



Beicco Ltd.

Company History

In 1965 Mr. Jalomir Paanadorf, originally from Finnish descent, founded a construction materials company in the beautiful German community of Waldeck-Hörsinghausen. He was working in a German steel company and found out a customer need that the large steel company was unable to match: diagonal ties for sandwich wall elements.

The company soon started to manufacture various **connections** products for the German precast industry, e.g. various reinforcement details and fastening plates.



Jalomir was a customer oriented, opportunistic salesman who was eager to grow his company. His slogan “production can never be the bottleneck” was forcing the organization to reshape itself along large orders received from the German construction industry.

From the very begin the company aimed also to develop its own set of unique products, not only to manufacture the products of the industry standard. These were e.g. the column connections products started in the 1980s.

In 1989 the company developed an innovative beam product, the Omegabeam. The start of this **composite beam** business turned the company from selling smaller components into offering frame solutions to its construction company customer segment.

In enlarge its business activities Beicco established a sales and factory also in Finland, and also a strong sales entity in Norway.

The company's current CEO Tobias Paanadorf, the son of Jalomir, wants to ensure that her company is more profitable in the future. He was named CEO some years ago and is delegating responsibility of the connections and composite beams for Germany, Finland and Norway to you. The CEO expects quick results from the new management.



Financial Position of the Company

During the recent years Beicco has been financially performing only on average level, although the company has grown a lot. In other words, improving profitability and shareholder returns is the top priority for the new management team.



The Market

Market analysts forecast tougher competition as more and more Eastern European companies have reached consistent product quality and have started to expand their focus to the international markets. Small companies may merge combining to form stronger and more competitive companies.

Beicco is not considering mergers or acquisitions. The company has a strong position in a few niches connections and composite beams where it is one of the leading manufacturers. The markets that have been assigned to the management have good potential.

In the domestic German market the construction market is again rising slowly. Furthermore, Beicco's situation in the German market is so strong that they have difficulty increasing market share. Their current share of the market is, however, under attack and needs to be defended.

Customers in the home market rely in Beicco's strong research and development (R&D). An image stressing a strong tendency towards R&D is critical in the home market but has the possibility to be successful also abroad.

Price elasticities of demand vary from market to market. In Germany there has been clear evidence about particularly price sensitive customers amongst Beicco's target segments. The management must find out how price affects demand in the company's other markets of Finland and Norway.

Marketing to Designers

Beicco is using two types of promotion: general marketing and designer promotions.

General marketing is targeted to construction companies and pre-casters, and includes activities such as trade exhibitions, www.beicco.com, and advertisement.

Designer promotion means activities towards structural designers. Sales work with structural designers has turned out to be a critical element in the demand for connections and composite beams. The right amount of this work has a strong correlation with the success of the company. Technical support is directed to this segment and gives them incentives to favour Beicco's products over the competitors'. Beicco is also offering free-of-charge a software package of "Beicco Designer®" to help the structural designers in their work.

In Germany and in Finland the company can increase the number of design companies using Beicco's composite beams with strong designer promotions.

The combined efforts of the industry regarding general marketing and designer promotions contribute to increased total market size in both composite beam and connections market.

The composite beam market size is effected by the average price in the market, however, the connections market size is less influenced by the average price in the market.

Products

The demand for **connections** will grow steadily. The sales of Beicco have grown

in the foreign markets as long as price increases have been moderate. The demand is expected to grow in the domestic German market and in Norway, but not so much in Finland. The markets for connections are relatively easy to predict and are not expected to cause problems for the management team.

The composite beam market has emerged in the 90's, although in some forms of beams have existed for a long time. Composite beams enable slim floor solutions (composite beam and e.g. hollow-core) and the requirement is heavily depending on projects.

In the scientific community there is also many who are concerned in Beicco's structural and fire calculations and thus there can be technical obstacles even on project basis. The composite beam market is, however, growing and it remains to be seen how fast this development continues. A challenge to the company is to be able to enforce consistent quality and make sure that the customers get what they expect.

The future of the market is also heavily dependent on what research turns up and how fast individual construction companies are starting to use them. The demand is thus difficult to forecast.



Production

Beicco manufactures connections and composite beams in Germany and in Finland. There is no production in Norway and products are exported to the country from either Finland or Germany. The company follows strict quality standards in its production.

There is still a great deal of development involved in manufacturing connections and learning effects are to be expected. Consequently, decreasing production costs are expected in the future. Forecasting the development of raw material (steel) prices is more complicated.

The production of composite beams is already very efficient and costs are expected to develop steadily.

Efficiency improvements have bigger influence in Germany compared to Finland.

Traditionally the composite beam manufacturing has been in Germany. Labor costs have been lower in Germany in the past.

Units of Decision Making

Sales and production figures are reported in thousands of units. All prices are for one unit. Selling prices are denominated in EUR for Germany and Finland, and in NOK for Norway. The company can invest in composite beam capacity in 1000 unit capacity steps and in connections capacity in 10 000 unit capacity steps.