a Liberal Market Economy (LMEs), or as a Coordinated Market Economy (CMEs). France displays a Mediterranean style of capitalism. It has an ambiguous position. France could be characterized by strong coordination in financial markets. In labour relations there is not such strong coordination. The historical reason for this development has been the high level of state intervention in economic policy making in these countries. The coordination of labour relations was a process led by the state, in charge of setting minimum wages, and with the ability to translate a wage increase in a firm to the entire sector. However France becomes reluctant to coordinate their labour relations, the economy become more coordinated.

The index of labour freedom for France is 63.8% (2008) (<http://heritage.org>).





|                               | Spain | Italy | France      | Germany | Belgium | UK   |
|-------------------------------|-------|-------|-------------|---------|---------|------|
| Labour freedom % (2008)       | 56.7  | 73.5  | <b>63.8</b> | 52.8    | 69.9    | 80.7 |
| <b>% of the highest score</b> | 70    | 91    | <b>79</b>   | 65      | 87      | 100  |

### ***Property rights***

Contractual agreements are secure, and the judiciary and civil service are professional. Any company defines as a national public service or natural monopoly must pass into state ownership. Protection of intellectual property rights is strong. The index of property rights for France is 70% (2008) (<http://heritage.org>).

|                                    | Spain | Italy | France    | Germany | Belgium | UK  |
|------------------------------------|-------|-------|-----------|---------|---------|-----|
| Property right protection % (2008) | 70    | 50    | <b>70</b> | 90      | 80      | 90  |
| <b>% of the highest score</b>      | 78    | 56    | <b>78</b> | 100     | 89      | 100 |

### ***Fiscal Freedom***

Beginning with the 2006 tax year, the top personal income tax rate is 40%. The top corporate tax rate is 33.8%. Other taxes include a value-added tax (VAT) and a business tax. In the most recent year, overall tax revenue as a percentage of GDP was 44%. The fiscal freedom index of France is 53.2% (<http://heritage.org>).

|                               | Spain | Italy | France      | Germany | Belgium | UK   |
|-------------------------------|-------|-------|-------------|---------|---------|------|
| Fiscal freedom index % (2008) | 54.5  | 54.3  | <b>53.2</b> | 58.4    | 43.9    | 61.2 |
| <b>% of the highest score</b> | 89    | 89    | <b>87</b>   | 95      | 72      | 100  |

### ***Technology Level***

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 8.70% (<http://humandevlopment.bu>)

#### ***Internet Users 2006***

Total internet users: 31.3 million  
 % of total population: 48.6  
 (<http://www.cia.gov>)

#### ***Technological Readiness***

The ranking of 127 countries: nr. 21  
 Percentage readiness out of 7: 73%  
 (7 or 100% is best developed)  
 (<http://www.weforum.org>)



|   | Spain | Italy | <b>France</b> | Germany | Belgium | UK   |
|---|-------|-------|---------------|---------|---------|------|
| Technological Readiness Ranking out of 127 countries (2008) | 31    | 42    | <b>21</b>     | 16      | 25      | 12   |
| % readiness (7=100%)  | 63.9  | 60.1  | <b>73</b>     | 74.1    | 70.3    | 75.8 |
| <b>% of the highest score</b>                               | 84    | 79    | <b>96</b>     | 98      | 93      | 100  |

### Socio Cultural Forces

#### *Language*

The official language of the French Republic is French and the French government is, by law, compelled to communicate primarily in French. The government, furthermore, mandates that commercial advertising should be available in French. The French government, however, does not mandate the usage of French in non-commercial publications by private individuals or corporations or in any other media. English and Spanish are the most commonly studied foreign languages in French schools. The percentage of the population with English speaking capabilities is 25%.

(<http://www.evd.nl>).

#### *Education*

The French educational system is highly centralized and organized. It is divided into three different stages:

- primary education (enseignement primaire);
- secondary education (enseignement secondaire);
- higher education (enseignement supérieure).

Primary and secondary education are predominantly public (private schools also exist). Higher education has both public and private elements. The programme for International Student Assessment, coordinated by the OECD, currently ranks France's education as the 25<sup>th</sup> best in the world (<http://www.evd.nl>).



## Appendix 4: Germany

Germany



### Direct Environmental Criteria Germany

#### German Market

The main industrial areas are the Ruhr district and large cities as Hannover, Munich, Frankfurt and Stuttgart. The glory of German industry is not only dependent on the big firms that are well known around the world, such as Daimler-Benz, Volkswagen or Siemens. It are the small- and medium-sized firms that constitute what the Germans call the Mittelstand. These firms constitute 98 percent of all German companies. The government has supported and furthered the Mittelstand, in part for political reasons, but also because it makes a crucial contribution to the economy. It makes available special funds to promote research and development by these companies (*Source: Evd*).

#### Population size and density:

Germany had at the end of 2007, 82.400.000 inhabitants, making it the 14<sup>th</sup> most populous country in the world. The population density is 230 persons per square kilometre. Germany's population is characterized by zero or declining growth. The population growth rate in 2007 is - 0.12% (<http://www.evd.nl>).

|   | Spain | Italy | France | <b>Germany</b> | Belgium | UK    |
|---|-------|-------|--------|----------------|---------|-------|
| 1.Population (*1000)                    | 46063 | 59131 | 64473  | <b>82400</b>   | 10400   | 70000 |
| 2.Population Density (per square km)    | 91.4  | 196   | 118    | <b>230</b>     | 340     | 390   |
| 1.% of biggest population $\frac{3}{4}$ | 56    | 72    | 78     | <b>100</b>     | 13      | 85    |
| 2.% of highest density $\frac{1}{4}$    | 23    | 50    | 30     | <b>59</b>      | 87      | 100   |
| <b>Average % (round off)</b>            | 48    | 67    | 66     | <b>90</b>      | 32      | 89    |



### ***Age distribution***

The age distribution of Germany (2007):

0-14 years: 13.9% (male 5.894.724/ female 5.590.373)  
 15-64 years: 66.3% (male 27.811.357/ female 26.790.222)  
 65 years and over: 19.8% (male 6.771.972/ female 9.542.348)  
 (<http://www.evd.nl>).

### ***Urbanization***

| Year  | Rural (*1000)<br>Population | Urban (*1000)<br>Population | % Rural of total<br>Population | % Urban of<br>total population |
|-------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| 2000  | 22.168                      | 60.141                      | 26.9                           | 73.1                           |
| 2005  | 22.023                      | 60.630                      | 26.6                           | 73.4                           |
| 2010* | 21.539                      | 60.826                      | 26.2                           | 73.8                           |

The population distribution is very uneven in Germany. In the former West Germany, the density is 267 per square kilometre, compared with 140 people per square kilometre in the former East Germany. Berlin and the industrialized Ruhr Valley are densely populated, while other Eastern regions are thinly populated due to the migration from East to West. The rise of the urban population is steady with about 3.5% in 5 years

(<http://esa.un.org>).

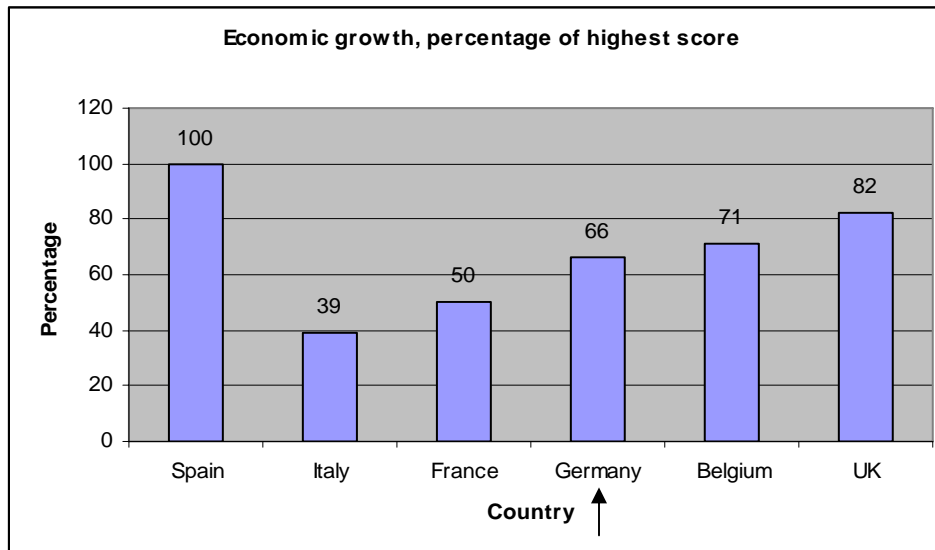
|  | Spain | Italy | France | <b>Germany</b> | Belgium | UK |
|--|-------|-------|--------|----------------|---------|----|
| 2. %Urban<br>of total<br>population                  | 77    | 68    | 77     | <b>73</b>      | 97      | 90 |
| 2. %of<br>highest<br>urban of<br>total<br>population | 79    | 70    | 79     | <b>75</b>      | 100     | 93 |



### ***Economic growth***

Germany belongs with the VS and Japan to the three biggest economies in the world. The German economy showed substantial improvement in 2007 at 2.5% growth due to the effect of recent economic reforms and strong global economic growth. Germans often describes their economic system as a “social market economy”. The German Government provides subsidies to selected sectors and by owning some segments of the economy, while promoting competition and free enterprise (<http://www.evd.nl>).

|                         | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|-------------------------|-------|-------|--------|----------------|---------|-----|
| Economic Grow 2006-2007 | 3.8   | 1.5   | 1.9    | <b>2.5</b>     | 2.7     | 3.1 |



### ***GDP***

Germany has technologically powerful economy, fifth largest in the world in PPP terms. After a long period of stagnation with an average economic growth rate of 0.7% from 2001-2005 and high unemployment, the economy re-established itself. . The reasons for unemployment during the past decade were macroeconomic stagnation, the declining level of investment in plant and equipment, company restructuring, lack of competition in the service sector and high interest rates. The modernization and integration of the eastern German economy continues to be a costly long-term process, with annual transfers from west to east amounting about \$80 billion.

|                               |                              |       |
|-------------------------------|------------------------------|-------|
| GDP (official exchange rate): | \$3.322 trillion (2007 est.) |       |
| GDP (real growth rate):       | 2.5% (2007/2006)             |       |
| GDP per capita:               | \$34.200 (2007 est.)         |       |
| GDP composition:              | Agriculture:                 | 0.8%  |
|                               | Industry:                    | 33.4% |
|                               | Services:                    | 63.8% |

(<https://www.cia.gov>)



|                               | Spain   | Italy   | France  | <b>Germany</b> | Belgium | UK      |
|-------------------------------|---------|---------|---------|----------------|---------|---------|
| GDP per Capita (2007)         | \$30100 | \$30400 | \$33200 | <b>\$34200</b> | \$35300 | \$35100 |
| <b>% of the highest score</b> | 85      | 86      | 94      | <b>97</b>      | 100     | 99      |

### ***Inflation***

The substantial improvement of the economy (2.5% grow) also led to inflation. The trust of consumers is growing so the consumption will be more. If the demand of the customer is growing the prices will rise: inflation. The difference between 2007 and the expectation of 2008 make clear this point.

| 2005 | 2006 | 2007 | 2008* | 2009* | 2010* |
|------|------|------|-------|-------|-------|
| 2.0% | 1.7% | 2.1% | 2.5%  | 1.5%  | 1.7%  |

(<http://www.evd.nl>).

|                         | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|-------------------------|-------|-------|--------|----------------|---------|-----|
| <b>Inflation % 2007</b> | 2.5   | 1.9   | 1.6    | <b>2.1</b>     | 1.8     | 2.3 |

### ***Industrial production growth rate: 2.1% in 2007***

([cia.gov](http://cia.gov).)

|  | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|--|-------|-------|--------|----------------|---------|-----|
| Industrial production growth rate (2007-%) | 3     | 1.5   | 2      | <b>2.1</b>     | 3       | 2.3 |

### ***Business freedom (2008 assessment)***

The overall freedom to start, operate, and close business is protected by Germany's regulatory environment. Starting a business takes an average of 18 days, compared to the world average of 43 days. Obtaining a business license requires less than the world average of 19 procedures and 234 days. The overall business freedom percentage is 88.9% (<http://heritage.org>).

|                               | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|-------------------------------|-------|-------|--------|----------------|---------|------|
| Business freedom (2008) %     | 77.5  | 76.8  | 87.1   | <b>88.9</b>    | 93.7    | 90.8 |
| <b>% of the highest score</b> | 83    | 82    | 93     | <b>95</b>      | 100     | 97   |



### ***Business Sophistication***

The ranking of Germany out of 131 countries is nr. 1. The score: 5.93 (out of 7). This the highest score amongst 131 countries and the highest of the 6 countries for analysis. This high interconnection between companies and suppliers lead to greater opportunities for innovation and to the reduction of barriers to entry for new firms. (<http://www.weforum.org>).

|   | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|---|-------|-------|--------|----------------|---------|------|
| Business sophistication (2008) (out of 7) | 4.81  | 4.91  | 5.47   | <b>5.93</b>    | 5.44    | 5.41 |
| Ranking (out of 131 countries)            | 27    | 24    | 10     | <b>1</b>       | 12      | 13   |
| <b>% of the highest score</b>             | 81    | 83    | 92     | <b>100</b>     | 92      | 91   |

### ***Airport traffic***

Frankfurt is the busiest airport in Germany, with 1340 takeoffs and landings a day. It is the biggest airport in Europe after London-Heathrow and Paris. It has scheduled connections to nearly 300 airports in more than a hundred countries. In 2006 it set a new record for passengers handled, with 52.8 million. Munich Airport is the second busiest with 30.8 million passengers in 2006. The third busiest airport is Düsseldorf which counted 16.6 million passengers in 2006. It too has a new terminal, replacing and greatly improved.

