

**"Key success factors
for weekly markets and mobile
selling"**

Lecture from

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Dear Ladies and Gentlemen,

First of all, many thanks to Professor Freiling for his kind invitation to speak to you today.

My name is Lothar Geißler. I am managing director and partner of the Borco-Hoehns Group with headquarter in Rotenburg, Lower Saxony. The companies in the Borco-Hoehns Group plan, sell and produce mobile shops, primarily for the grocery trade and snack and catering industry, together with special vehicles for example for trade fairs and promotion campaigns.

Today I would like to introduce you to a part of the retail trade which you normally only see as a customer and whose structures and developments are scarcely covered by official statistics. I am talking about mobile sales!

Or to put it exactly, the success factors of this mobile business, with its 2 main sales forms: weekly markets and sales tours.

But to start with, let me just give you a few facts and figures about our group, whose core company has been on the market for nearly 5 decades and is considered to be a pioneer for the early development of mobile shops in Germany.

I have prepared a transparency with just a few details about the company.

The Borco-Hoehns Group leads the market as manufacturer for mobile shops in Germany: throughout the whole of Europe, no other company produces and sells more mobile shops. As you can see at the end of the chart, the market share in Germany is between 40 and 50%.

Constant growth, particularly during the 90s, together with cautious acquisition of smaller market players over the last 10 years has enabled us to triple turnover. An important support factor in this growth process was and is the fact that Borco-Hoehns has gone far beyond the profile of a vehicle engineering company, offering its customers a range of services from the very early stages which have made a vital contribution to its success. The combination of product and appropriate services as illustrated by Borco-Hoehns can be seen as a key to success with considerable advantages in comparison with other suppliers who only sell products.

Here are just a few examples of the services provided:

- Seminars for "success in mobile sales"
- Staff sales training
- Sales tour check and sales tour setup
- Legal service
- Consultation in terms of business partners, purchasing sources, HACCP, market places, staff recruitment, etc.
- Financial services
- Mobile company concepts
- Rental service (mobility guarantee)
- Phone hotline "round the clock"

I am sure you can imagine that over and beyond the product itself, customers look for the greatest possible security when it comes to making capital expenditure in top quality investment goods. As well as obtaining a product which offers appropriate value for money, product service and proximity to service partners are also very important. But the second important aspect is whether the manufacturer offers adequate expertise for the sector where he wants to sell his products. What better way to demonstrate this than to offer specialised seminars where even experienced market and mobile traders can obtain new ideas and suggestions for their business, and where beginners can acquire all the skills they need for a successful start in the mobile branch.

Although our marketing activities always concentrate visually on the product, from an emotional point of view the emphasis is always on mobile success, on security and safety in all business situations and on the advantages of "Service for all aspects of mobile sales". On taking over their mobile shop, Borco-Hoehns customers receive a folder full of information about the available range of support and services, called the "Care-less package".

That's enough corporate philosophy! Let's turn to the "mobile market".

All forms of the exchange of goods practiced today, from the specialist retailer through to the discounter, originate from market trading. Within the retail trade, markets constitute a special form of business with their own cost structure, logistics and dynamic development which differ considerably from the stationary retail trade. But there are scarcely any scientific, statistical and business economic data available for analysis.

Europe is estimated to have about 1 million entrepreneurs operating in market trading with at least 30,000 fixed, regular markets. Germany has a good 3000 weekly markets (transparency) with an estimated approx. 50,000 market traders (some of these on a part-time basis). The number of market days held in Germany every year is about 230,000.

The share of market trading in the overall turnover of the retail trade is only approx. 2%, but even so, markets and mobile shops account for turnover of about €4 billion per year.

Markets have a considerable role to play when it comes to the vitality of inner cities and local centres. No other municipal event is as capable of bringing more purchasing power and life into the towns on 52 weeks in the year, as an established, well-run market.

On the other hand, the mobile retail trade in terms of sales tours is to be found in the outer suburbs of towns and cities and in particular in rural areas, rather than in the city centres. Sales tours live from an adequate number of established regular customers who are served regularly 1 – 3 times a week, purchasing from their mobile retailer "at the front door".

A third version of mobile trading can be found outside supermarkets and shopping centres as a supplement to the stationary offer: these are mobile fishmongers or snack bars.

The following transparency gives a brief overview of the prime branches of the mobile retail trade and the number of mobile shops in these branches.

What makes these mobile shops successful? What are the prerequisites for a joining this sector or expanding business along mobile lines? Why do consumers still shop at weekly markets and from mobile shops at the front door, in this day and age of hypermarkets and discounters?

To start with, let us take a look at the reasons why consumers use the mobile shop, and then at the reasons why entrepreneurs join this branch and set up a mobile shop instead of using a fixed location.

