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1 Economic and Cultural Analysis

1.1 Introduction—short profile of the country in which you wish to trade and the product to be exported

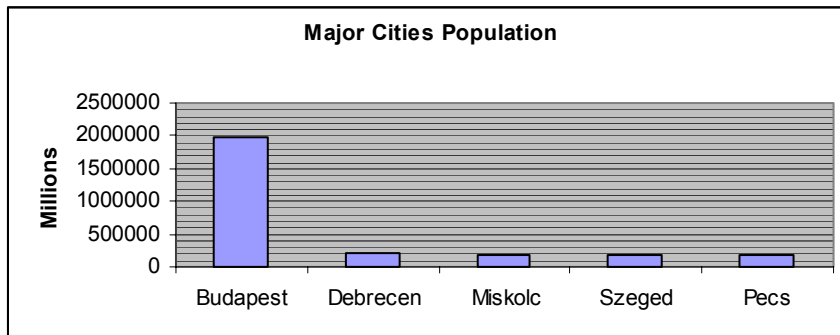
Hungary is a fast developing Central European country. Since the fall of the iron curtain, Hungary's economy has steadily grown. The majority of medical and diagnostic products are imported. Hungary has a growing population unlike "Old Europe" where deaths outnumber births. Hungary joined NATO in 1999. Their phase-in of the EU membership starts this year. They are expected to be a full member by 2005. Hungary holds a strategic location astride main land routes between Western Europe and the Balkan Peninsula as well as between Ukraine and Mediterranean basin. This is an ideal location for future expansion into Central and Eastern Europe and the northeast tip of Asia.

We choose to sell a pregnancy test named *Szabatosság már!* which means "Precision Now!". Hungary has a growing population. Due to the uniqueness of our product, there is little competition. There are no ethnic or religious barriers to prevent sales. This is a relatively untapped market compared to the other product choices. There are several other diagnostic tests on the market that are not pregnancy tests, such as gender test sticks and STD test strips.

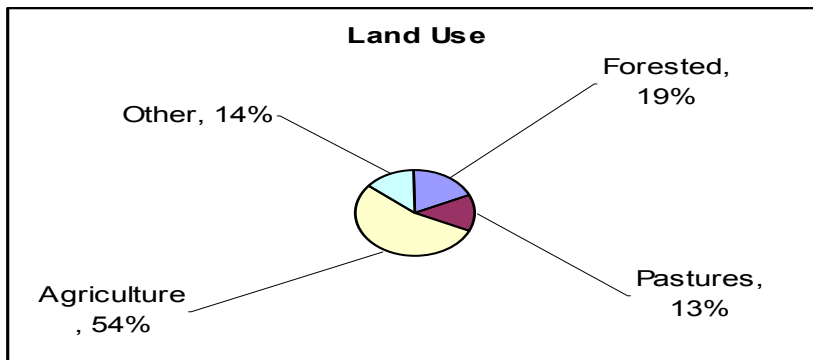
1.2 Geographical Setting

Hungary is a landlocked country located on the Danube River in central Europe. The countries that surround Hungary are Slovakia, Ukraine, Romania, Croatia, Yugoslavia, Slovenia and Austria. Most of the country is flat with the exception of the low mountain ranges of the Alps, which are located in the north central and northeastern sections of the country. The Alps separate the Little Hungarian Plain from the Transdanubian Downlands. The Danube River with its tributaries, the Tisza, Drava and Sava Rivers,

drains Hungary. To the east of the Danube River, floods are frequent in the Great Plains region. The following chart shows the distribution of population of major cities:



The following graph shows the distribution of land usage:



Hungary has a continental climate with considerable differences between summer and winter conditions, and rapid transitions from one season to the other. Spring and early summer are the wettest seasons with rainfall often occurring in heavy downpours.

Winters are cold with snow cover lasting for long periods of around 30 to 40 days while the Danube River is frozen over for long periods. Average annual precipitation is 640 mm (25 inches) while average annual temperatures range in Budapest from -4 to 16 degrees Celsius (25 to 34 degrees Fahrenheit) in January to 16 to 28 degrees Celsius (61 to 82 degrees Fahrenheit) in July. (www.altapedia.com)

1.3 Brief discussion of country's relevant history

In 1946 Hungary became a republic for the second time since 1918 and a new constitutional law was passed abolishing the monarchy. Under the new government political, economic and social reforms were started but in the 1947 elections the communist party emerged. By 1949 all opposition parties were eliminated. In 1955 Hungary became a member of the UN and on October 23, 1956 widespread anticommunist demonstrations began demanding the reinstatement of Premier Imgre Nagy who was deposed in 1955 for his "New Course" right wing social and political policies. On October 25, 1956, Nagy became Prime Minister, declaring Hungary a multiparty democracy and the country's neutrality. (www.altapedia.com)