#### *The five busiest (passengers) airports in Germany (2006):*

- |  |                         |
|--|-------------------------|
| 1. Frankfurt, International Airport    | 52.8 million passengers |
| 2. München, International Airport      | 30.8 million passengers |
| 3. Düsseldorf, International Airport   | 16.6 million passengers |
| 4. Hamburg, International Airport      | 12.0 million passengers |
| 5. Berlin-Tegel, International Airport | 11.8 million passengers |

*The total passengers in Germany are about 154 million in 2006.*

*Passenger's growth 2005/2006: 5.6%*

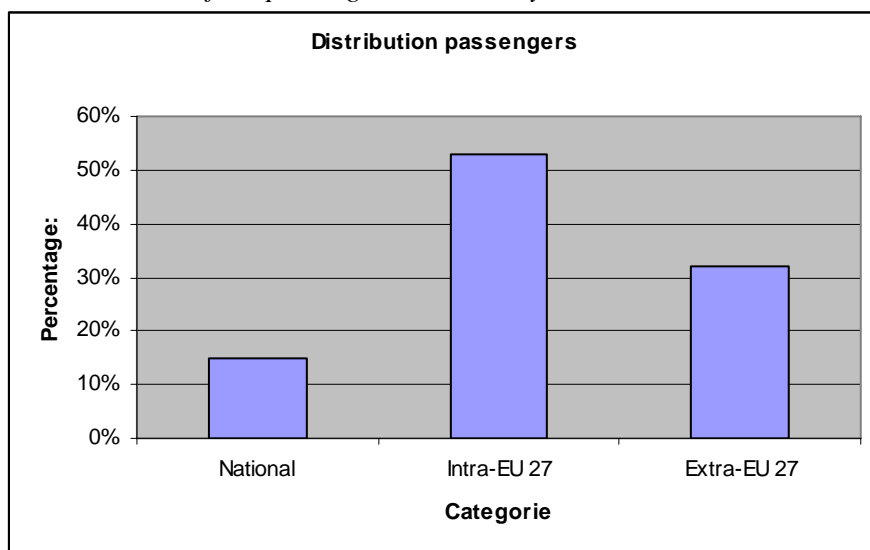
*Total airports in Germany (2007): 550*

(<http://epp.eurostat.ec.europa.eu>)

(Source: official sites of the airports/ CIA)



*The distribution of the passengers in Germany:*



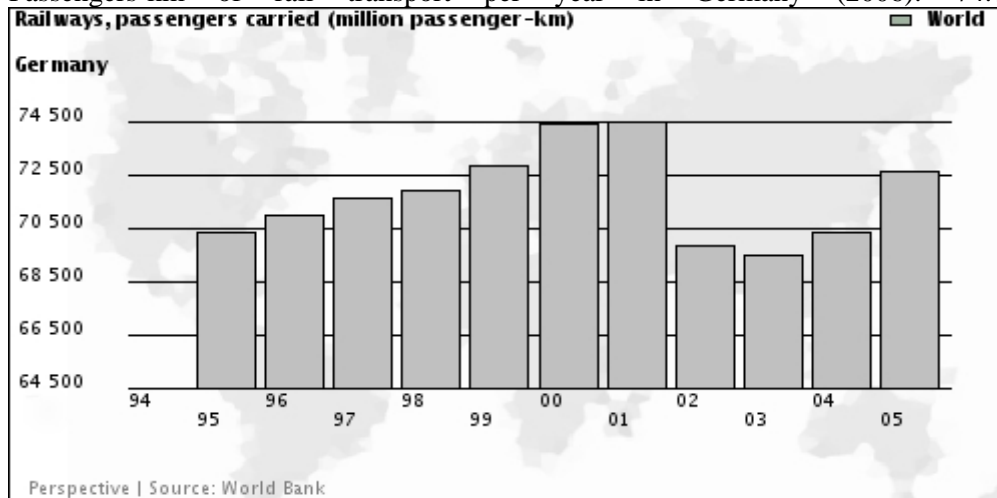
(<http://epp.eurostat.ec.europa.eu>)

|   | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|---|-------|-------|--------|----------------|---------|------|
| 1. Total passengers (millions)                          | 151   | 96    | 113    | <b>154</b>     | 19      | 211  |
| 2. Average passengers (millions) top 3 busiest airports | 32.6  | 20.1  | 30.8   | <b>33.4</b>    | 6.4     | 41.8 |
| 1. % of highest amount of passengers                    | 78    | 48    | 74     | <b>80</b>      | 15      | 100  |
| 2. % of highest amount of (top 3) passengers            | 72    | 46    | 54     | <b>73</b>      | 9       | 100  |
| <b>Average % (round off)</b>                            | 75    | 47    | 64     | <b>76.5</b>    | 12      | 100  |



### ***Railway Traffic***

Passengers-km of rail transport per year in Germany (2006): 74.730 million.



For the whole of the period 1994-2005, an annual mean of 71.100 is recorded for this country. 2001 shows the highest level with 74.500 million kilometres and 1994 the lowest with 64.500. In this case, the registered change is 13%.

- Passenger km per head of population: 910
- Passengers carried in rail transport per year (2006): 1.850 million

(Source: <http://www.worldbank.org>)

#### ***Top 5 largest metropolitan areas in Germany (2006):***

- |              |                    |
|--------------|--------------------|
| 1. Berlin -  | 3.4 million people |
| 2. Hamburg - | 1.8 million        |
| 3. München - | 1.4 million        |
| 4. Köln-Ruhr | 1 million          |
| 5. Frankfurt | 0.67 million       |

(Source: <http://www.worldbank.org>)

|   | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|---|-------|-------|--------|----------------|---------|------|
| 1. Railway traffic (passengers) total (millions)            | 505   | 1150  | 1000   | <b>1850</b>    | 186     | 1160 |
| 2. Km per head of the population (2006)                     | 460   | 780   | 1220   | <b>910</b>     | 910     | 770  |
| 1. % of highest amount of traffic 3/4                       | 27    | 62    | 54     | <b>100</b>     | 10      | 63   |
| 2. % of highest amount of km per head of the population 1/4 | 38    | 64    | 100    | <b>75</b>      | 75      | 63   |
| <b>Average % (round off)</b>                                | 30    | 63    | 66     | <b>94</b>      | 26      | 63   |



## Macro Environmental Criteria Germany

### Financial forces

#### *Financial freedom*

Germany's financial system is open and modern. Regulations are generally transparent and consistent with international norms. Banking is dominated by public-sector institutions. Most of the roughly 2,000 banks are local savings banks and cooperative institutions. Private Banks account for less than 30% of the market, and government-linked publicly owned banks account for nearly 50%. Interest rates are market-determined, and foreign investors may access credit freely. The insurance sector and capital markets are open to foreign participation. The financial freedom index is 60% (2008) (<http://heritage.org>).

|                                 | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|---------------------------------|-------|-------|--------|----------------|---------|-----|
| Financial Freedom index% (2008) | 80    | 60    | 70     | <b>60</b>      | 80      | 90  |
| <b>% of the highest score</b>   | 89    | 67    | 78     | <b>67</b>      | 89      | 100 |

#### *Investment freedom*

Foreign and domestic investors are treated equally in accordance with EU standards. There are no restrictions on capital transactions or current transfers, repatriation of profits, or access to foreign exchange. There are no serious limitations on new projects. The index of investment freedom is 80% (2008) (<http://heritage.org>).

|                                  | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|----------------------------------|-------|-------|--------|----------------|---------|-----|
| Investment Freedom index% (2008) | 70    | 70    | 60     | <b>80</b>      | 90      | 90  |
| <b>% of the highest score</b>    | 78    | 78    | 67     | <b>89</b>      | 100     | 100 |

### Political forces

#### *Ideology/ Freedom from Government*

Germany is a federal parliamentary representative democratic republic of sixteen states. Power is exercised by the government. Federal legislative power is vested in both the government and the two chambers of parliament, Bundestag and Bundesrat (<https://www.cia.gov>).

The total government expenditures, including consumption and transfer payments, are very high. In 2007 the government spending equalled 46.9% of GDP. Social welfare programs remain large and expensive. The index of Freedom from government is 34%. (<http://heritage.org>).



|                                       | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|---------------------------------------|-------|-------|--------|----------------|---------|------|
| Freedom from government index% (2008) | 56.2  | 29.4  | 13.2   | <b>34</b>      | 17.9    | 40.1 |
| <b>% of the highest score</b>         | 100   | 52    | 23     | <b>61</b>      | 32      | 71   |

### *Political stability*

For an explanation of the political stability index see the appendix of Spain.

The political stability index for Germany is **1.06**. This indicates a likelihood of a stabilized government with a low risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### *Control of corruption*

Corruption is perceived as minimal. Germany ranks 16<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. Strict anticorruption laws are enforced. The index of freedom from corruption is 80% (2008) (<http://heritage.org>).

|                                | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|--------------------------------|-------|-------|--------|----------------|---------|-----|
| Control of Corruption % (2008) | 68    | 49    | 74     | <b>80</b>      | 73      | 86  |
| <b>% of the highest score</b>  | 79    | 57    | 86     | <b>93</b>      | 85      | 100 |

### *Legal forces*

#### *Employment regulations*

Restrictive employment regulations hinder employment and productivity growth. The non-salary cost of employing a worker is high, and dismissing a redundant employee is costly. The difficulty of laying off a worker creates a risk aversion for companies that would otherwise hire more people and grow. Wages remain among the worlds highest.

Germany has a Coordinated Market Economy (CME). The wages are set up through industry level bargains between trade unions and employer associations that generally follow a leading settlement. Company strategies in a CME as Germany are to make extensive use of labour with high industry-specific or firm-specific skills. Inter firm relations in Germany are supported by a number of institutions. They have access to private information about the sector. Top management rarely has a capacity for unilateral action. It depends on the regulations of the employee representatives/ shareholders etc.

The index of labour freedom for Germany is 52.8% (2008) (<http://heritage.org>).

|                               | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|-------------------------------|-------|-------|--------|----------------|---------|------|
| Labour freedom % (2008)       | 56.7  | 73.5  | 63.8   | <b>52.8</b>    | 69.9    | 80.7 |
| <b>% of the highest score</b> | 70    | 91    | 79     | <b>65</b>      | 87      | 100  |



### ***Property rights***

All property, including intellectual property, is well protected. Contracts are secure, and the judiciary and civil service are highly professional. Separate supreme courts deal with commercial, tax, and constitutional cases. The high protection could be found back in the index for property rights: 90% (2008) (<http://heritage.org>).

|                                    | Spain | Italy | France | <b>Germany</b> | Belgium | UK  |
|------------------------------------|-------|-------|--------|----------------|---------|-----|
| Property right protection % (2008) | 70    | 50    | 70     | <b>90</b>      | 80      | 90  |
| <b>% of the highest score</b>      | 78    | 56    | 78     | <b>100</b>     | 89      | 100 |

### ***Fiscal Freedom***

Germany has a high income tax rate and a burdensome corporate income tax rate. The top income tax rate is 47.5%. The federal corporate tax rate is 25%, but the effective rate could be almost 39%. Other taxes include a value-added tax (VAT) and a trade tax that varies from 13% to 20%. In the most recent year, overall tax revenue as a percentage of GDP was 34.7%. The fiscal freedom index for Germany is 58.4% (<http://heritage.org>).

|                               | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|-------------------------------|-------|-------|--------|----------------|---------|------|
| Fiscal freedom index % (2008) | 54.5  | 54.3  | 53.2   | <b>58.4</b>    | 43.9    | 61.2 |
| <b>% of the highest score</b> | 89    | 89    | 87     | <b>95</b>      | 72      | 100  |

### ***Technology Level***

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 7.90%  
(<http://humandevlopment.bu>)

#### ***Internet Users 2006***

Total internet users: 38.6 million  
% of total population: 46.8%  
(<http://www.cia.gov>).