Companies in the classical segments of the grocery trade, bakers, butchers, fishmongers, greengrocers etc. can choose between different sales forms for setting up or expanding their business.

The main alternatives which can also be combined within one business include:

- Stationary business/branch
- Shop-in-shop
- Deliveries (to regular customers)
- Mobile shops

For the individual market trader, the simple rules for success can be summarised in four points:

1. A clean, well illuminated, friendly shop which entices people to come and shop!
The customer must feel that the impression is suitable for food shopping.
2. An attractive range for the corresponding branch with specialities which cannot necessarily be found at every supermarket counter.
Good presentation of the goods in the counter will enhance success.
Today other important aspects include tips for handling the goods and how to prepare them in every conceivable manner.
3. Qualified sales staff in an attractive uniform with a clearly legible name badge.
4. Advertising in the community and for the business does not have to be expensive.
Specific advertising without great scatter losses is possible on and in the vehicle, including flyers and wrapping paper.

The first two sales forms are closely associated with the prerequisites location/position, investments in building and equipment, being tied to long-term rental contracts, possibly turnover rent and thus very high opt-out costs.

But if we look at the prerequisites for a mobile shop, the threshold for getting started and the low-cost operation of a mobile shop are far below those of stationary shops, while at the same time offering higher flexibility. (Chart)

Before we look at the success factors which are vital for the traders to consider but which in reality are only realised by the successful market players on the mobile sector, let us take a brief look at the arguments in favour of mobile shops continuing to have a chance of success on the market in future. (Chart)

And what about the market players? These are mainly family companies. As in many other branches too, SME businesses in the grocery trade are being literally torn apart by discounters and a large number of special, flexible forms of business. Stationary shops in difficult locations and rural areas will continue to be among the losers, because they no longer have any growth in customer turnover for offsetting falling revenues and increasing costs. Mobile direct marketing on the other hand and the weekly market business, with clear cost advantages compared to stationary retailers, have an excellent chance of surviving successfully, in spite of or even because of the considerable competitive pressure.

But changes in consumer behaviour also mean that market traders and mobile shops on sales tours have to adjust to the growing, changing demands.

There is a huge variety in the degree to which market traders and mobile shops take a professional approach to addressing their customers and encouraging their custom. The prime success criteria for a successful mobile shop include an attractive visual appearance, a good, exciting range, trained sales consultants and service, together with good advertising. All standards applicable to retail trade marketing also apply here too.

At any market, you can take these standards as a measure for the way in which market traders of all kinds and sizes manage to attract the attention and custom of market visitors, ensuring that regular customers remain loyal while at the same time acquiring new customers.

What you cannot or scarcely influence is the mix of all traders at one market. The market has to be attractive to the consumer altogether so that he will continue to find it worthwhile to visit the market, to ensure that visitor figures will not fall away with a resulting loss of purchasing power.

Here once again the most important rules for the success of every market trader:

These same standards also apply to the mobile trader seeking his success on sales tours. But here the prime factor in success is dealing appropriately with the system.

Planning, setting up and optimising a sales tour are aspects subject to strict criteria which play a crucial role in the success or failure of the business.

Even today, some beginners think that the most important part of running a mobile shop is to buy a sales vehicle on the cheap somewhere. You can compare this with someone who has eaten a sausage at a snack bar thinking that he knows all he needs to know to run his own snack bar.

Many thanks for your attention! Please don't hesitate to ask me if you have any questions.

Mobile sales of the future

What makes mobile business more successful in future?

- consumer acceptance
- high service
- freshness image
- cost advantages compared to stationary business
- niche concept
- ecological aspect
- high customer loyalty
- increasing share of older population
- rhythm for buying fresh produce
- shopping tours not for food shopping
- communication

Mobile shop

sales vehicle for sales tours

- flexible location
- fast reaction to the market
- only one sales assistant
- lead through service
- greatest customer loyalty
- minimum investment
- full control
- low opt-out costs
- short contract ties

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Borco-Hoehns group

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Companies:	Fahrzeugwerk Borco-Hoehns GmbH & Co. KG SEBA Borco-Hoehns GmbH & Co. KG SPEWI Borco-Hoehns GmbH & Co. KG Tamhart GmbH & Co. KG
Brand names:	Borco-Hoehns, SEBA, SPEWI, Tamhart
Manufacturing plants:	Rotenburg (Wümme) Hohenaverbergen / near Verden Bothel/near Rotenburg (Wümme)
Employees total:	350
Deliveries vehicles p.a.:	> 1000
Turnover 2002:	approx. 50 Mio. €
Customers actually:	> 8.000
Vehicles in action:	> 10.000
Sales representatives in Germany:	23
Foreign representatives:	Belgium, Luxembourg, Switzerland, Austria, Sweden, Finland
Certification:	DIN EN ISO 9001 (since 1997)
Share of the market Germany:	< 50 % > 40 %