

Positive Signs Are Appearing

Günther Paul has been actively involved in sales and marketing of photonic devices since 1976. In 1982, he founded Laser Components GmbH, which sells lasers and optoelectronics from more than 40 suppliers. In 1986, the company began manufacturing its own products, beginning with hard dielectric coatings and later adding IR and near-IR laser diodes. The family of Laser Components companies, of which Paul is president, has offices in Europe and the US and employs about 100 people worldwide. In a recent interview, he shared with us his unique perspective on the photonics industry.

It is true that many segments of our photonics market have had difficult times in the past six months. There have been tremendous turnover collapses in markets such as telecommunications and systems manufacturing for the semiconductor industry. Unfortunately, we haven't seen much good news in these areas yet, and we don't expect to return to last year's levels before 2003.

However, photonics covers a broad range of products, many of which are used in niche markets. We have been able to balance a downturn in some sectors with increased sales in sensing and medical applications. These days the sensor market — traditionally very strong in Germany — offers the biggest growth rates. Some studies predict an increase of up to 30 per cent per year.

Everything "new" is attracting great interest. We are able to measure this by feedback from our company newspaper, which is sent quarterly to about 17,000 potential customers. New parts for sensing applications always get a lot of attention — for example, silicon detectors for colour recognition, lead-sulphide arrays for IR gas analysis, diode lasers (VCSELs) for oxygen measurement, and photodiodes and laser diodes for non-contact distance and temperature measurement. Manufacturers who fail to stay in the competition for new product developments will see their sales deteriorate over time. We have witnessed this process many times, as we represent more than 40 manufacturers and have been with some for more than 20 years.

The staffing situation in our field has clearly improved. It is easier to get good people for product development than it was two years ago, and we've added some excellent people to our team. The job market that seemed to have run dry has returned to normal. Nevertheless, it is necessary for a midsize company like ours to offer competitive incentive plans to attract and keep good personnel.

The European common market has had a significant impact. Open borders, a common currency and shared goals in economic, financial and defence policies are great achievements and, one hopes, this is just the beginning of Europe's pulling together. However, the different languages, business cultures and mentalities still require having sales staff on location in certain countries.

Certainly, comparing prices has become much easier with a common currency and the help of the Internet. Therefore, a few distributors may have to reconsider their pricing policies. Our most important suppliers are based in the US. The strong dollar (or the weak euro, for that matter) is quite a disadvantage for our customers. However, in only a few cases is switching to domestic products possible, because certain components are not regularly manufactured in Europe.

Of course, in selling high-tech components with customized parts and systems, price is not the only consideration. Good support, technical expertise and reliable service are equally important. Personal contacts and a strong presence in the market are imperative to estab-



lishing OEM customers.

Adding a manufacturing side to our business evolved through our association with CVI Laser Corp., one of the first companies we represented. It had founded CVI Laser GmbH in Gröbenzell in 1985 to serve the European laser optics market more efficiently. When we merged with the latter, Laser Components became an independent optics manufacturer. In 1993, we made a technology transfer with the Fraunhofer Institut für Physikalische Messtechnik in Freiburg, gaining the complete IV-VI technology for lead-salt laser manufacturing. Since then, we have been involved in several other projects, and we are shareholders in eight other companies.

Having our own R&D and production departments has helped us to develop a deep understanding of the products. Our sales force especially profits from this expertise. Also, it helps when a manufacturer of laser optics is near his customers. Some of them stop by to pick up their express-service optics while they are still hot. As for the lead-salt lasers, this is an extremely small niche market. You won't find other commercial manufacturers anywhere in the world. We couldn't offer such good support services if we were to buy the lasers overseas.

Even our suppliers profit from our in-house production, because it enhances our reputation. We are rated higher by our customers than we would be if we were purely a distribution company.

It is difficult to say what is the most important lesson I've learned in my years in business. Everyone makes mistakes, but sometimes that is how one learns the most. Never make compromises when it comes to recruiting staff. You also need to set an example for them. When dealing with customers and suppliers, remind yourself of your responsibility and stick with the truth. This might be unpleasant in the short run, but it will pay off eventually. □