#### ***Technological Readiness***

The ranking of 127 countries: nr. 16  
Percentage readiness out of 7: 74.1%  
(7 or 100% is best developed)  
(<http://www.weforum.org>)



|   | Spain | Italy | France | <b>Germany</b> | Belgium | UK   |
|---|-------|-------|--------|----------------|---------|------|
| Technological Readiness Ranking out of 127 countries (2008) | 31    | 42    | 21     | <b>16</b>      | 25      | 12   |
| % readiness (7=100%)  | 63.9  | 60.1  | 73     | <b>74.1</b>    | 70.3    | 75.8 |
| <b>% of the highest score</b>                               | 84    | 79    | 96     | <b>98</b>      | 93      | 100  |

### Socio Cultural Forces

#### *Language*

The German language, Deutsch, is a West Germanic language and one of the world's major languages. German is closely related to and classified alongside English and Dutch. Around the world, German is spoken by approximately 100 million native speakers and also about 80 million non-native speakers. German is widely taught in schools, universities and institutes worldwide. The percentage of the population with English speaking capabilities is 44%.

(<http://www.evd.nl>).

#### *Education*

Primary school lasts for four years. Secondary education includes four types of schools based on a pupil's ability as determined by teacher recommendations; the Gymnasium includes the most gifted children and prepares students for university studies; the Realschule has a broader range of emphasis for intermediary students; the Hauptschule prepares pupils for vocational education, and the Gesamtschule or comprehensive school combines the three approaches. In order to enter a university, high school students are required to take a special examination; however, students possessing a diploma from a vocational school may also apply to enter. A special system of apprenticeship called Duale Ausbildung allows pupils in vocational training to learn in a company as well as in a state-run school (<http://www.evd.nl>).

Germany has one of the world's highest levels of education, technological development, and economic productivity (<http://www.state.gov>).





## Appendix 5: Belgium

**Belgium**



### Direct Environmental Criteria Belgium

#### *Market Belgium*

Belgium's economy and its transportation infrastructure are integrated with the rest of Europe. Its location at the heart of a highly industrialized region helps make it one of the world's ten largest trading nations. The economy is characterized by a highly productive workforce, high GNP and high exports per capita. The greatest industrialized areas in Belgium are found in central Flanders and the Northeast. The south of the country is less industrialized. (Source: Evd).

#### *Population size and density*

Belgium had in the middle of 2007 10.400.000 inhabitants. The population density is 340 persons per square kilometre. The population growth rate is 0.12% in 2007 (<http://www.evd.nl>).

|   | Spain | Italy | France | Germany | <b>Belgium</b> | UK    |
|---|-------|-------|--------|---------|----------------|-------|
| 1.Population (*1000)                    | 46063 | 59131 | 64473  | 82400   | <b>10400</b>   | 70000 |
| 2.Population Density (per square km)    | 91.4  | 196   | 118    | 230     | <b>340</b>     | 390   |
| 1.% of biggest population $\frac{3}{4}$ | 56    | 72    | 78     | 100     | <b>13</b>      | 85    |
| 2.% of highest density $\frac{1}{4}$    | 23    | 50    | 30     | 59      | <b>87</b>      | 100   |
| <b>Average % (round off)</b>            | 48    | 67    | 66     | 90      | <b>32</b>      | 89    |



### ***Age distribution***

The age distribution of Belgium (2007):

0-14 years: 16.7% (male 883.254/ female 846.099)  
 15-64 years: 65.9% (male 3.450.879/ female 3.389.565)  
 65 years and over: 17.4% (male 746.569/ female 1.062.701)  
 (<http://www.evd.nl>).

### ***Urbanization***

In comparison with other European countries the urbanization level is very high in Belgium. According to the demographics of Belgium, the country is one of the world's most densely populated and urbanized countries (<http://esa.un.org>).

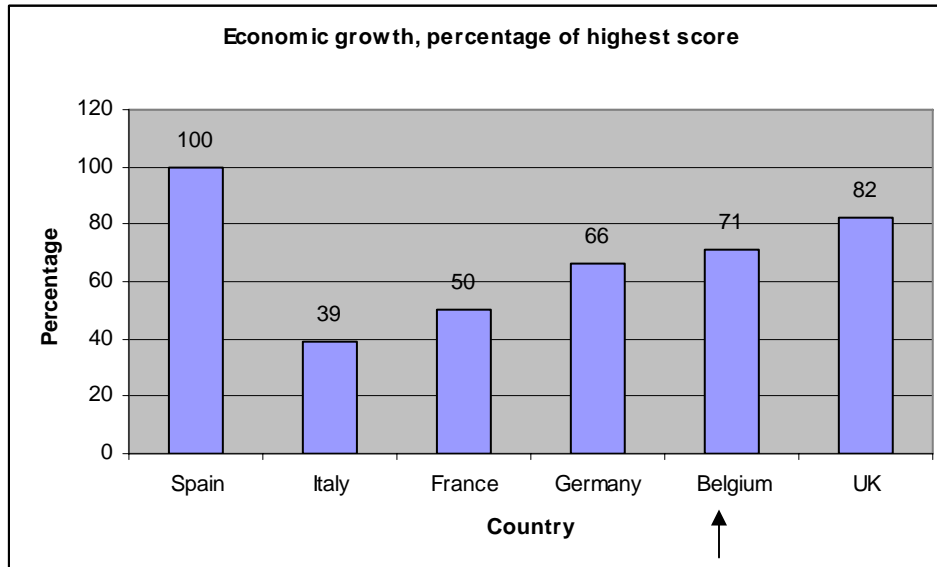
| Year | Rural (*1000)<br>Population | Urban (*1000)<br>Population | % Rural of total<br>Population | % Urban of<br>total population |
|------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| 2000 | 294                         | 9.899                       | 2.9                            | 97.1                           |
| 2005 | 283                         | 10.115                      | 2.7                            | 97.3                           |
| 2010 | 270                         | 10.252                      | 2.6                            | 97.4                           |

|  | Spain | Italy | France | Germany | <b>Belgium</b> | UK |
|--|-------|-------|--------|---------|----------------|----|
| 2. %Urban<br>of total<br>population                  | 77    | 68    | 77     | 73      | <b>97</b>      | 90 |
| 2. %of<br>highest<br>urban of<br>total<br>population | 79    | 70    | 79     | 75      | <b>100</b>     | 93 |

### ***Economic growth***

Belgium, a highly developed market economy, belongs to the Organization for Economic Cooperation and Development (OECD), a group of leading industrialized democracies. Belgium GDP ranks among the world are one of the highest. Belgium was one of the first industrialized countries in Europe, but it has been developed the last years as a service-sector economy. Belgium's trade advantages are derived from its central geographic location and a highly skilled, multilingual, and productive workforce. The average grow in economy is about 2% (<http://www.evd.nl>).

|                               | Spain | Italy | France | Germany | <b>Belgium</b> | UK  |
|-------------------------------|-------|-------|--------|---------|----------------|-----|
| Economic<br>Grow<br>2006-2007 | 3.8   | 1.5   | 1.9    | 2.5     | <b>2.7</b>     | 3.1 |



### **GDP**

Belgium is a private enterprise economy. The economy has capitalized on its central geographic location, highly developed transport network, and diversified industrial and commercial base. Industry is concentrated mainly in the populous Flemish area in the north. With few natural resources, Belgium must import substantial quantities of raw materials and export a large volume of manufacturers, making its economy unusually dependent on the state of world markets. Roughly three-quarters of its trade is with other EU countries. GDP of Belgium:

GDP (official exchange rate): \$453.6 billion (2007 est.)  
 GDP (real growth rate): 2.7% (2007/2006)  
 GDP per capita: \$35.300 (2007 est.)  
 GDP composition:                      Agriculture: 1.1%  
    Industry: 24.5%  
    Services: 74.4%

(<https://www.cia.gov>)

|                        | Spain   | Italy   | France  | Germany | <b>Belgium</b> | UK      |
|------------------------|---------|---------|---------|---------|----------------|---------|
| GDP per Capita (2007)  | \$30100 | \$30400 | \$33200 | \$34200 | <b>\$35300</b> | \$35100 |
| % of the highest score | 85      | 86      | 94      | 97      | <b>100</b>     | 99      |

***Inflation***

The inflation in Belgium rise with an average of 1.6% in 2002 to 2.8% in 2005. In the year 2006 the inflation was 1.8%. The inflation in 2007 was 1.8% and the forecast of 2008 will be 1.7%.

|                         | Spain | Italy | France | Germany | Belgium    | UK  |
|-------------------------|-------|-------|--------|---------|------------|-----|
| <b>Inflation % 2007</b> | 2.5   | 1.9   | 1.6    | 2.1     | <b>1.8</b> | 2.3 |

***Industrial production growth rate:*** 3% in 2007 (*cia.gov.*)

|   | Spain | Italy | France | Germany | Belgium  | UK  |
|---|-------|-------|--------|---------|----------|-----|
| <b>Industrial production growth rate (2007-%)</b> | 3     | 1.5   | 2      | 2.1     | <b>3</b> | 2.3 |

***Business freedom (2008 assessment)***

The overall freedom to start, operate, and close a business is strongly protected by Belgium's national regulatory environment. Starting a business takes an average of four days, compared to the world average of 43 days. Obtaining a business license requires less than the world average of 19 procedures and 234 days. Regulation is transparent, and the laws are enforced effectively. The overall business freedom percentage is 93.7% (<http://heritage.org>).

|                                  | Spain | Italy | France | Germany | Belgium     | UK   |
|----------------------------------|-------|-------|--------|---------|-------------|------|
| <b>Business freedom (2008) %</b> | 77.5  | 76.8  | 87.1   | 88.9    | <b>93.7</b> | 90.8 |
| <b>% of the highest score</b>    | 83    | 82    | 93     | 95      | <b>100</b>  | 97   |

***Business Sophistication***

The ranking of Belgium out of 131 countries is nr. 12. The score: 5.44 (out of 7). In comparison with the other 5 countries this is a middle score. This mean there is an interconnection between firms, and the quality of Belgium's overall business networks is good. The consequence is a not perfect/not bad degree of efficiency, and the barrier to entry for new firms is not high (<http://www.weforum.org>).

|  | Spain | Italy | France | Germany | Belgium     | UK   |
|--|-------|-------|--------|---------|-------------|------|
| <b>Business sophistication (2008) (out of 7)</b> | 4.81  | 4.91  | 5.47   | 5.93    | <b>5.44</b> | 5.41 |
| <b>Ranking (out of 131 countries)</b>            | 27    | 24    | 10     | 1       | <b>12</b>   | 13   |
| <b>% of the highest score</b>                    | 81    | 83    | 92     | 100     | <b>92</b>   | 91   |



### ***Airport traffic***

There are seven major airports in Belgium. Brussels International Airport is the country's busiest airport with over 16 million passengers in 2006. The airport is extremely modern. In the figure below we see the busiest airport in Belgium. Statistics are from 1995 to 2006.