In 1973 Hungary joined the General Agreement on Tariffs and Trade (GATT). In 1988 to 1989 there were more pro democracy demonstrations, which led to the legalization of political parties in January 1989. In May 1989, border guards began removing the barbed wire barrier along the Austrian border. In December 1991, Hungary officially recognized the independence of the former Yugoslav republics of Croatia and Slovenia while the country also pursued closer ties with the West in hope of gaining admission to NATO and the European Union. (www.altapedia.com)

In November 1992, Russian President Boris Yeltsin visited Hungary and signed an arms deal that included a sophisticated radar system to alert of any possible retaliation from the former Yugoslav republic of Serbia for Hungary's earlier recognition of Croatia and Slovenia. (www.altapedia.com)

In December 1993, both Ameritech Corporation and Deutsche Bundespost Telekom agreed to invest US 437.5 million each to acquire a 30% interest in the state-owned telephone company. (www.altapedia.com)

1.4 Political System

The form of state in Hungary is Multiparty Republic, meaning that different political parties can run for office based on different ideals. Hungary is based on the electoral system where the people of Hungary have the right to vote for whomever they wish. There is universal direct suffrage over the age of 18, meaning that all persons over the age of 18 have the right to vote. The Head of State in Hungary is the President who currently is Ferenc Madl, who was elected to a five-year term by parliament on June 6th-2000. (www.economist.com)

Hungary's national government consists of a center-left, majority coalition government led by the Prime Minister, Peter Medgyessy, and comprising the Hungarian Socialist Party and the Alliance of Free Democrats. The main political parties in Hungary are the Alliance of Free Democrats; Fidesz-Hungarian Civic Party (Fidesz); Hungarian Democratic Forum; Hungarian Justice and Life Party (MIEP); Hungarian Socialist Party and the Independent Smallholders' Party. Currently the stability of the Hungarian government is quite strong. (www.economist.com)

1.5 Legal System

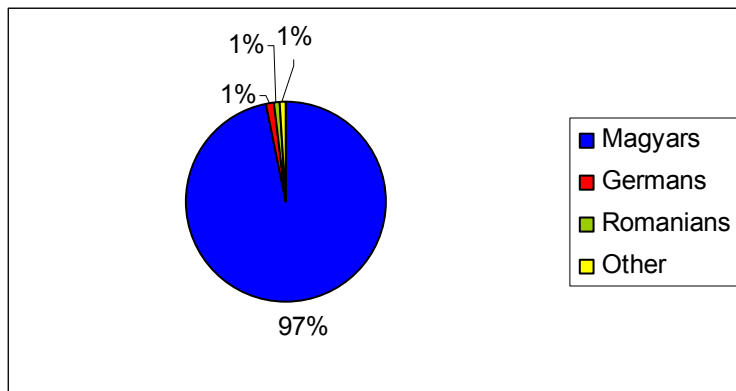
In Hungary laws determining the social order have a fundamental role in the legal system. Hungarian law follows both the code and common law. The courts are the ones who determine the peoples justice. Judges are independent and make their own discrete decisions. No one system can influence the judges or courts. The Supreme Court is the

final court of appeal. A decisions made by the Supreme Court is titled “legal standard-setting resolutions”, and are binding for lower courts. (www.economist.com)

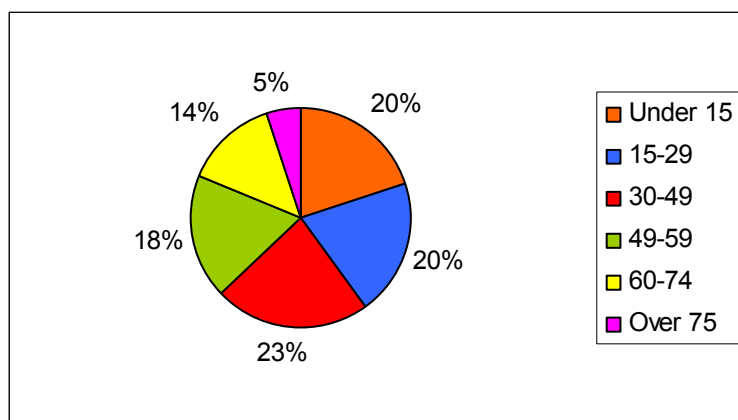
The Constitutional Court has the authority to rule on acts and decrees adopted by the various legislative bodies, and complaints concerning violations of constitutional rights. If the Constitutional Court rules that a legal rule violates a constitutional right, then the Court will annul the rule or any sections of the rule that it deems unconstitutional, and then publish its ruling in the official gazette. Rulings made by the Constitutional Court are final without the option of appeal, and all must observe them. Other law-making bodies may also issue decrees, in the following order of priority: the Government, the Prime Minister and other members of the Government, and local governments. The legislative process is regulated by the Act on Legislative Powers. (www.pwcglobal.com)

