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Summary-European Trip

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SUMMARY - European Trip
October 1 through October 23, 1971

This trip had been planned at the request of Mr. Bob Woods, World Trade Sales Engineering Manager, Simplex Time Recorder Company, following the World Trade Division's decision to use Statitrol Model 40 detectors beginning about July 1971.

My purpose in agreeing to go on the trip was to cement relations with Simplex World Trade and as a side issue, to encourage the domestic Simplex Sales organization to go with Statitrol equipment.

Mr. Joe Drouin, Chief Engineer for Fire Alarms for both domestic and world trade divisions, Mr. Bob Woods and myself flew to Frankfurt, Germany, then to Colgne and by train to Aachen to attend a three-day International seminar on fire detection. Other representatives of Simplex attending the meeting were: Factory engineers from plants at Halifax, England and Zell, Germany and sales personnel from the following offices: Brussels, London, Paris, Colgone, Stuttgart and a sales engineer from Paris.

The three day meeting in Aachen presented in three languages with interpreters, was an excellent and fast way to witness the technological developments both in Europe and Japan, since papers were presented mainly from Germany, France, England and Japan. By comparison, it was easy to see the technical developments far exceeded those in the United States and papers were presented in much greater depth than anything I had witnessed in the States. Since the Cerburus (known as Pyrotronics in the States) is located in Switzerland and have dominated the fire detection business for 25 years, their understanding of ionization detection was very broad.
There were three representatives from the Cerberus organization, two of whom presented papers. I was told that Cerberus now employs 6,000 people in Switzerland, are eight months behind on deliveries and are building a new large factory.

Simplex was represented by 11 people out of some 200 attending the institute for the purpose of demonstrating their interest in becoming a major factor in the fire alarm industry in Europe.

During this time we held a sales meeting on the Model 40 with all of those present.

Our next visit was at the factory in Zell, a suburb of Stuttgart. The factory produces mainly time clocks of various types in the Simplex line of products and is just setting up to build fire alarm panels. They have outgrown their facilities and are planning a three-story office and factory to approximate 20,000 square feet. Although their people are principally in the machine and die stamping areas, they have recently added two technicians capable of electronic assembly. New clock systems and new fire alarm equipment are printed circuit boards and inter-related electronic equipment. They are not presently capable of taking the responsibility of building an electronic device. The operation of the plant appeared very efficient, very clean and, since Mr. Erich Willman owns 20 per cent of the operation, he has a strong interest in upgrading and expanding the product line. He and his engineer have already submitted our Model 40 to the radiation control authorities in Germany. We understand it has passed that and has now been tentatively presented to the test authority for approval.
Incidentally, the German Government manages the testing laboratories and basic test work is done at Aachen.

The Model 700 was presented to Mr. Willman who wanted to handle it apart from his Simplex business for all of Germany.

Our next visit was to the headquarters office for Germany located in Stuttgart and headed by Mr. Erwin Meyer. These are three floors of very neat orderly offices housing the headquarters field engineer, sales manager, clerical and accounting staff. There are 15 sales offices in Germany, one of which is also in Stuttgart, apart from the head office. Mr. Meyer has also penetrated some markets in East Germany and handles dealers in Austria.

The major problem in Germany to date has been pricing. Mr. Meyer opened his total pricing books showing our detector at port of export in the United States at $45.00; and when duty, insurance and shipping is added in the amount of 27 per cent, brings their "laid in" price to $57.00. The Cerberus unit distributed by a large company called Siemens in Germany and France, sells for approximately 60 per cent of the selling price of Simplex.

Example: Model 40 - $45.00 port of export  
add 25%, duty, insurance and shipping = $56.00  
$56.00 x 3.3 = 185 DM (Duetschmarks)  
Markup of Duetsche's Simplex = 25% = 246.00  
Salesman's commission = selling price 290 DM

Cerberus equipment sells for between 161 and 171 DM.

Mr. Meyer agreed that, if we would reduce our price, they would sell Statitrol at only a 10% markup for Duetsche Simplex and reduce the salesman's commission to 10% on this item. Feeling they had made a strong overture to demonstrate their willingness to sell Statitrol
equipment, and knowing that our product was necessary for them to sell the balance of their fire alarm equipment, I agreed to a price from the nearest port of export from the United States of $36.00 net each for a period of six months. Constructing this price to a selling price in Germany equals 182 DM with only a 10 per cent overhead and 10 per cent sales commission added to their laid in price.

The decision was based on the following considerations. First, we are bucking a monopoly, but have an excellent opportunity to become number two in the fire alarm business as Simplex in all of Europe.

The population of Germany is 62 million, added to that of France, England and the Netherlands, there is 200 million or equal to the United States.

At a point when sales volumes approach 1,000 units per month for all of Europe, it will then be practical to do some major subassembly at the plant at Zell and at the same time, increase our margins on those components furnished from the States. Eventually perhaps 90% of the device could be assembled in Europe using labor which is at approximately 70 per cent of our labor rate and components available at less than pricing in the States. They could then become very competitive and allowing better margins for us at the same time.