*The five busiest (passengers) airports in Belgium (2006):*

|   |                         |
|---|-------------------------|
| 1. Brussel, International Airport             | 16.7 million passengers |
| 2. Brussel South Charleroi, Internat. Airport | 2.2 million passengers  |
| 3. Liège, Airport                             | 0.33 million passengers |
| 4. Antwerpen, Airport                         | 0.15 million passengers |
| 5. Ostend-Brugges, Airport                    | 0.14 million passengers |

*The total passengers in Belgium are about 19.2 million in 2006.*

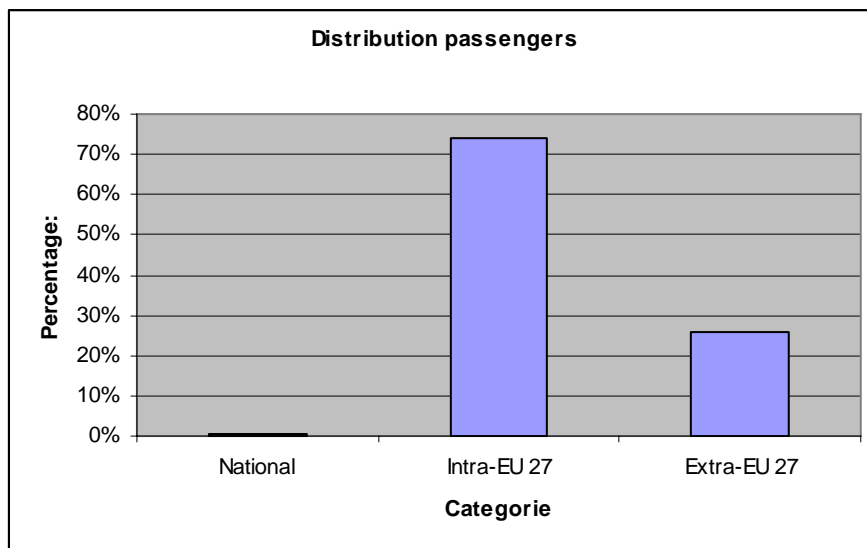
*Passengers growth 2005-2006: 4.5%*

*Total airports in Belgium (2007): 43*

(<http://epp.eurostat.ec.europa.eu>)

(Source: official sites of the airports/ CIA)

*The distribution of the passengers in Belgium:*



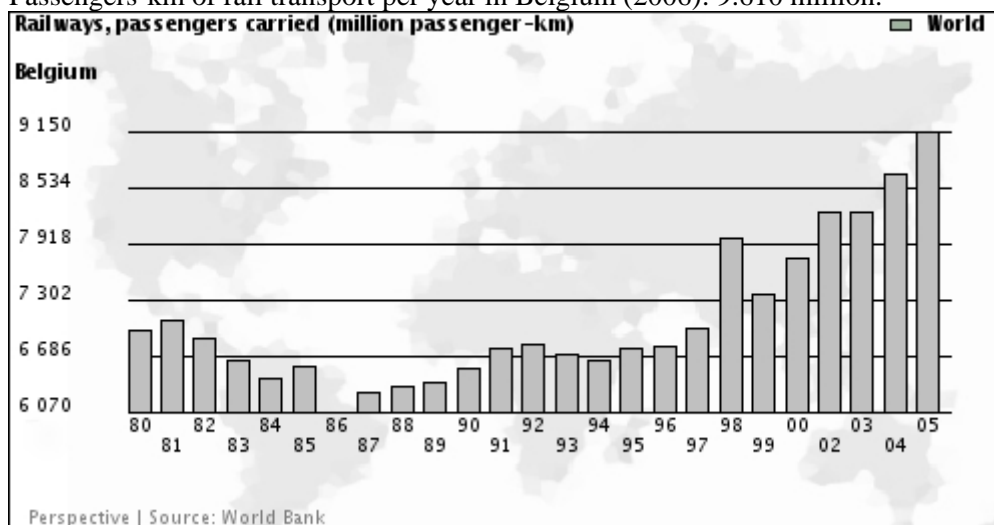
(<http://epp.eurostat.ec.europa.eu>)



|   | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|---|-------|-------|--------|---------|----------------|------|
| 1. Total passengers (millions)                          | 151   | 96    | 113    | 154     | <b>19</b>      | 211  |
| 2. Average passengers (millions) top 3 busiest airports | 32.6  | 20.1  | 30.8   | 33.4    | <b>6.4</b>     | 41.8 |
| 1. %of highest amount of passengers                     | 78    | 48    | 74     | 80      | <b>15</b>      | 100  |
| 2. %of highest amount of (top 3) passengers             | 72    | 46    | 54     | 73      | <b>9</b>       | 100  |
| <b>Average % (round off)</b>                            | 75    | 47    | 64     | 76.5    | <b>12</b>      | 100  |

### ***Railway Traffic***

Passengers-km of rail transport per year in Belgium (2006): 9.610 million.



For the whole of the period 1980-2005, an annual mean of 7.082 million kilometres is recorded for this country. 2005 shows the highest level with 9.150, 1986 the lowest with 6.070. In this case, the registered change is 31%.

- Passenger km per head of population: 910
- Passengers carried in rail transport per year (2006): 186 million

(Source: <http://www.worldbank.org>)

***Top 5 largest metropolitan areas in Belgium (2006):***

1. Brussel - 1 million people
2. Antwerp - 458.000
3. Ghent - 231.000
4. Charleroi - 201.000
5. Liège - 186.000

|   | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|---|-------|-------|--------|---------|----------------|------|
| 1. Railway traffic (passengers) total (millions)        | 505   | 1150  | 1000   | 1850    | <b>186</b>     | 1160 |
| 2. Km per head of the population (2006)                 | 460   | 780   | 1220   | 910     | <b>910</b>     | 770  |
| 1. % of highest amount of traffic                       | 27    | 62    | 54     | 100     | <b>10</b>      | 63   |
| 2. % of highest amount of km per head of the population | 38    | 64    | 100    | 75      | <b>75</b>      | 63   |
| <b>Average % (round off)</b>                            | 30    | 63    | 66     | 94      | <b>26</b>      | 63   |





## Macro Environmental Criteria Belgium

### Financial forces

#### *Financial freedom*

Belgium has one of the world's most developed financial systems, with 104 banks, including over 70 foreign banks. The five largest banks hold 85% of deposits. An independent commission supervises the financial sector. Credit is allocated at market terms to both foreign and domestic investors. The insurance sector is smaller and less robust than banking. The index of financial freedom is 80% (2008) (<http://heritage.org>).

|                                 | Spain | Italy | France | Germany | <b>Belgium</b> | UK  |
|---------------------------------|-------|-------|--------|---------|----------------|-----|
| Financial Freedom index% (2008) | 80    | 60    | 70     | 60      | <b>80</b>      | 90  |
| <b>% of the highest score</b>   | 89    | 67    | 78     | 67      | <b>89</b>      | 100 |

#### *Investment freedom*

Most restrictions on foreign investment also apply to domestic investment. Licenses are not hard to obtain. Regional and national incentives are generally open to foreigners. Taxes and employment criteria are federally controlled. There are no restrictions on the purchase of real estate, residents and non-residents accounts, repatriation of profit, or transfer of capital. The index of investment freedom is 90% (2008) (<http://heritage.org>).

|                                  | Spain | Italy | France | Germany | <b>Belgium</b> | UK  |
|----------------------------------|-------|-------|--------|---------|----------------|-----|
| Investment Freedom index% (2008) | 70    | 70    | 60     | 80      | <b>90</b>      | 90  |
| <b>% of the highest score</b>    | 78    | 78    | 67     | 89      | <b>100</b>     | 100 |

### Political forces

#### *Ideology/ Freedom from Government*

Belgium has a federal parliamentary democracy under a constitutional monarchy. The modern, private-enterprise economy has capitalized on its central geographic location. Belgium is one of the founding members of the European Union. The country strongly supports an open economy and supports the EU institutions to integrate member economies (<https://www.cia.gov>).

Total government expenditures, including consumptions and transfer payments, are very high. In the most recent year, government spending equalled 52.3% of GDP. The index of freedom from government is 17.9%.



|                                       | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|---------------------------------------|-------|-------|--------|---------|----------------|------|
| Freedom from government index% (2008) | 56.2  | 29.4  | 13.2   | 34      | <b>17.9</b>    | 40.1 |
| <b>% of the highest score</b>         | 100   | 52    | 23     | 61      | <b>32</b>      | 71   |

### ***Political stability***

For an explanation of the political stability index see the appendix of Spain.

The political stability index for Belgium is **0.97**. This indicates a likelihood of a relative stabilized government with a minimal risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### ***Control of corruption***

Corruption is perceived as minimal. Belgium ranks 20<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. The index of freedom from corruption is 73% (2008) (<http://heritage.org>).

|                                | Spain | Italy | France | Germany | <b>Belgium</b> | UK  |
|--------------------------------|-------|-------|--------|---------|----------------|-----|
| Control of Corruption % (2008) | 68    | 49    | 74     | 80      | <b>73</b>      | 86  |
| <b>% of the highest score</b>  | 79    | 57    | 86     | 93      | <b>85</b>      | 100 |

### **Legal forces**

#### ***Employment regulations***

Employment regulations are relatively flexible, but further reform is needed to foster employment creation and productivity growth. The non-salary cost of employing a worker can be very high, and dismissing a redundant employee is relatively costly. Belgium's high labour costs are sustainable for high-value added processes, but market rigidities remain a considerable barrier to employing a worker.

Belgium has a Coordinated Market Economy (CME). The wages are set up through industry level bargains between trade unions and employer associations that generally follow a leading settlement. Company strategies in a CME as Belgium are to make extensive use of labour with high industry-specific or firm-specific skills. Inter firm relations in Belgium are supported by a number of institutions. They have access to private information about the sector. Top management rarely has a capacity for unilateral action. It depends on the regulations of the employee representatives/ shareholders etc.

The index of labour freedom for Belgium is 69.9% (2008) (<http://heritage.org>).



|                               | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|-------------------------------|-------|-------|--------|---------|----------------|------|
| Labour freedom % (2008)       | 56.7  | 73.5  | 63.8   | 52.8    | <b>69.9</b>    | 80.7 |
| <b>% of the highest score</b> | 70    | 91    | 79     | 65      | <b>87</b>      | 100  |

### ***Property rights***

Property is well protected, and contracts are secure. The laws are codified, and the judiciary and civil service, while often slow, are of high quality. International property rights are well protected, but implementation of relevant EU directives has been slow. The property right index of Belgium is 80% (2008) (<http://heritage.org>).

|                                    | Spain | Italy | France | Germany | <b>Belgium</b> | UK  |
|------------------------------------|-------|-------|--------|---------|----------------|-----|
| Property right protection % (2008) | 70    | 50    | 70     | 90      | <b>80</b>      | 90  |
| <b>% of the highest score</b>      | 78    | 56    | 78     | 100     | <b>89</b>      | 100 |

### ***Fiscal Freedom***

Belgium's income tax rate is one of the world's highest, and its corporate tax rate is also high. The top income tax rate is 50%, and the top corporate tax rate is 34%. Other taxes include a value added tax (VAT), a transport tax, and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 44.9%. The fiscal freedom index for Belgium is 43.9% (<http://heritage.org>).

|                               | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|-------------------------------|-------|-------|--------|---------|----------------|------|
| Fiscal freedom index % (2008) | 54.5  | 54.3  | 53.2   | 58.4    | <b>43.9</b>    | 61.2 |
| <b>% of the highest score</b> | 89    | 89    | 87     | 95      | <b>72</b>      | 100  |

### ***Technology Level***

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 8%  
(<http://humandevlopment.bu>)

#### ***Internet Users 2006***

Total internet users: 4.8 million  
% of total population: 46.2%  
(<http://www.cia.gov>).



### ***Technological Readiness***

The ranking of 127 countries: nr. 25

Percentage readiness out of 7: 70.3%

(7 or 100% is best developed)

(<http://www.weforum.org>)

|   | Spain | Italy | France | Germany | <b>Belgium</b> | UK   |
|---|-------|-------|--------|---------|----------------|------|
| Technological Readiness Ranking out of 127 countries (2008) | 31    | 42    | 21     | 16      | <b>25</b>      | 12   |
| % readiness (7=100%)  | 63.9  | 60.1  | 73     | 74.1    | <b>70.3</b>    | 75.8 |
| <b>% of the highest score</b>                               | 84    | 79    | 96     | 98      | <b>93</b>      | 100  |

### **Socio Cultural Forces**

#### ***Language***

Official languages of Belgium are French, Dutch and German. Wallon is used by 33% of population. Flemish, the local variant of Dutch, is used by more than 60% of the population, and is spoken in the northern part of the country. The languages learned with education are labelled French and Dutch. German, spoken by 1% of population can be found in the east of the Wallon region. Brussel has two official languages: French and Dutch. About 10% of the Belgian population are non-native, and languages spoken include Italian, Spanish, Greek, Arabic and Turkish. The percentage of the population with English speaking capabilities is 49%.

(<http://www.evd.nl>).

#### ***Education***

Education enjoys high priority, and the largest share of the regional government's annual budget in Belgium. The education in Belgium is regulated and for a larger part financed by one of the three communities (Flemish, French and German speaking communitie). The national legislator only kept a very few, minimal competences for education as the age for mandatory schooling. Complete systems of public and private schools are available to all children between the ages of 4 and 18, at little or no costs. The different stages of education are:

- Basic education with the pre-school (-6) and primary school (6-12);
- Secondary school (12-18)
- Higher education
- University

In an OECD study, the Belgian students scored relatively high (<http://www.evd.nl>).



## Appendix 6: United Kingdom

### United Kingdom



### Direct Environmental Criteria UK

#### *UK Market*

The UK economy is the largest in Europe after Germany. London, the capital of the UK is one of the most important centres of trade and commerce in the world. The UK Economy is characterized by a free market. The UK is a developed country, with the fifth (GDP) largest economy in the world.