1.6 Population

As of 2001 statistics the population of Hungary is 10.11 million. There is a density of 111 persons per sq km (288 persons per sq mi) (1998). The population is split between urban and rural, 61.9% are urban and 38.1% are rural (1998). The gender distribution is 48.1% male and 51.9% female (1998). Life expectancy at birth is 65.1 years for a male and 73.7 years for a female (1998). The birth rate is 11.8 per 1,000 (1998) and the death rate is 13.7 per 1,000 (1998). The infant mortality rate is at 14.8 per 1,000 live births (1998). The following graph shows the distribution of the people in Hungary (www.economist.com):



The next graph will show the distribution of age in Hungary:



1.7 Economic Statistics

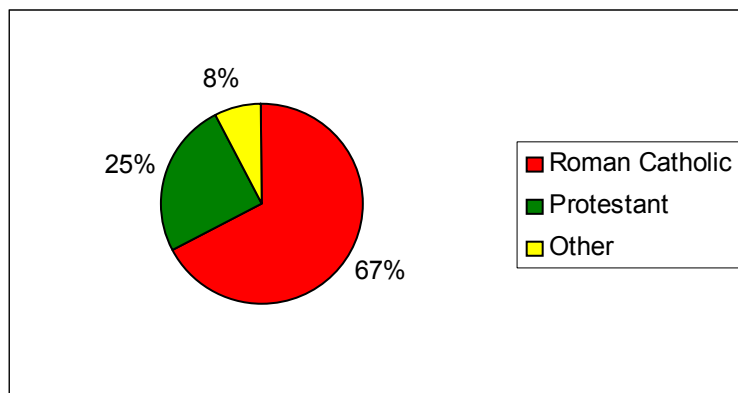
Hungary continues to demonstrate strong economic growth and to work toward accession to the European Union. The private sector accounts for over 80% of GDP. Foreign ownership of and investment in Hungarian firms is widespread, with cumulative foreign direct investment totaling more than US\$23 billion since 1989. Hungarian sovereign debt was upgraded in 2000 to the second-highest rating among all the Central European transition economies. Inflation and unemployment - both priority concerns in 2001 - have declined substantially. The key short-term issue is the reduction of the public sector deficit from its current 6% of GDP to 4.5% in 2003 and 3% in 2004. Household income or consumption by percentage share is highest 10% at 21% and lowest 10% at 4% (1998) (www.cia.org) and the distribution of family income is 4.

The following chart is a summary of some main economic statistics (www.cia.org):

GDP
Ft14.9trn (2001)
US\$51.9bn (2001, at market exchange rate)
US\$95.7bn (2001, at PPP)
GDP growth
4.5% (average, 1997-2001)
3.8% (2001)
GDP per head
US\$5,137 (2001, at market exchange rate)
US\$9,473 (2001, at PPP)
Inflation
12.2% (average, 1997-2001)
9.2% (2001, average)
6.8% (2001, year-end)

1.8 Religion

Hungary has religious freedom, meaning the Magyars are free to pursue their religion of choosing. The Roman Catholic Church has a large amount of influence over people's daily lives. Well over half of the Hungarian population goes to church. There are really only two main religions, Roman Catholic and Protestant. The other category relates to foreigners who enter the country with differing religions from Roman Catholic and protestant. The following graph shows the distribution of various religions within Hungary (www.economist.com):



1.9 Language

The Hungarian language is said to be one of the hardest languages to learn. Hungarians feel that same way about learning languages different from their own. The Hungarians feel proud that they have preserved their unique language, Magyar, despite being surrounded and frequently conquered by other linguistic groups. Magyar is very unrelated to many other Central European languages, with very little variation with regards to dialect. Magyar is part of the Finno-Ugric group of the Uralic family of languages; its closest European relatives are Finnish and Estonian. It is recommended that before traveling to Hungary you learn part of the language if planning on doing business over there. It is important to know that when addressing people in Hungary that written and spoken names are pronounced opposite to that in the U.S. The family name comes first, followed by the first name. (www.economist.com)

1.10 Male/Female Roles in Society

After WWII demand for female employment remained at an all time high to try and rebuild the economy and massive industrial development. Today women are emerging the same way women did in the 1980's in the U.S.

1.11 Living Conditions

1.11.1 Typical and popular foods available

Hungary is in the heart of Europe and therefore they have a variety of international cuisines that one can choose from. Restaurants range from Oriental through classical European to African and Mongolian. They also have fast-food restaurants like McDonalds and Pizza Hut. When ordering out remember that salad usually refers to a small side dish featuring a vegetable not a salad like we are used to in the U.S.

The Hungarian cuisine is diverse. The most famous food is gulyas, which is a rich soup with lots of red and hot paprika. They enjoy meat like pork and beef as the main ingredient in any recipe. A typical breakfast includes coffee, tea, rolls, butter, jam and eggs, and in some parts small deli meats. Lunch is the most important meal of the day for them and consists of a three-course meal. Dinner is usually a small cold meal consisting of cold cuts, cheese and various vegetables. The majority of a Hungarians meal is meat and vegetables. They consume similar amounts of meat and vegetables as many other European countries. No specific data could be found as to the rate of consumption.