The Model 700 was also presented to Mr. Meyer who proceeded to introduce it to some of his politically influential friends in the Stuttgart area at a party that evening. He too expressed a desire to work some arrangement to distribute in Europe. Pricing of the Model 700 outside the States has always been a Simplex cost of $26.80 FOB the nearest port of export. Quotations in Canada have been exactly the
same except FOB Denver unless quantities exceed 72 units, in which case it is FOB the nearest port of export.

Our next stop was the headquarters office for France. We immediately ran into the same pricing situation which originally came up at the Aachen meeting, but was confirmed and emphasized. After reviewing the competitive costs in France against competition, again by the Siemens Company, we announced the $36.00 price for a period of six months. The headquarters office in France was less impressive than Germany, but employed approximately 20 persons. There were three sales offices in Paris and ten additional sales offices in the balance of France. Simplex employs at least one C.E. (customer engineer) for every salesman. Totally they employ approximately 110 people in the branches plus 20 people in the headquarters office, with approximately half of them customer engineers and half of them sales.

On receipt of the revised price, the sales manager was on the phone with all of his branches. We received one order for 266 detectors and believe there are another 500 quoted on jobs. We spent one day at the French test laboratories reviewing their test procedures, inspecting their test facilities, etc. We were able to see several competitive units, however, none of them appeared to be any serious competition. We have been advised that our printed circuit board will have to be coated to pass the corrosion tests and we have prepared ten detectors for submission. If we can pass the corrosion tests in France, we feel it is strong evidence that we will pass both the German and British (FOC) tests.
Belgium works rather close with France but has its own manager and includes three offices headquartered in Brussels. They have a very likely prospect of some 2000 detectors which has been pending now for some three months.

Our next visit was to Copenhagen where Simplex has an exclusive dealer who maintains two sub-offices. In addition, a representative from Bergen, Norway, flew down to spend two days with the Simplex people getting acquainted with this equipment. We also visited some very sophisticated laboratories in Copenhagen, perhaps the best we have seen, but we do not feel volume in Denmark, Norway or Sweden will justify going through the test laboratories as yet.

Our next stop was London and a visit to the headquarters office managed by a former Simplex man from New Jersey. A very efficient operation employing about 60 people in the headquarters office with 17 offices between England, Scotland and Ireland. The engineer for Simplex, Joe Drouin and I then traveled 200 miles north to Halifax and spent 1½ days reviewing fire alarm panel and potential detector production in their plant. I was not quite as impressed with this plant facility as with Zell, Germany, mainly because it was located in some very old buildings and utilized some very old equipment. Again, the principal product was time clocks, although this plant was purchased from another company which was at the time making a series of fire alarm panels. These are being phased out and being replaced with production of the standard Simplex fire alarm equipment. Again, there was no real electronic talent though there were approximately six men employed in their fire alarm panel assembly. Wage rates
in Halifax are extremely low, being about 55 to 60 percent of the equivalent rate in the States. Again, component costs could be at least as competitive if not more so than in the States.

The last day was spent at the headquarters office reviewing possible sales of the Model 40 in greater detail. Currently the U.K. has been using a model of the Fire Alert manufactured in London which has been FOC (Fire Offices Committee) approved. Simplex is applying to FOC with their fire alarm equipment with the Fire Alert device, anticipating total system approval within one year. At that time they will re-submit with their approved panel and our detector. We were not looking for immediate business out of England on arrival. But during our visit we received the information that the Simplex domestic division had decided to go with the Statitrol unit and this caused a change in their thinking. They will now be selling both the Statitrol and the Fire Alert device, depending on whether FOC approval is required or not.

Both in France and England one Model 700 was left with the area directors. In both cases they were most enthused about the possibility of doing some distribution but confused about how it could be handled through Simplex. In England, the director, Harry Sampson, took it to an evening party at which some of his builder friends attended. One of the larger homebuilders in London suggested that it should be sold through the new home market for those above average homes and he would anticipate that if it were sold at all it would sell perhaps 25,000 per year, in England.
In all cases we are awaiting advice and suggestions from the various personalities that have the Model 700. I have suggested that since we do not formal distribution as yet in Europe that we would encourage them to investigate distribution and perhaps give them a proprietary position. No exclusive arrangements will be made on the Model 700.

I stopped in Chicago en route back to attend the first two days of a three-day NEMA meeting. In attendance were Bob Hopps and Joe Drouin of Simplex. This gave us an opportunity for two hours one evening to review many details of the domestic sales of through Simplex.

Also in attendance was Bill Humphreys, general manager of Autocall, and we had only a brief discussion. Other attendees, of course, were the Pyrotronics, Honeywell and other major fire alarm equipment manufacturers.

During the course of the meeting the subject of household fire warning systems and the NFPA pamphlet 74 code was a subject which I brought into the meeting. As a result, I was appointed as alternate delegate from NEMA to NFPA for the Pamphlet 74 subcommittee. This was confirmed by long distance phone during the meeting. The NEMA committee was very much in sympathy with the need to change Pamphlet 74 allowing recognition of one detector as a major advance in life safety to the home.