#### *Population size and density*

The UK had in 2008 nearly 70.000.000 inhabitants. It is one of the most crowded nations in Europe. The number of people into each square kilometre, 390 (2006), overtakes the numbers of for example Holland and Belgium. The economy is made up (in descending order of size) of economies of England, Scotland, Wales and Northern Ireland (<http://www.evd.nl>).



|   | Spain | Italy | France | Germany | Belgium | <b>UK</b>    |
|---|-------|-------|--------|---------|---------|--------------|
| 1.Population (*1000)                    | 46063 | 59131 | 64473  | 82400   | 10400   | <b>70000</b> |
| 2.Population Density (per square km)    | 91.4  | 196   | 118    | 230     | 340     | <b>390</b>   |
| 1.% of biggest population $\frac{3}{4}$ | 56    | 72    | 78     | 100     | 13      | <b>85</b>    |
| 2.% of highest density $\frac{1}{4}$    | 23    | 50    | 30     | 59      | 87      | <b>100</b>   |
| <b>Average % (round off)</b>            | 48    | 67    | 66     | 90      | 32      | <b>89</b>    |

### *Age distribution*

The age distribution of England:

0-14 years: 18.9%

15-64 years: 65.2%

65 years and over: 15.9%

(<http://www.evd.nl>).

### *Urbanization UK*

| Year | Rural (*1000) Population | Urban (*1000) Population | % Rural of total Population | % Urban of total population |
|------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| 2000 | 6.268                    | 52.600                   | 10.6                        | 89.4                        |
| 2005 | 6.193                    | 54.052                   | 10.3                        | 89.7                        |
| 2010 | 6.066                    | 55.451                   | 9.9                         | 90.1                        |

The expectation of the urban population in 2010 is 90.1%. A steady grow of about 0.3% in 5 years. Almost one-third of the population lives in England's southeast and is predominantly urban and suburban, with about 8.2 million in the capital of London. Nearly 84% of the British people live in England.

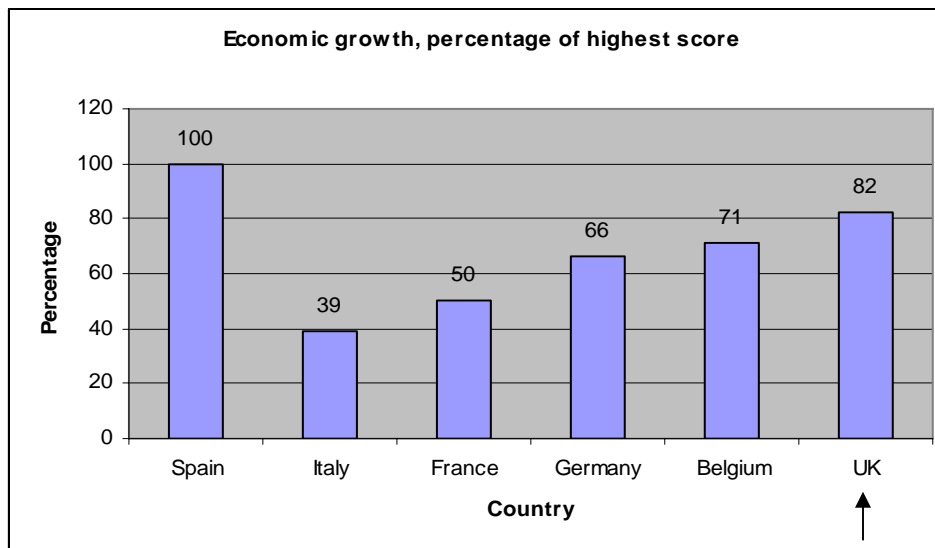
|  | Spain | Italy | France | Germany | Belgium | <b>UK</b> |
|--|-------|-------|--------|---------|---------|-----------|
| 2. %Urban of total population            | 77    | 68    | 77     | 73      | 97      | <b>90</b> |
| 2. %of highest urban of total population | 79    | 70    | 79     | 75      | 100     | <b>93</b> |



### ***Economic growth***

The United Kingdom has the fifth-largest economy in the world, is the second-largest economy in the European Union, and is a major international trading power. A highly developed, diversified, market-based economy with extensive social welfare services provides most residents with a high standard of living. The economic growth in 2005 was 1.9%, 2006: 2.8% and this percentage become higher in 2007: 3.1% (<http://www.evd.nl>).

|                         | Spain | Italy | France | Germany | Belgium | <b>UK</b>  |
|-------------------------|-------|-------|--------|---------|---------|------------|
| Economic Grow 2006-2007 | 3.8   | 1.5   | 1.9    | 2.5     | 2.7     | <b>3.1</b> |



### ***GDP***

The UK is a leading trading power and financial centre. Over the past decades, the government has reduced public ownership and contained the growth of social welfare programs. Agriculture is intensive, highly mechanized, and efficient by European standards. Services account by far for the largest proportion of GDP while industry continues to decline in importance. GDP in the UK:

|                               |  |
|-------------------------------|--|
| GDP (official exchange rate): | \$2.773 trillion (2007 est.)   |
| GDP (real growth rate):       | 3.1% (2007/2006)   |
| GDP per capita:               | \$35.100 (2007 est.)   |
| GDP composition:              | <div>Agriculture: 0.9%</div> <div>Industry: 23.4%</div> <div>Services: 75.7%</div> |

(<https://www.cia.gov>)

|                        | Spain   | Italy   | France  | Germany | Belgium | <b>UK</b>      |
|------------------------|---------|---------|---------|---------|---------|----------------|
| GDP per Capita (2007)  | \$30100 | \$30400 | \$33200 | \$34200 | \$35300 | <b>\$35100</b> |
| % of the highest score | 85      | 86      | 94      | 97      | 100     | <b>99</b>      |



### ***Inflation***

In March 2007 there was an inflation of 3.1%, which was the cause of rising consumption prices and energy prices. The inflation percentage has now been stabilized and the expectations for the coming are around the 2%.

| 2004 | 2005 | 2006 | 2007 | 2008* |
|------|------|------|------|-------|
| 1.3% | 2.0% | 2.3% | 2.3% | 1.9%  |

(<http://www.evd.nl>).

|                         | Spain | Italy | France | Germany | Belgium | UK         |
|-------------------------|-------|-------|--------|---------|---------|------------|
| <b>Inflation % 2007</b> | 2.5   | 1.9   | 1.6    | 2.1     | 1.8     | <b>2.3</b> |

**Industrial production growth rate:** 2.3% in 2007 (<http://www.cia.gov>.)

|  | Spain | Italy | France | Germany | Belgium | UK         |
|--|-------|-------|--------|---------|---------|------------|
| Industrial production growth rate (2007-%) | 3     | 1.5   | 2      | 2.1     | 3       | <b>2.3</b> |

### ***Business freedom (2008 assessment)***

The overall freedom to start, operate, and close a business is strongly protected by the UK's regulatory environment. Starting a business takes an average of 13 days, compared to the world average of 43 days. Obtaining a business license takes less than the world average of 234 days and is not costly. The overall business freedom percentage is 90.8% (<http://heritage.org>).

|                               | Spain | Italy | France | Germany | Belgium | UK          |
|-------------------------------|-------|-------|--------|---------|---------|-------------|
| Business freedom (2008) %     | 77.5  | 76.8  | 87.1   | 88.9    | 93.7    | <b>90.8</b> |
| <b>% of the highest score</b> | 83    | 82    | 93     | 95      | 100     | <b>97</b>   |

### ***Business Sophistication***

The ranking of the UK out of 131 countries is nr. 13. The score: 5.41 (out of 7). In comparison with the other 5 countries this is a middle score. This mean there is an interconnection between firms, and the quality of UK's overall business networks is good. The consequence is a not perfect/not bad degree of efficiency, and the barrier to entry for new firms is not high (<http://www.weforum.org>).

|   | Spain | Italy | France | Germany | Belgium | UK          |
|---|-------|-------|--------|---------|---------|-------------|
| Business sophistication (2008) (out of 7) | 4.81  | 4.91  | 5.47   | 5.93    | 5.44    | <b>5.41</b> |
| Ranking (out of 131 countries)            | 27    | 24    | 10     | 1       | 12      | <b>13</b>   |
| <b>% of the highest score</b>             | 81    | 83    | 92     | 100     | 92      | <b>91</b>   |





### ***Airport Traffic***

London serves as the largest aviation hub in the world, with five international airports, handling around 137 million passengers annually, more than any other city. The United Kingdom is home to many of Europe's largest and busiest airports as well as the busiest international airport in the world, London Heathrow Airport, which handles over 60 million international passengers annually.

*The five busiest (passengers) airports in the UK (2006):*

|                             |                         |
|-----------------------------|-------------------------|
| 1. London, Heathrow Airport | 67.5 million passengers |
| 2. London, Gatwick Airport  | 34.2 million passengers |
| 3. London, Stansted         | 23.7 million passengers |
| 4. Manchester, Airport      | 22.1 million passengers |
| 5. London, Luton            | 9.4 million passengers  |

*The total passengers in the UK are about 211 million in 2006.*

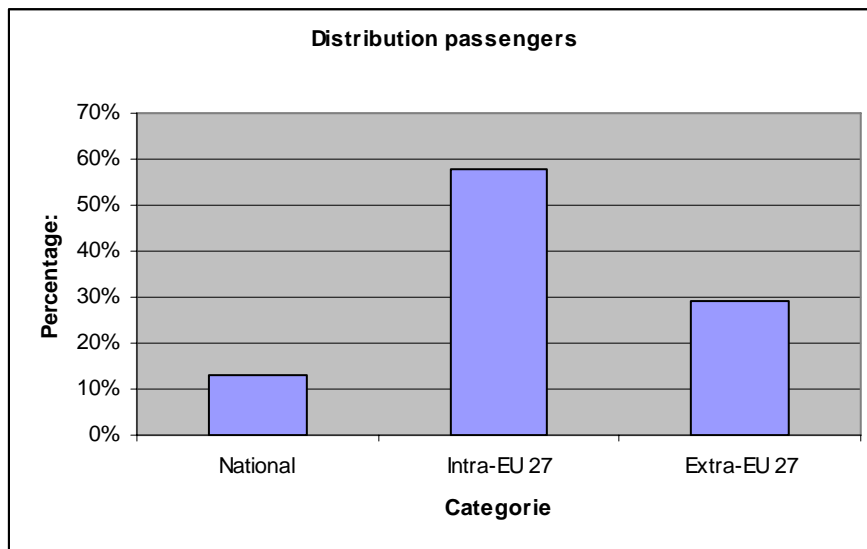
*Passengers growth 2005-2006: 3.5%*

*Total airports in the UK (2007): 449*

(<http://epp.eurostat.ec.europa.eu>)

(Source: official sites of the airports/ CIA)

*The distribution of the passengers in the UK:*



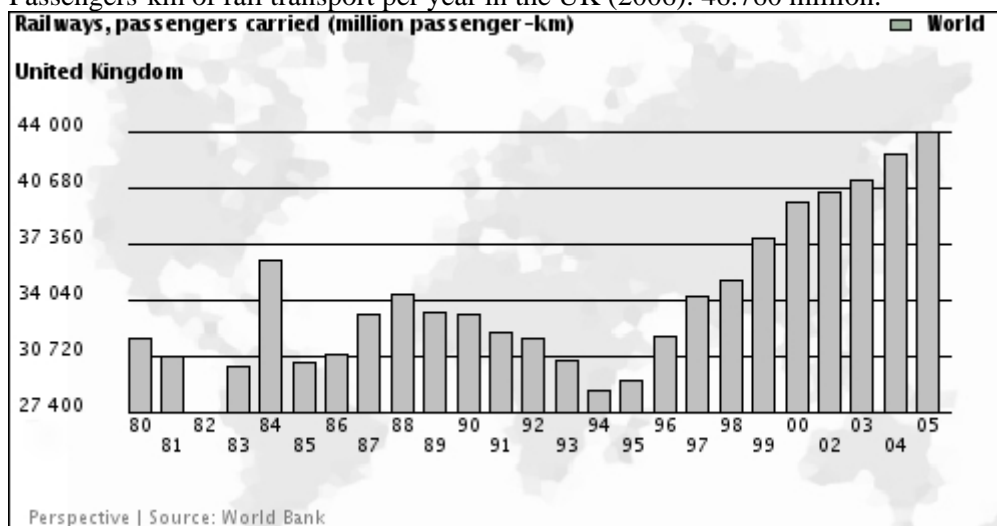
(<http://epp.eurostat.ec.europa.eu>)



|   | Spain | Italy | France | Germany | Belgium | <b>UK</b>   |
|---|-------|-------|--------|---------|---------|-------------|
| 1. Total passengers (millions)                          | 151   | 96    | 113    | 154     | 19      | <b>211</b>  |
| 2. Average passengers (millions) top 3 busiest airports | 32.6  | 20.1  | 30.8   | 33.4    | 6.4     | <b>41.8</b> |
| 1. % of highest amount of passengers                    | 78    | 48    | 74     | 80      | 15      | <b>100</b>  |
| 2. % of highest amount of (top 3) passengers            | 72    | 46    | 54     | 73      | 9       | <b>100</b>  |
| <b>Average % (round off)</b>                            | 75    | 47    | 64     | 76.5    | 12      | <b>100</b>  |

### Railway Traffic

Passengers-km of rail transport per year in the UK (2006): 46.760 million.