1.11.2 Types of housing available

In the late 1960s, it became possible to buy a house or apartment. From the 1970s, young couples who took a loan from the bank to build or buy a dwelling received part of the loan as a one-time benefit they did not have to pay back. If they had children or “promised” to have one child within three years or two children within six years after taking the loan, a kind of “baby bonus.” Only couples below the age of 35 were eligible to make such a “promise.” If they did not have the promised children in the period given in the contract, they had to pay the “baby bonus” back as a part of the original loan. The benefit was abolished at the end of 1994. Nowadays most Hungarians either rent or own their own home. In urban areas, renting is most common. Hungarians in urban areas live in cities with many people so it is easier to rent an apartment as opposed to buying a house because space is limited. In rural areas, the majority of Hungarians own their own home. The reason is land usage. Agriculture and Pastures make up a large portion of rural areas, creating a large portion of this part of the population owning their own homes.

1.11.3 Recreation/sports/and leisure activities

Hungarians value their leisure time as much as the people in the U.S. do. Soccer is their most popular sport, where much of the playing season has many of the Hungarians watching or going to the games. Hockey is their second national sport. The Hungarian hockey teams and their members are known for coming to the U.S. and playing on NHL teams. Other activities that people in Hungary enjoy are golf, camping, cricket and outdoor recreation. Hungarians spend most of their free time enjoying one of these activities or enjoying family time.

1.12 Government Social Programs

1.12.1 Social Security

The Hungarian social security program is a combination of social insurance and private insurance systems.

The program covers employees, members of handicraft and agricultural cooperatives, self-employed entrepreneurs, apprentices of professional training schools, outside workers, artistic performers, lawyers, public notaries, the clergy, and recipients of unemployment benefits.

Their social security program also covers persons not covered by compulsory insurance, including independent farmers, can acquire entitlement to pension coverage by virtue of an agreement with the pension insurance institute. (www.ssa.gov)

1.12.2 Health Care

The Hungarian health insurance system is based on the principle of a universal service, free at the point of delivery, and the right to health care is established in the constitution.

The Hungarian health care system operates on the basis of dual financing. As it was mentioned before the major investments like construction/maintenance, or equipment purchasing are financed by the owner or co-financed from the Ministry of Health. All expenditures of the daily operations, including salaries of health care professionals, are financed by the Health Insurance Fund, however rates can be too low to cover the real costs of providing the services. The lack of adequate funding has led to the continuation of informal payments and use of public facilities for private practice businesses to enable health care staff to supplement their incomes.

The following are problems associated with health care in all Central and Eastern European (CEE) countries. There is a relatively small proportion of GDP dedicated to health care. The resources are centralized and inequitably allocated. There is a lack of response to local needs. There are undeveloped primary care services, inadequate referrals and overemphasis on hospital-based inpatient services. There is a growing inequity in health care provision among regions and different social groups. There is a poor managerial capacity within the health care system. There is also the lack of a health care workforce with competencies and capacities in policy development and management. (www.ssa.gov)

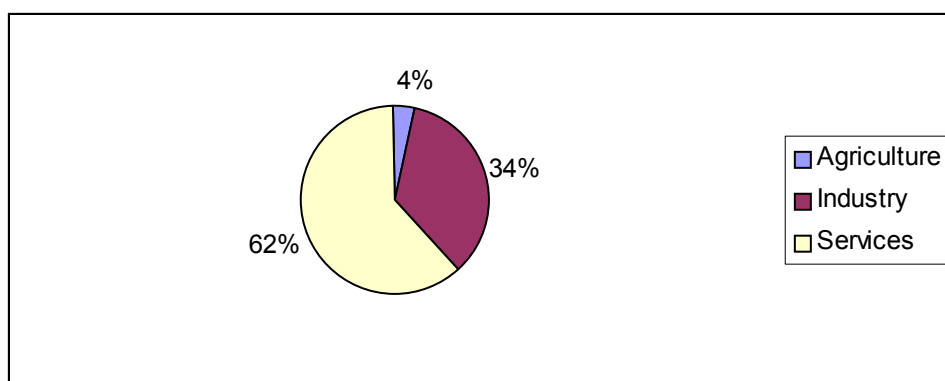
1.13 Labor Force and Working Conditions

Approximately, 4.2 million Hungarians make up the work force. Hungary has a relatively low unemployment rate of 5.8%. Employer-employee relations in Hungary are

healthy. There is some inequality between men and women in the workplace. Males typically make more money than their female counterparts. Workers are able to live off their salaries. Benefits include healthcare, pension, and worker's compensation insurance depending on the position. (www.cia.org)

1.14 Principal Industries

1.14.1 Portion of GDP contributed by various major industries (2000 est.)



1.15 Foreign Investment

In 2001, foreign entities invest in Hungary at the following rates: Germany 26.4%, Italy 8.3%, Austria 7.9%, and Russia 6.8%. The most common industries with foreign investment include machinery and equipment 51.6%, other manufactures 35.3%, fuels and electricity 8.2%, food products 2.9%, and raw materials 2.0% as of 2001.