For the whole of the period 1980-2005, an annual mean of 34.012 million kilometres is recorded for this country. 2005 shows the highest level with 44.000, 1982 the lowest with 27.400. In this case the registered change is 39%.

- Passenger km per head of population: 770
- Passengers carried in rail transport per year (2006): 1.160 million

(Source: <http://www.worldbank.org>)

***Top 5 largest metropolitan areas in the UK(2006):***

1. London 7.5 million people
2. Birmingham 1 million
3. Leeds 750.000
4. Glasgow 581.000
5. Sheffield 526.000

|   | Spain | Italy | France | Germany | Belgium | UK          |
|---|-------|-------|--------|---------|---------|-------------|
| 1. Railway traffic (passengers) total (millions)        | 505   | 1150  | 1000   | 1850    | 186     | <b>1160</b> |
| 2. Km per head of the population (2006)                 | 460   | 780   | 1220   | 910     | 910     | <b>770</b>  |
| 1. % of highest amount of traffic                       | 27    | 62    | 54     | 100     | 10      | <b>63</b>   |
| 2. % of highest amount of km per head of the population | 38    | 64    | 100    | 75      | 75      | <b>63</b>   |
| <b>Average % (round off)</b>                            | 30    | 63    | 66     | 94      | 26      | <b>63</b>   |



## Macro Environmental Criteria UK

### Financial forces

#### *Financial freedom*

The U.K.'s financial system offers all forms of financial services. Credit is allocated at market terms. The banking system is the world's third-largest. In 2006 there were 252 foreign-controlled banks, 75 British banks, and several credit unions. There are no government banks, but some government agencies provide grants and financing. The central bank manages interest rates through direct market intervention. The index of financial freedom is 90% (2008) (<http://heritage.org>).

|                                 | Spain | Italy | France | Germany | Belgium | UK         |
|---------------------------------|-------|-------|--------|---------|---------|------------|
| Financial Freedom index% (2008) | 80    | 60    | 70     | 60      | 80      | <b>90</b>  |
| % of the highest score          | 89    | 67    | 78     | 67      | 89      | <b>100</b> |

#### *Investment freedom:*

Foreign investors receive the same treatment as domestic businesses. The UK was the largest receiver of foreign direct investment in 2005. The government rarely blocks foreign acquisitions. The promotion of competition and privatization has been the policy of the past two governments. Residents and non-residents may hold foreign exchange accounts. Payments and proceeds on invisible transactions and current transfers are not subject to restrictions, and profits can be repatriated freely. The index of investment freedom is 90% (2008) (<http://heritage.org>).

|                                  | Spain | Italy | France | Germany | Belgium | UK         |
|----------------------------------|-------|-------|--------|---------|---------|------------|
| Investment Freedom index% (2008) | 70    | 70    | 60     | 80      | 90      | <b>90</b>  |
| % of the highest score           | 78    | 78    | 67     | 89      | 100     | <b>100</b> |

### Political forces

#### *Ideology/ Freedom from Government*

The United Kingdom is governed by a parliamentary system in a constitutional monarchy. Over the past two decades, the government has greatly reduced public ownership and contained the growth of social welfare program. Each country of the United Kingdom has its own system of local government, with power over local government in Scotland, Wales and Northern Ireland being devolved (<https://www.cia.gov>).

The total government expenditures, including consumption and transfer payments, are very high. Government spending has been rising since the 1990s and in the most recent year equalled 44.7% of GDP. The freedom from government index is 40.1% (<http://heritage.org>).



|                                       | Spain | Italy | France | Germany | Belgium | UK          |
|---------------------------------------|-------|-------|--------|---------|---------|-------------|
| Freedom from government index% (2008) | 56.2  | 29.4  | 13.2   | 34      | 17.9    | <b>40.1</b> |
| % of the highest score                | 100   | 52    | 23     | 61      | 32      | <b>71</b>   |

### ***Political stability***

For an explanation of the political stability index see the appendix of Spain.

The political stability index for the UK is **0.81**. This indicates a likelihood of a stabilized government with a relative low risk of unconstitutional and/or violent means, including terrorism (<http://humandevlopment.bu>).

### ***Control of corruption***

Corruption is perceived as minimal. The United Kingdom ranks 11<sup>th</sup> out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. Bribery of domestic or foreign public officials is a criminal offence, and corrupt payments are not tax-deductible. Foreign investors generally do not view official corruption as a factor in doing business. The index of freedom from corruption is 86% (2008) (<http://heritage.org>).

|                                | Spain | Italy | France | Germany | Belgium | UK         |
|--------------------------------|-------|-------|--------|---------|---------|------------|
| Control of Corruption % (2008) | 68    | 49    | 74     | 80      | 73      | <b>86</b>  |
| % of the highest score         | 79    | 57    | 86     | 93      | 85      | <b>100</b> |

### ***Legal forces***

#### ***Employment regulations***

Flexible employment regulations enhance overall productivity growth and employment opportunities. The non-salary cost of employing a worker is moderate, but dismissing a redundant employee is not burdensome. Regulations related to the number of work hours are quite flexible. The UK is a Liberal Market Economy (LME). Firms in these LMEs rely heavily on the market relationship between individual worker and employer to organize relation with their labour force. Firms are under no obligation to establish representative bodies for employees such as work councils. The education and training systems of a LME as the UK are generally complementary to the highly fluid labour market. Other characteristics of the market are: low cost hiring and firing, -no co-determination rights, -flexible reward-settings, -top management has more influence in LMEs than in CMEs.

The index of labour freedom for the UK is 80.7% (2008) (<http://heritage.org>).



|                               | Spain | Italy | France | Germany | Belgium | UK          |
|-------------------------------|-------|-------|--------|---------|---------|-------------|
| Labour freedom % (2008)       | 56.7  | 73.5  | 63.8   | 52.8    | 69.9    | <b>80.7</b> |
| <b>% of the highest score</b> | 70    | 91    | 79     | 65      | 87      | <b>100</b>  |

### ***Property Rights***

Property rights are respected and enforced. Contracts are secure. The legal system protects intellectual property rights. Violations of IPR statutes are viewed as serious crimes that threaten the economy and consumers. The index of property rights for the UK is 90% (2008) (<http://heritage.org>).

|                                    | Spain | Italy | France | Germany | Belgium | UK         |
|------------------------------------|-------|-------|--------|---------|---------|------------|
| Property right protection % (2008) | 70    | 50    | 70     | 90      | 80      | <b>90</b>  |
| <b>% of the highest score</b>      | 78    | 56    | 78     | 100     | 89      | <b>100</b> |

### ***Fiscal Freedom***

The U.K. has a high income tax rate and a moderate corporate tax rate. The top income tax rate is 40%, and the top corporate tax rate is 30%. Other taxes include a value-added tax (VAT), an environmental tax, and a capital gains tax. In the most recent year, overall tax revenue as a percentage of GDP was 37.2%. The fiscal freedom index for the U.K. is 61.2% (<http://heritage.org>).

|                               | Spain | Italy | France | Germany | Belgium | UK          |
|-------------------------------|-------|-------|--------|---------|---------|-------------|
| Fiscal freedom index % (2008) | 54.5  | 54.3  | 53.2   | 58.4    | 43.9    | <b>61.2</b> |
| <b>% of the highest score</b> | 89    | 89    | 87     | 95      | 72      | <b>100</b>  |

### ***Technology Level***

#### ***Information Communication Technology***

Information and Communication technology expenditure of GDP: 9.10% (<http://humandevlopment.bu>)

#### ***Internet Users 2006***

Total internet users: 33.5 million  
 % of total population: 47.9%  
 (<http://www.cia.gov>).



### ***Technological Readiness***

The ranking of 127 countries: nr. 12  
 Percentage readiness out of 7: 75.8%%  
 (7 or 100% is best developed)  
 (<http://www.weforum.org>)

|   | Spain | Italy | France | Germany | Belgium | UK          |
|---|-------|-------|--------|---------|---------|-------------|
| Technological Readiness Ranking out of 127 countries (2008) | 31    | 42    | 21     | 16      | 25      | <b>12</b>   |
| % readiness (7=100%)  | 63.9  | 60.1  | 73     | 74.1    | 70.3    | <b>75.8</b> |
| % of the highest score                                      | 84    | 79    | 96     | 98      | 93      | <b>100</b>  |

### **Socio Cultural Forces**

#### ***Language***

The United Kingdom does not have a constitutionally defined official language. English is the main language being spoken by more than 90% of the UK population and thus the facto official language. Other languages are Welsh, Irish Gaelic and Scottish Gaelic (<http://www.evd.nl>).

#### ***Education***

Education in the United Kingdom is organized separately in each of the countries with power over education in Scotland, Wales and Northern Ireland. The education structures for Wales and Northern Ireland are broadly similar to the English system, but there are significant differences of emphasis in the depth and breadth of teaching objectives in Scotland. Traditionally the English system emphasizes a deeper understanding of a relatively smaller number of subjects. The school stages are: primary school, secondary school, higher school and university (<http://www.evd.nl>).



## Appendix 7: Interviews

### 7.1 Interview Managing Director HowTech B.V. Mr. Xiaogang Mao

#### 1. The overall company strategy of HowTech: The mission of HowTech?

The overall mission of HowTech BV, within 5 to 10 years, is to be a high-tech company leading in digital media technologies, and meantime takes a significant position in the media industry of Europe.

#### 2. What are the goals of the company? (Long term- Short term)

The short term goal, within 3 to 5 years, is to act as a technology provider in the media market. In this stage, HowTech will focus on the research and development of its key product SyncMovie system. The company will sale or license the developed technology to the customers like the infrastructure authorities, e.g. airport, subway, expo, etc.

The long term goal of HowTech, within 5 to 10 years, is to play an important role as a media company. It means that HowTech will invest the media resources by itself, and sale the airtime of SyncMovie system to the customers like advisers or advertising agencies.

#### 3. What is the position on the “strategy clock”?

In the early stage, the position of HowTech on the “strategy clock” is at 5. It means that HowTech will provide the product/service to the market with a high price and a high added value.

In the latter stage, the position will be at 4.

#### 4. What are the skills of the organization?

As a typical SME, HowTech must keep its organization simple and effective. For the start-ups, the most important thing is to survive first, and then to grow up. At the beginning, the entrepreneur has to play multiple roles like an all-in-one machine, e.g. software developer, seller, secretary, and even accountant.

#### 5. Could you give a definition of the structure of the total organization (employees/functions China-Netherlands)?

The top level of the organization is the board of HowTech, which are the major shareholders of HowTech.

The second level is the managing director, who is in charge of the general management of the company, and report to the board.

The third level is the manager of R&D, the manager of Marketing and Sales, who are in charge of the department of R&D, M&S respectively, and report to the managing director.

The fourth level is the staffs of the company.

At this moment, there is no connection between the organization of HowTech Netherlands and HowTech China, beside the cooperation of R&D.

Perhaps in the future, the two independent companies will be merged into one international company.

#### 6. How should you define your customer? (Customer profile). Is the focus on one target group (such as airports), or for example a focus on advertising agencies, or both?

Referred to the answer of question 2, at early stage, the target customers are mostly the infrastructure authorities like airport, subway, expo, etc. At latter stage, the target customers could also be advertisers or advertising agencies.





## 7.2 Interview Alexander Fürthner (Marketing Manager)- Ströer Infoscreen München

*Infoscreen München is the market leader for digital out-of-home media in Germany. With screens at subway and local train stations, at central train stations and at airports, Infoscreen has a network of digital advertising media. The questions below are answered by the Marketing Manager of Infoscreen mister A.Fürthner.*

*(www.stroer.de)*

### 1. What are the advantages of your digital media medium in comparison with traditional media as for example posters?

Die INFOSCREEN-Medien lassen sich digital ansteuern. Das bedeutet, dass sie vom Kunden kurzfristig buchbar sind und nicht mit hohen Vorlaufzeiten zu rechnen ist. Ebenfalls können einzelne Motive flexibel eingebucht werden und eventuell ausgetauscht werden (z.B. bei limitierten Verkaufsaktionen). Zudem haben andere, statische Medien den Nachteil, dass es einen hohen Mehraufwand benötigt, um entsprechende Plakatierungen vorzunehmen. Dies wirkt sich nicht nur auf die Flexibilität, sondern auch auf die Kostenseite aus.

### 2. What are the main players in the German media/advertising market?

Am deutschen Medien- und Werbemarkt haben die großen TV- und Print-Vermarkter noch den größten Anteil. Gefolgt von Radio, Außenwerbung und Online.

### 3. How could you define your company within this market?

INFOSCREEN ist ein Unternehmen, das sich in der Gattung der Außenwerbeunternehmen positioniert. Wir haben aufgrund unseres frühen Markteintritts im Bereich der digitalen Out-of-Home-Medien einen hohen Marktanteil und sehr viel Erfahrung. Hinzu kommt ein sehr hohes Wachstumspotential für digitale Werbemedien in den nächsten 10 Jahren. Die Rolle von INFOSCREEN im Mediamix ist derzeit noch gering, gewinnt aber von Jahr zu Jahr mehr an Bedeutung.

### 4. The first operation of your company was in Munich. How did you get advertisers? For example, did you cooperate with advertising agencies or directly with advertisers?

Wir haben in der Anfangsphase sowohl mit Direktkunden als auch mit Media-Agenturen zusammen gearbeitet. Zudem gibt es am deutschen Außenwerbemarkt noch die Besonderheit der sogenannten „Spezial-Agenturen“, die sich auf alle Out-of-Home-Medien spezialisiert haben und Media-Agenturen diesbezüglich beraten. Unsere Strategie umfasst auch heute noch die Pflege aller dieser 3 Felder.

### 5. In my research one important selection criteria was the business sophistication (country's overall business network). Germany ranked number 1 out of 131 countries in the business sophistication index. How could you relate this high business network to your company? (for example: partnership, market information availability)

Markterfahrung ist am deutschen Markt sehr wichtig. Man kauft lieber von der Nummer 1, als von der Nummer 2. Anfangs half uns die Alleinstellung unserer Idee am Markt, dann die Erfahrung und das aufgebaute Netzwerk an Beziehungen.

### 6. How could you define your sales market? (What are the “sales” segments of your company)

Alle Werbungtreibenden, die visuelle Medien einsetzen – vom kleinen regionalen Werbungtreibenden bis hin zu den großen Markennamen.



**7. Is there a difference in approaching railway stations or airports in Germany, and what is that difference?**

Für INFOSCREEN ist es von Bedeutung, Standorte mit einer hohen Passanten-Frequenz zu belegen, was an beiden Orten gegeben ist. Die Standorte im U- und S-Bahn-Bereich haben für unser Medium den Vorteil, dass sich der Zuschauer hier in einer besonderen Wartesituation befindet. Am Flughafen ist dies etwas schwieriger.

**8. Does your company make use of the network/know-how of media companies in airports or train platforms? (when having a project in for example an airport, you get advertisers through media companies, or you directly deal with advertisers)**

Beides. Wir nutzen unsere Kontakte zu den Betreibern der Flughäfen und Bahnhöfe und zudem verhandeln wir direkt mit Mediaagenturen oder Endkunden.

**9. As described on your site, your company sells airtime to advertisers and/or agencies. What kind of contracts do you use for this? (Customers can hire the system, or you license the system, the service and maintenance is done by your company anyway?)**

Die Kunden buchen Werbezeiten, ähnlich wie im TV. Die Spots hierfür werden entweder fertig angeliefert oder von unserer internen Grafikabteilung bearbeitet.

**10. Could you describe a value chain (activities) of a project as for example the AD WALK project in Düsseldorf 2005?**

Dies ist unser Vertriebs- und Projekt-Know-How, welches wir nicht preisgeben möchten. Wir bitten um Verständnis.

**11. Digital out-of home (DOOH) advertising revenues in Western Europe will expect to be quadrupled over the next five years. So the market is growing. What does your company do to be innovative?**

Wir werden in den nächsten Jahren weitere digitale Werbeträger für unterschiedliche Anforderungen entwickeln und auch national wie international expandieren.

**12. What do you think about the developments in the DOOH in Germany?**

Die Entwicklung steckt noch in den Kinderschuhen, wird aber in den nächsten Jahren stark zunehmen, da die Kosten der Werbeträger weiter abnehmen. Grundsätzlich wird es aber zu einer Konsolidierung des Marktes kommen und die Marktanteile werden sich auf wenige Player verteilen.

**13. Could you define differences in the DOOH in Germany and other foreign countries as for example Holland?**

Dazu kennen wir diese Märkte zu wenig. Zudem gibt es in keinem anderen Land ausser Deutschland ein derartiges Unternehmen wie INFOSCREEN, das national und in den Metropolen flächendeckend digitale Werbeträger anbieten kann. In Deutschland ist es aufgrund der gesetzlichen und bürokratischen Verhältnisse relativ schwierig, Genehmigungen für neue Werbeformen zu erhalten. Das dürfte in anderen Ländern leichter sein...



### 7.3 Interview Dethlef Grap (Managing Director)- Kinetic, Spezial Agentur

*Kinetic is a media agency that understands how to communicate with people on the move. It is a 'Spezial Agentur' for Out-of-Home media. Their role is as an intermediary between the end customer and the medium provider.*

*(www.infoscreen.de)*

**1. What are the advantages of Out-of-Home (OOH) media in comparison with other advertising media? (as internet advertising, newspaper, radio, television etc.)**

Kein Zapping, schneller Reichweitenaufbau, 24h on air, zielgruppenspezifische Aussteuerung, hohe Akzeptanz, Steigerung des Abverkaufes am POS, Erreichung der mobilen Zielgruppe, talk of town mit kreativen Ideen bei der Umsetzung von Kampagnen

**2. With OOH it is difficult to target customers because of the big public places with a high diversity of target groups. Is it possible to measure recall data from OOH, and when it is, how?**

Es ist möglich und es gibt verschiedene Marktforschungsergebnisse für verschiedene OOH Medien. Die Recognitionwerte liegen je nach Medium und Werbedruck zwischen 30 und 40%

**3. Do you think OOH advertising is the best media to reach people on the move?**

Ja OOH ist definitiv das Beste Medium, um die mobilen Menschen zu erreichen. Zudem hat die Mobilität der Bevölkerung in den letzten Jahren ständig zugenommen. Nach einer offiziellen Studie sind 86% der Bevölkerung täglich für ca. 83 Minuten Out of Home unterwegs!

**4. Digital Out-of-Home advertising revenues in Western Europe will expect to be quadruple over the next five years. So the market is growing. Could you see a movement to this kind of advertising, and do you think digital advertising has advantages in comparison with other traditional OOH media?**

Auf Grund der stark restriktiven behördlichen Vorgaben gehen wir von einer etwas moderateren Steigerung aus. Aus unserer Sicht wird sich das Spendingvolumen von digitalen Medien in den nächsten Jahren maximal verdoppeln.

**5. How could you define your company in the German media/advertising market?**

Wir sind eine Spezialagentur für Out of Home Medien und sind als Mittler zwischen Anbietern und Kunden tätig.

**6. How could you define your sales market/ sales segments? (Companies who search for the best advertising medium, or also companies as HowTech who search for the best place for their medium)**

Wir selektieren für unsere Kunden verschiedene OOH Medien und buchen diese für unsere Kunden bei den Anbietern ein. Wir bieten unseren Kunden eine umfassende Dienstleistung im Bereich der OOH Medien, angefangen von der Planung, über den Einkauf & Optimierung bis hin zum Controlling und Consulting.

**7. What is the normal way of acting (procedure) for companies who want to promote their product in for example airports or railway stations?**

Für diese beiden Bereiche gibt bereits spezielle Anbieter mit verschiedenen Medien.

In Deutschland ist das z.B. bei den Bahnhöfen STRÖER DERG. Die Flughäfen werden zumeist direkt von diesen auch vermarktet.

**8. (In relation with previous question) If we make a chain, this is the right one?:**

Companies who want to promote product → Advertising agencies make the promotion material → "Spezial Agentur" as your company who offers the expertise for the best environment



and the best medium for the advertisement → Media company in airports/railway stations → installation medium/ sell airtime

Der beschriebene Ablauf ist richtig dargestellt.

**9. Companies as the Ströer Company sell airtime (*Werbezeiten*) to their customer. I read on your site Ströer is a customer of your company. What is your commission in this case? The more and longer a medium of Ströer is used (on your advice) the more revenue for your company? (or you work with fixed prices)**

Ströer ist kein Kunde von Kinetic sondern ein Anbieter von Werbemedien.

Wir bekommen von den Anbietern eine Vergütung die je nach Medium und Volumen ausgehandelt wird.

**10. In the attachments you find a brochure with a (short) description and an example of the SMS. Your company understand how to communicate with people on the move, and the best environment in which to involve them with a message. What is your advice for the best environment to use the SMS, Airport or Railway stations, and why?**

Wir glauben, dass sowohl Bahnhöfe als auch Flughäfen für das Medium geeignet sind.

Für die gehobene Zielgruppe ( Business people ) und unter Berücksichtigung der räumlichen Gegebenheiten sind Flughäfen tendenziell zu bevorzugen. Bahnhöfe sind meistens im Durchgangsbereich sehr eng gebaut, so dass es so nur begrenzt gute Standorte für SMS geben wird.

**11. Is there a difference for a company as HowTech, to approach railway stations or airports in Germany?**

Sowohl in den Flughäfen als auch in den Bahnhöfen gibt es verschiedene Vermarkter mit einem großen Angebot an Werbeflächen. Der Unterschied besteht darin, dass es bei den Bahnhöfen nur einen Vermarkter gibt, während bei man bei den Flughäfen mit jedem einzelnen Flughafen verhandeln muss.

**12. One advantage of the SMS is the high interaction time with passengers, do you think this fact gives the company competitive advantage and so an good opportunity to enter the German advertising market?**

Wenn es an einem sehr guten Standort platziert ist sicherlich. Es ist entscheidend, dass der Werbeträger gut sichtbar ist und eine hohe Frequenz hat.

**13. In my research one important selection criteria was the business sophistication (*country's overall business network*). Germany ranked number 1 out of 131 countries in the business sophistication index. How could you relate this high business network to your company? (for example: partnership, market information availability)**

Zu unserem Network gehören mehrere führende Mediaagenturen weltweit.

Somit werden die Kunden dieser Agenturen auch von uns mit betreut. Damit vereinen wir ein sehr hohes Einkaufsvolumen.

**14 What do you think about the developments of the OOH market in Germany?**

Der Markt wird sich weiterhin positiv entwickeln. Digitale Medien werden aufgrund ihrer flexiblen Eigenschaften und der fortschreitenden Technik weiter in den Markt drängen.

Jedoch ist die Entwicklung der Digitalen Medien abhängig von den behördlichen Auflagen der Städte und Ämter.



## 7.4 Interview Suzanne Hammer (Sales Director)- Media Frankfurt

*Media Frankfurt is the biggest advertising platform in airports in Germany. They reach more than 62 million passengers a year with its exclusive marketing rights, not only in Frankfurt airport, but also their network with other big airports as in Hanover.*

*(<http://www.media-frankfurt.de>)*

### **1. With over 40 different advertising media, Frankfurt Airport has a great product portfolio. Is there a development, especially the last years, towards digital advertisement?**

Yes, we installed mid 2007 a network of 14 screens 57 inch portrait, no sound, at the entrances to the airline first and business class lounges, advertising is max. 3 clients, each 10 sec.= 2 times per minute per advertiser. Since March 08 we have 2 more = 16 ( 2 new airline lounges opened).

We plan to install screens on the baggage claim belts end of this year to have a new digital network offer for the future.

### **2. You categorise your product offering into three categories: -indoor portrait format, -indoor landscape format- and outdoor landscape format. Could you give an indication of what is the most attractive category for advertisers, and why (what are their motivations) do advertisers choose this way?**

The majority of our sites is indoor to offer opportunities which reach particular target groups by choosing areas e.g. Schengen/Non-Schengen, business/leisure; Asia flights/US flights.

Exterior we mainly offer standard short term campaign known from street furniture / OOH (citylightposter/CityLightBoards/Megaposter), but exterior we also create individual huge landmarks.

### **3. In the media-facts 2008 I see an eye-catching rate of about 50%. Could you see a difference with this interaction time between digital advertisement and traditional advertisement as for example posters?**

We have no research on this yet.