(www.cia.org)

1.16 Minerals and Resources

The Republic of Hungary is rich in the resources of bauxite, coal, and natural gas. Agriculture dominates much of the domestic industry thanks to the fertile soils and arable land. (www.cia.org)

1.17 Transportation

There are 7869 kilometers of railway in Hungary. Hungary and Austria jointly manage the cross-border, standard-gauge railway connecting Győr, Sopron, and Ebenfurt (Gysev railroad) which has a route length of about 101 km in Hungary and 65 km in Austria (2001). There are 188,203 kilometers of highways. By 1998 estimates, 81,680 kilometers (including 448 kilometers of expressways) are paved and 106,523 km are not. Hungary has 1,373 kilometers of permanently navigable waterways. Hungary has worked hard to preserve its waterways since it is a landlocked country. Every hundred years or so, there is a major flood in the Danube river valley. It has become known infamously as the “hundred year flood.” After the last flood in the late 1800s, Hungary built a series of dams to help prevent extensive damage from future floods.

Remembering back to the summer of 2002, half of Prague, Czech Republic, was underwater while Budapest remained high and dry thanks to its dam system.

(www.cia.org)

Pipelines carry two major energy sources. Crude oil is carried through 1,204 kilometers of pipe; natural gas is carried through 4,387 kilometers of pipe. Hungary has only two main ports due to being landlocked: Budapest and Dunaujvaros. Both are on the Danube. Forty-three airports function in Hungary with runways ranging from over 3,047 meters long to less than 914 meters. Sixteen airports have paved runways and twenty-seven do not. There are also five heliports. (www.cia.org)

1.18 Communication Systems

Hungary stays well connected with over three million telephone lines. Cellular phone lines are continually growing and at last count numbered over 1.2 million. The US

government's general assessment of the telephone system states that it has been modernized and is capable of satisfying all requests for telecommunication service. Domestically, the system is digitalized and highly automated; trunk services are carried by fiber-optic cable and digital microwave radio relay; a program for fiber-optic subscriber connections was initiated in 1996; heavy use is made of mobile cellular telephones. Internationally, Hungary has fiber-optic cable connections with all neighboring countries; the international switch is in Budapest. (www.cia.org)

Radio broadcast stations blanket the nation with 17 AM stations, 57 FM stations, and 3 short-wave stations. Hungarians own 7.01 million radios. Television stations broadcast over 35 stations plus 161 low-power repeaters. Hungarians own 4.42 million televisions. The Internet country code is ".hu". Sixteen Internet Service Providers (ISPs) serve 1.2 million Internet users. (www.cia.org)

1.19 International Trade Statistics

1.19.1 Major Exports

The export dollar value reached US\$31.4 billion f.o.b. in 2002. Several export trends continue to emerge. Machinery and equipment, consistently outperforming other export sectors, make up 57.6% of total exports. The other sectors rank as follows: manufactures at 31.0%, food products at 7.5%, raw materials at 1.9%, and fuels and electricity at 1.9%. (www.cia.org)

1.19.2 Major Imports

1.19.2.1 Dollar Value

The import dollar value reached US\$33.9 billion f.o.b. in 2002. Several import trends are also emerging. Machinery and equipment lead the import sectors at 51.6%. Other

manufactures are the second most imported sector at 35.3%. Fuels and electricity at 8.2%, food products at 2.9%, and raw materials at 2.0% round out the other import sectors. (www.cia.org)

1.19.3 Balance-of-Payments

As of February 2003, Hungary's balance of payments was running at a deficit of €393 million, seasonally adjusted. (www.english.mnb.hu)

1.19.4 Currency

Hungary's currency is the forint. The currency code is the "HUF". The current rate of exchange, forints per US dollar, is 222.82 as of April 29, 2002. (<http://www.x-rates.com>)

1.19.5 Trade Restrictions

There are no trade restrictions for pregnancy tests.

American exports to Hungary are based on most-favored-nation (MFN) status. Current MFN tariffs for self-diagnostic products are around three percent. All products are subject to a 25 percent Value Added Tax (VAT), which is borne by the final consumer.

The general rule governing the registration of health aid/rehab products states that the product must be registered with ORKI since we will be working with a distributor.

Hungary has become the first country in Central and Eastern Europe to introduce medical device regulations that implement the European Union's medical device directives. Although Hungarian regulations are now in line with those of the EU, Hungary still operates as an independent market separate from the EU. (ITA)

We will use FedEx to ship our product to the distributor, Eppendorf. As for proper documentation, we only need an international airway bill and the commercial invoice. (www.fedex.com)

1.20 Inflation Rate

The current rate of inflation is 5.3%.

1.21 Technology

Hungary has the same available technologies as other developed nations. The skill level of the general population and labor force equates to that of other western nations.

1.22 Media

There is a full range of available media in Hungary with prices comparable to the United States. A little less than half of all Hungarians own a television. More than half own radios. Many Hungarians read the newspapers despite socio-economic differences. Over one million people use the internet on a regular basis. (www.cia.org)

Typical prices for advertising on the television during prime time run approximately US\$3000. An ad for the back cover of a Hungarian magazine runs HUF\$474,000 annually. Newspaper ads run US\$1950. Ads on buses have equivalent prices of US\$1900. (www.broadcastingcable.com)

1.23 Channels of Distribution

1.23.1 Retailers

Hungary does not have many large retailers. Wal-mart or Carrefour has not yet invaded the market. Most retailers are smaller chains or “mom and pop” operations. There are many single-site establishments. A customary mark-up for a retailer ranges from 20% to 30%.

1.23.2 Wholesalers

The import of medical products is fully liberalized. Self-diagnostic tests are marketed in Hungary mainly through local distributors. Most distributors handle several brands of the same type of products and/or several lines of medical products. However, there are small firms that represent only one or two foreign manufacturers or distributors.

(www.factbook.net) A typical mark-up for the distributor averages around 25%.

Distributors operate on a credit system mostly, although smaller distributors will require cash.

2 Competitive Analysis and Marketing Plan

2.1 The Product

2.1.1 Relative Advantage

We will price our product using the penetration method. Most health care products are imported, so added import taxes and tariffs will not be a disadvantage.

2.1.2 Compatibility

Hungary has many other self-diagnostic tests. There is even a self-diagnostic test that supposedly reveals the sex of the un-born baby. The population is comfortable with this type of product.

2.1.3 Complexity

The product can be complex because of the method's required items to get the results.

However, if the instructions are followed step by step, the end user should have no problems with the product.

2.1.4 Trialability

The pregnancy test will be packaged in quantities of one. The cost is relatively low so the consumer has only lost HUF\$2,692 if she doesn't like it.

2.1.5 Observability

The results do not come quickly; the typical wait is about two hours. We urge the consumer to take the test as soon as she feels pregnant. We hope to equate a little more complexity with much more accuracy.

2.1.6 Major product problems and resistances

There are no major social, ethical, moral, or religious barriers by selling our product in Hungary.

2.2 The Market

2.2.1 Describe the market(s) in which the product is to be sold

2.2.1.1 The geographic region

We will distribute the product to Budapest, Győr, Szeged, and Miskolc. The cities will have any type of transportation or communication that we may want or need.

2.2.1.2 Consumer buying habits

Literacy rate is 99% so people will be able to read the directions. Of those with religious affiliation, 68% are Roman Catholic who will probably not be using birth control, and will likely have a higher rate of pregnancy. This can be an advantage for the product.

Also, Hungary has made it more difficult for women to have abortions. This could positively affect the demand for pregnancy tests because women may not want to know sooner. A woman may not wait until the next month if she knows she can get the answer sooner.

2.2.1.3 Distribution of the product

Typical retail outlets where our product will be sold include smaller grocery stores and pharmacies. Eppendorf is responsible for delivering the product to other retail outlets. It will be up to Eppendorf if they use other middlemen.

2.2.1.4 Advertising and Promotion

We will use the following media to reach our target market: advertisements in industry publications and women's magazines, television and radio spots, transit advertisements, brochures, community partnerships, and trade shows.

Our product is not conducive to giving out samples. However, coupons will be printed inside the box.

2.2.1.5 Pricing

2.2.1.5.1 Customary Markups

In Hungary, there will be a Value Added Tax of 25%. However, the US holds Most Favored Nation trade status. This results in a low import tariff of only 3%. A customary markup for a Hungarian distributor is about 25%.

2.2.1.5.2 Types of discounts available

Any order over 300 units receives pay terms of 2/10 net 60. If less than 300 units are ordered, the pay terms are 1/10 net 30.

2.3 Competitive Analysis

2.3.1 Compare and contrast product with competitors' products

Almost all self-diagnostic tests are imported. The One Step Be Sure pregnancy test holds the greatest market share in the Czech Republic. Data was inconclusive for pregnancy tests sold in Hungary. All brands currently on the market in the Czech Republic are stick-based tests. Packaging for the One Step Be Sure is very similar. However, the colors on the box are not as bright as those proposed for *Szabatoság már!* Other pregnancy tests run \$15.00, so we will have a price advantage. One Step Be Sure pregnancy test uses similar advertising methods in the Czech Republic.

2.3.2 Market Size

We estimated the market size of Hungary to be approximately 2,217,947. We then expected to retain a market share of 10% our first year growing to 25% in year five.