### **4. What are for Frankfurt Airport the leading advertisers by expenditure? And what are the leading products by advertising expenditure?**

Top 10 Advertiser 2007: Royal Bank of Scotland, LG, Samsung, SIXT, Heinemann DutyFreeShops; KIA, Japan Tobacco (Camel/Winston); Oracle, Mastercard; SAP

Top Product: Colorama (=our classic indoor lightbox product) and digital Colorama network (=Colorama with screen instead of Lightbox)

Special Sponsorships (e.g. Gate TV and Smoking Lounges)



**5. In my research one important selection criteria was the business sophistication (*country's overall business network*). Germany ranked number 1 out of 131 countries in the business sophistication index. How could you relate this high business network to your company? (*for example: partnership, market information availability*)**  
?

**6. What is the normal procedure for advertisers, they first contact for example the Ströer company for an ideal advertisement medium, or directly with Media Frankfurt? (*and make use of the product portfolio of yours*)**

We have contact to clients directly as well as to media agencies and media specialists (OOH / Ambient media buyer agencies). Clients can book directly or via agency.

**7. In follow of the previous question: If we make a chain this is the right one?:**

**Advertisers→Advertising Agencies→Media companies (as Ströer)→Media Frankfurt**

Ströer is a media owner (=large OOH media owner in Germany) like Media Frankfurt (owner of Media space in the airport)

Advertisers→Advertising / Media Agencies→ Media Frankfurt

**8. Could a company with an advertising medium which is present in Frankfurt Airport, make use of the JCDecaux network of 140 airports around the world?**

39 % share of Media Frankfurt owned by JCDecaux

**9. What is your policy and overall reaction to new media technology suppliers?**

We have an own media development department / product management which collects information from potential suppliers.

**10. As I read advertisers can buy airtime (Werbezeiten) for their advertisement. Are their other possibilities? For example they can directly hire the system from the Medium Company with the advertising product?**

We do not sell "airtime" ( like TV channels) – we sell advertising space.

**11. Digital out-of-home (DOOH) advertising revenues in Western Europe will expect to be quadrupled over the next five years. Do you think this development affects the way of advertisement in Frankfurt Airport?**

Overall there is a trend that classic lightboxes are more and more changed into screens / LED Board in the future – e.g. London Heathrow Terminal 5 offers various digital products. This will also be a trend in other airports in the future, but CAPEX is an issue.

**12. What do you think about the developments in the DOOH in Germany?**

See 11.

**(\* I have attached a brochure of the product of HowTech. Do you think it is interesting for places in the Frankfurt Airport?)**

I did forward it to our product development.



## Appendix 8: Main Railway Station Germany

- Berlin Hauptbahnhof
- Berlin Ostbahnhof
- Berlin Südkreuz
- Bremen Hauptbahnhof
- Dortmund hauptbahnhof
- Hamburg Hauptbahnhof
- Hannover Hauptbahnhof
- Karlsruhe Hauptbahnhof
- Köln Hauptbahnhof
- Leipzig Hauptbahnhof
- Dresden Hauptbahnhof
- Düsseldorf Hauptbahnhof
- Essen Hauptbahnhof
- Frankfurt (Main) Flughafen Fernbahnhof
- Frankfurt (Main) Hauptbahnhof
- Mainz Hauptbahnhof
- Mannheim Hauptbahnhof
- München Hauptbahnhof
- Nürnberg Hauptbahnhof
- Stuttgart Hauptbahnhof

## Appendix 9: Prices competitive products in the 4 German main Airports

\*Prices in Euros

| Category:                       | Prices: (Frankfurt, Hamburg, Hanover Airport)  |
|---------------------------------|--|
| <b>Indoor Portrait format:</b>  |  |
| Posters                         | Per 30-poster network 15.000 per month<br>Per single location 1.500 per month                      |
| Showcases                       | Connecting corridor: 2.500 per month<br>Waiting halls: 3.200 per month                             |
| Colomaras                       | Network 12 locations: 32.500 per month<br>Shopping network 9 locations 18.500 per month            |
| Banners/Cross Banners           | Above check in halls: 4.500 per month<br>Cross banners (4 rotating) 20.500 per month               |
| Push Carts                      | Network of 3000 push carts big 305.000 per year<br>Network of 525 push carts small 60.500 per year |
| Branded Seating Area            | Domination network 800.000 per year  |
|                                 |  |
| <b>Indoor Landscape format:</b> |  |
| Magni Panels                    | Check-in Hall A 5.000 per year   |
| Baggage Claim                   | Network of 19 suitcases 9.900<br>Per network: 12 double-side Panels 5.900 per month                |
| Cinema Panels                   | 5 panels 10.500 per month<br>3 panels 6.500 per month  |
| Wall Wraps                      | Terminal connecting corridor 12.500 per month  |
| Skyposters                      | Check-in hall 6.900 per month  |
| KingSize Lightboxes             | Check-in hall 16.500 per month<br>Pier 6.500 per month   |
| Public Parking Branding         | Network 111 gate banners 9.900 per month   |
| Show Wall                       | Single location 19.500 per month   |
| Motion Media                    | Domination Network 55.000 per month<br>Terminal Network 40.000 per month                           |
| Light Corridor                  | 625.000 per year   |





| Category:                       | Prices: (Frankfurt, Hamburg, Hanover Airport)   |
|---------------------------------|---|
| <b>Outdoor Portrait format</b>  |   |
| Citylightposters                | Frankfurt Airport 50 faces 11.200 per week<br>Germany Airport Network 122 faces 23.930 per week |
| Arrival Lane                    | 22 Column Wraps 25.000 per month<br>11 Column Wraps 15.000 per month                            |
| Flags                           | 7 groups of 5 flags 27.500 per month  |
| Welcome Tower                   | 35.000 per month  |
| Megaposter                      | 59.500 per month  |
| 3-D special                     | 19.500 per 14 days  |
|                                 |   |
| <b>Outdoor Landscape format</b> |   |
| City light boards               | 14 faces 11.200 per week  |
| Premium Wall                    | Single location 45.000 per month  |
| Glass Bridges                   | Sheraton Glass Bridge 45.000 per month  |
| Passenger Buses                 | 70 Passenger Buses 150.000 per year   |
| Skyline and stations            | 200.000 per year  |

## Appendix 10: Main Holding companies of Ströer/ potential competitors HowTech

|   |   |
|---|---|
| Ströer Media Deutschland GmbH & Co. KG                            | Hamburger Verkehrsmittel-Werbung GmbH                               |
| Ströer Sales & Services GmbH                                      | Infoscreen Hamburg Gesellschaft für Informationssysteme mbH         |
| Ströer DERG Media GmbH  | Kölner Aussenwerbung GmbH   |
| DERG Vertriebs GmbH   | Kultur-Medien Hamburg GmbH  |
| Ströer Deutsche Städte Medien GmbH                                | mediateam Werbeagentur GmbH/SCM GmbH GbR                            |
| Ströer Megaposter GmbH  | Mega-Light Staudenraus & Ströer GbR                                 |
| DSM Deutsche Städte Medien GmbH                                   | Reutlinger Gesellschaft für Stadtverkehrsanlagen                    |
| Arge Schönfeld GbR  | DEGESTA und DSM Deutsche Städte-Medien GbR                          |
| Berlin Werbung Gesellschaft für Industrie- und Wirtschaftswerbung | Stadtkultur Rhein-Ruhr GmbH Büro für Kultur- und Produktinformation |
| City Design Gesellschaft für Außenwerbung mbH                     | SK Kulturwerbung Bremen-Hannover GmbH                               |
| City Videoboard GmbH  | SK Kulturwerbung Rhein-Main GmbH                                    |
| CulturePlak Marketing GmbH  | Ströer Deutsche Außenwerbung GmbH                                   |
| DSM Mediaposter GmbH  | Ströer Infoscreen GmbH  |
| DSM Decaux GmbH   | Trierer Gesellschaft für Stadtmöblierung mbH                        |
| DSM Krefeld Außenwerbung GmbH                                     | Werbeatelier Degen GmbH & Co. KG                                    |
| DSM Zeit und Werbung GmbH   | Werbering GmbH  |
| Go Public! Eventmedia GmbH  | X-City Marketing Hannover GmbH                                      |
| Hamburger Außenwerbung GmbH                                       |   |





## Appendix 11: Germany's Leading Advertisers in 2007 by advertising expenditure

| Company             | Ad. Expend. €mln. | Company           | Ad. Expend. €mln. |
|---------------------|-------------------|-------------------|-------------------|
| Media Markt/ Saturn | 500               | McDonalds         | 146               |
| Procter & Gamble    | 389               | Gruner+Jahr       | 140               |
| Aldi                | 284               | C&A               | 134               |
| Unilever            | 282               | Daimler Chrysler  | 127               |
| Ferrero             | 274               | Sparkassenverband | 126               |
| Axel Springer       | 265               | Beiersdorf        | 124               |
| L'Oreal             | 247               | T-Mobile          | 120               |
| Edeka               | 245               | Audi              | 115               |
| Lidl                | 225               | Schlecker         | 113               |
| Volkswagen          | 205               | Ford              | 112               |
| Danone              | 170               | WAZ               | 111               |
| Reckitt Benchiser   | 158               | Renault Nissan    | 110               |
| Toyota              | 156               | Coca-Cola         | 108               |
| Opel                | 154               | O2                | 106               |
| Deutsche Telekom    | 147               | Jamba             | 106               |

(Source: HorizonT/Nielsen Media Research)

## Appendix 12: Germany's most creative Advertising Agencies 2005

| Rank | Agency                 | Seat                        |
|------|------------------------|-----------------------------|
| 1    | Springer & Jacoby      | Hamburg                     |
| 2    | DDB                    | Berlin/ Düsseldorf/ Hamburg |
| 3    | Jung von Matt Group    | (5 agencies)                |
| 3a   | Jung von Matt Spree    | Berlin                      |
| 4    | Scholz & Friends Group | (3 agencies)                |
| 4a   | Scholz & Friends       | Berlin                      |
| 5    | BBDO Group             | (5 agencies)                |
| 5a   | BBDO Group             | Berlin/ Düsseldorf          |
| 6    | Neue Digitale          | Frankfurt                   |
| 7    | Ogilvy & Mather Group  | (4 agencies)                |
| 8    | Nordpol                | Hamburg                     |
| 9    | Kolle Rebbe            | Hamburg                     |
| 10   | Grabarz & Partner      | Hamburg                     |
| 11   | KNSK                   | Hamburg                     |
| 12   | TBWA                   | Berlin/ Frankfurt           |
| 15   | Heimat                 | Berlin                      |
| 18   | Publicis Group         | (5 agencies)                |

(Source: HorizonT/Nielsen Media Research)



### Appendix 13: Special Agencies of Ströer

| Agency   | Seat              |
|--|-------------------|
| Ass Werbe GmbH, Agentur für Aussenwerbung                    | Köln              |
| AWK Media Service GmbH, Die spezialagentur für Aussenwerbung | Koblenz           |
| CAW media GmbH, Agentur für Aussenwerbung                    | Bünde             |
| Contrast AG, Mediaagentur für Aussenwerbung                  | Bergisch-Gladbach |
| Dieposterfabrik GmbH, Agentur für Plakatqualität             | Berlin            |
| IT Works Aussenwerbung GmbH                                  | Düsseldorf        |
| Jost von Brandis GmbH, Service-Agentur                       | Hamburg           |
| <b>Kinetic Worldwide Frankfurt</b>                           | Frankfurt am Main |
| Kinetic Worldwide Hamburg                                    | Hamburg           |
| Magic Poster GmbH  | Düsseldorf        |
| Magic Poster GmbH  | München           |
| Media Outline GmbH&Co.KG                                     | Berlin            |
| Media Service, Agentur für Aussenwerbung                     | Holzkirchen       |
| MSA GmbH, Media Service Aussenwerbung                        | Frankfurt am Main |
| MPG Media Planning Group GmbH                                | Frankfurt am Main |
| OMG Outdoor GmbH   | Hamburg           |
| OSCAR service GmbH   | Valley            |
| Outmaxx Werbegesellschaft mbH, Specialists for outdoor media | Stuttgart         |
| Poster Pool GmbH   | Düsseldorf        |
| Posterscope Deutschland GmbH                                 | Hamburg           |
| PosterSelect GmbH  | Baden-Baden       |
| PQ Plakatqualität  | München           |
| Pro Media Concept GmbH                                       | Konstanz          |
| WestWorks GmbH   | Düsseldorf        |

(Source: [www.stroer.de](http://www.stroer.de) )