2.4 Government Participation

2.4.1 Agencies that can help you

- MINISTRY OF HEALTH
Arany Janos u. 6/8
1051 Budapest, Hungary
Tel: (36 1) 332 3100 Fax:(36 1) 302 0925
Ms Marta Tardy, International Relations
Mrs Maria Nemes, Director, Pharmaceuticals
Dr Lajos Forgacs, Director, Medical Technology
Mr Laszlo Raduj, Assistant Director, Medical Technology
Web site: www.nepjoleti.gov.hu
- MOK Hungarian Medical Association
Dr Peter Kupcsulik, President
Dr Geza Gyenes, Executive Secretary
Balassi Balint u 15
1055 Budapest, Hungary
Tel/Fax: (36 1) 269 4391 and Tel/Fax: (36 1) 269 4392
- Association of Health Aid Product Distributors
Mr Zoltan Mezei, President
Mozsar u. 14
1066 Budapest, Hungary

Tel/Fax: (36 1) 332 7782

- ANTSZ State Public Health Service
Dr Ilona Molnar, Chief Medical Officer (Surgeon General)
Gyali ut 2-6
1097 Budapest, Hungary
Tel: (36 1) 215 5313 Fax:(36 1) 215 3839, 215 4492
- Hungarian Red Cross
Dr Eva Morzsanyi, Secretary General
Arany Janos utca 31
1051 Budapest, Hungary
Tel: (36 1) 331 3950 Fax: (36 1) 353 1388
Web site: www.voroskereszt.hu
- National Institute for Health Protection
Dr Anna Maria Olaszky, Director General
Andrassy ut 82
1062 Budapest
Tel: (36 1) 332 7380 Fax: (36 1) 331 6112
- OGYI National Institute of Pharmacy
Dr Tamas Paal, Director General
Zrinyi utca 3
1051 Budapest, Hungary
Tel: (36 1) 317 1462 and 317 1488 Fax: (36 1) 318 1167
Website: www.ogyi.hu
(www.factbook.net)

2.4.2 Regulations to follow

According to 7§ (6) of 25th Act of 1998, the Marketing Authorizations are valid for 5 years. The authorization may be extended for additional 5 years if an application is submitted 6 months prior to the expiration date of the authorization. This application should be in line with OGYI guideline OGYI-P-07-2003. If the application does not meet the requirements, on December 31, 2003, the government will cancel product from the register and withdraw the Marketing Authorization. The owner of Marketing Authorization can start the cancellation process instead of renewal.

(www.medicover.com)

2.5 Marketing Objectives

2.5.1 Target market

Our target market is women, 15 to 59 years old who are sexually active with no religious or ethnic constraints located in urban areas. Urban areas are more populated, so we go where the people are.

We were unable to find any formally documented studies of the buying patterns of Hungarian women and pregnancy tests. So, we took the female population between the ages of 15 and 59, took percentages from each age group, conservatively estimated one purchase of our product per year to establish our target market in dollar terms.

	Total	% Female	Female	Use	Pop	Target	Mkt shr	
under 15	20.00%	51.90%	10.3800%	10.0000%	1.04%	5,500,000	57,090	10
15-29	20.00%	51.90%	10.3800%	80.0000%	8.30%	5,500,000	456,720	15
30-49	23.00%	51.90%	11.9370%	70.0000%	8.36%	5,500,000	459,575	17
49-59	18.00%	51.90%	9.3420%	15.0000%	1.40%	5,500,000	77,072	19
					Total		1,050,456	25

2.5.2 Expected market share or market penetration rate

Our plan includes claiming a market share of 10% the first year rising to 25% in year 5.

2.5.3 Expected sales

We expect sales to grow from \$1,330,768.00 in year one to \$4,870,943.00 in year five.

2.6 Product Strategy

2.6.1 Competitive advantage

In order to differentiate our product from the competition, we will use the penetration pricing method. We will focus on the uniqueness of our product as well. We are the only pregnancy test on the market that does not use the stick method. Our packaging includes a

white box with bright pink writing. The package will contain the instructions and a statement emphasizing the products accuracy. The box will contain a toll free number for questions. We will outsource this to a call center and include the expense with our public relations budget.

2.7 Promotion Strategy

Advertisements in industry publications will be published quarterly in two industry publications. We hope to reach the audience outside of the product's traditional distribution channels. We will use attractive advertisements that focus on the statistical accuracy of the product. Examples of industry publications we will use are self-diagnostic test periodicals and women's health periodicals.

Advertisements in women's magazines will be published throughout the year in two leading women's magazines. We hope to reach the end of user of the product with this method. The ads will be soft, feminine oriented spots that emphasize the uniqueness of the test and the importance of accuracy over speed. This will convey that our product is the only one on the market that meets their needs. The ads will appear in fashion magazines such as Magyar Figyelő and self-help periodicals.

Television spots will be released mid-day during female-targeted shows and during the evening news. By doing so, we hope to reach a large audience of stay-at-home moms, and professional women who watch the news at night. The thirty second spot will emphasize that accuracy is more important than speed, the uniqueness of the product. We will also include statistics on our product's accuracy for thinkers and personal testimonials for feelers. We will also use a repetitive tune to help make our commercials

easily recognizable. Channels of distribution for this ad include Budapest TV, GyőriTV, DunaTV, FőnixTV, HirTV, MagyarTV, and ZenitTV.

Radio spots will be released all day concentrating on rush hour time frames. We hope to reach women using public transit. Using public transit is very popular in urban areas. It is very common for buses to play the local radio station. The twenty second spot will use the same repetitive tune from the television commercial. It will emphasize the uniqueness and the accuracy of the product. Some radio stations in Hungary include: Rádió Győr, Bartók Rádió, Civil Rádió, Budapest Rádió, InfoRadio, Rádió DeeJay, and Roxy Rádió.

Transit advertisement includes signs on the inside and outside of buses, posters at transit stops, smaller poster ads in trains, etc. We hope to reach those women using public transit. The draw-up will resemble the front of the product box and will emphasize accuracy with statistics. We will place the ads on routes by schools, shopping areas, and business complexes.

We hope to distribute 500,000 brochures by the end of the year. We want to inform residents in our selected distribution cities of the product benefits. Another goal is to establish credibility. The brochure will be a simple yet catchy tri-fold piece of photo paper that explains the product in detail and gives contact and purchase information. We will distribute the brochures at doctors' offices, retailers, Rx's, hospitals, campuses, and clinics, etc.

We think it is very important to build a community partnership in Hungary. This will help establish credibility and respect for the product. Our goal is to have one strong

partnership by April 2004. This partnership will assist with improving the quality of life for new moms and those expecting. The selection of media for the promotion will be joint events, public associations, safe houses, and community centers. We hope to offer free or low-fee classes for pre-natal and new born care as part of child-readiness training.

When operating in Europe, it is vital to attend trade shows. We will attend, at minimum, three regional shows per year. By regional, we mean these shows can be in Hungary or other Central European countries. We hope to familiarize retailers and distributors with our product. We will bring to the trade show a booth set-up, brochures, useful giveaways where our logo prominently is not displayed. By doing this, we hope to supply the future customer with something that he/she can really use and will remember us every time he/she uses it.

2.8 Distribution Strategy (Macro)

2.8.1 Port Selection

Hungary is a land locked nation. We thought it would be more cost effective to use air transportation. We are selling a relatively light product that is time sensitive. FedEx will transport the product from Nashville, Tennessee to Budapest, Hungary to our distributor, Eppendorf, a German company.

2.8.2 Mode Selection

Because our product is time sensitive, an ocean carrier would not be a time-efficient method of shipping our product. We would have addition transportation costs of getting the product from Tennessee to a US-Atlantic port and then from a European-Atlantic port to Budapest. When the product is delivered to Eppendorf, they will use rail or

motor carrier to transport the product to the retailer. As to which method to use will be Eppendorf's choice at no additional expense to us.

2.8.3 Documentation Required

To ship Szabatosság már! from the US to Hungary, we will need an international air bill, a commercial invoice, and a statement of origin.

2.9 Distribution Strategy (Micro)

2.9.1 Warehousing Needs

We will deliver the product straight to the distributors warehouse in Budapest.

Eppendorf will distribute the product. The product will be delivered to the Eppendorf warehouse in Budapest via Budapest-Ferihegy Airport (AWB). From here, the product will be delivered to our trial cities by rail or by Eppendorf's trucks. We will not need to use an agent. Eppendorf will be our interface between us and the retailer.

2.10 Pricing Strategy

Cost	US\$4.00
Our Mark-up	50%
Our Price	US\$6.00
Value Added Tax	25%
Most Favored Nation Status	3%
Distributor Mark-up	25%
Retailer Mark-up	25%
Consumer Price	US\$12.07
Hungarian Consumer Price	HUF\$2,691.61

2.10.1 Methods of Payment

We prefer letter of credit within twenty days per our payment terms. However, Eppendorf is a large distributor; an open account will be wise to keep them happy.

2.11 Pro Forma Budgets and Profitability Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Market Share	10%	15%	17%	19%	25%
Target Market Population	2,217,947	2,439,741	2,683,715	2,952,087	3,247,295
Market Units	221,795	365,961	456,232	560,896	811,824
Revenue	1,330,768	2,195,767	2,737,390	3,365,379	4,870,943
Cost	887,179	1,463,845	1,824,926	2,243,586	3,247,295
Margin	\$443,589	\$731,922	\$912,463	\$1,121,793	\$1,623,648

Advertising Costs

B2C

Magazines	\$32,000	\$35,200	\$38,720	\$42,592	\$46,851
Television	26,000	28,600	31,460	34,606	38,067
Radio	20,000	22,000	24,200	26,620	29,282
Transit	20,000	22,000	24,200	26,620	29,282

B2B

Trade Shows	\$32,000	\$35,200	\$38,720	\$42,592	\$46,851
Industry Journals	12,000	13,200	14,520	15,972	17,569

Other

Public Relations	\$20,000	\$22,000	\$24,200	\$26,620	\$29,282
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Total Advertising Costs	\$142,000	\$156,200	\$171,820	\$189,002	\$207,902
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Margin	\$443,589	\$731,922	\$912,463	\$1,121,793	\$1,623,648
Advertising costs	142,000	156,200	171,820	189,002	207,902
Gross Margin	\$301,589	\$575,722	\$740,643	\$932,791	\$1,415,746

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