Good case study about ecco global value chain management

Business, Company

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ECCO Global Value Chain Management

Introduction

The Danish shoe company ECCO A/S (ECCO) occupies one of the leading places in the footwear industry and is known for its innovative production technology and high quality of shoes owing to the effective value chain management (Nielsen, Pedersen, & Pynd, 2011). Facing severe international competition, ECCO offshored different value chain processes to the countries with cheap workforce and production costs. To promote marketing and branding of their shoes, ECCO has combined efficient managerial decisions and large capital into production facilities and tanneries (Nielsen, Pedersen, & Pynd, 2011). Additionally, they introduced additional organizational changes into logistics and communication processes because global value chain design had been considerably changed (Nielsen, Pedersen, & Pynd, 2011). These are the main reasons why I chose to analyze IVEY’s case ECCO A/S - Global Value Chain Management. In addition, to compare ECCO’s value chain strategy with its competitors I have chosen the writing of Paul Swinand Geox's strategy to focus on technologies and core products is reconnecting with consumers.

Actually, the case and the writing provide clear explanations why value chain management plays crucial role for any company going international, how to access value at each chain stage and produce product of higher quality and to enhance customer satisfaction.

At the end of the case, the authors pointed out the following (Nielsen, Pedersen, & Pynd, 2011): 1. ECCO’s future strategy is the highest priority; 2. Marketing and branding are crucial for global brand recognition and loyalty; 3. Further world expansion and investments in new markets are extremely favorable for the corporate success.

Paul Swinand in his writing about Geox focuses mainly on innovations as the driving force of company’s success and the main stage of value chain activities (Swinand, 2014). Additionally, the author recognized the importance of international expansion and outsourced manufacturing in various countries.

Thus, both the case and the writing provide the brightest example on how any multinational corporation should develop its value chain activities to gain more competitive advantage and to enlarge its production facilities. Moreover, information about ECCO’s main competitors, presented by the authors, can be used to evaluate the sustainability of ECCO’s strengths over time in the changing competitive environment.

Analysis and Discussion

Similarities

- Operations

Both, ECCO and Geox are focused on innovative technologies, which form the basis of their value chain activities. ECCO produces casual footwear of the highest quality. Additionally, they have successfully entered golf shoe market competing with Nike. To gain the highest level of quality and to be competitive, ECCO invests in employees, innovations, product development and applies its superior " direct injection" technology (Nielsen, Pedersen, & Pynd, 2011). Various aspects of production process add quality and value to their shoes, which according to Karl Toosbuy have an internal value (Nielsen, Pedersen, & Pynd, 2011). Geox, in their turn, focus mainly on breathability technology, which is protected by more than 30 patents (Swinand, 2014). They also specialize in casual footwear production and believe that innovations are the major reinforcing tool of their corporate success and profitability.

- Distribution System

Distribution systems are vital for footwear producers, like ECCO and Geox. Both companies have similar distribution channels consisted of a global distribution network of shops. Both ECCO and Geox have two distribution channels, in Europe and in the U. S. However, Geox's growth rate was higher in America in 2002 in comparison with ECCO (Geox's 250% vs. ECCO's 4. 5%) (Nielsen, Pedersen, & Pynd, 2011).

Differences

- Outsourcing or own tanneries?

ECCO has a unique competitive advantage over its competitors including Geox: the company has their own tanneries, at which they produce materials for their footwear, while Geox is considered to be a branded marketer, which do not produce their shoes, but just brand and market them (Nielsen, Pedersen, & Pynd, 2011). ECCO' s competitors have outsourcing contracts with materials producers, while its own production facilities and tanneries are located in various countries. Producing their own materials, ECCO can faster adapt to the changing market environment and diminish possible losses. Moreover, ECCO relies on several manufacturing factories dealing with tanning to keep high quality and to stay competitive.

- Management

ECCO' distinguish feature is its family ownership structure, which affects the company in several ways. First of all, it allows to preserve knowledge about the company and to keep the top executives at their positions owing to their loyalty (Nielsen, Pedersen, & Pynd, 2011). Secondly, taking higher risks, family members are more active in their work and actions. ECCO's CEO also believes that the secret of their success is not the most qualified staff, but their bloodline. Geox, on the contrary, believes in success of new team members and new CEO, Giorgio Presca, whose activities are focused mainly on international expansion (Swinand, 2014). Geox believes that staff replacements are the only way to boost sales and to be competitive.

Implications on applied project

- Global Value Chain

Analyzing information presented in the writing and in the case, it becomes evident that global value chain activities play a crucial role for the organizational success. However, ECCO and Geox have different approaches to value adding and manufacturing process. ECCO has a large advantage over Geox and other its competitors by producing more than 80 percent of their materials at their own tanneries located in Thailand, Netherlands, and Indonesia (Nielsen, Pedersen, & Pynd, 2011). Using production facilities in different countries ECCO adds quality to its footwear and makes production more efficient. Geox, in its turn, pays more attention to innovative technologies applying outsourcing from external material producers. Thus, both the case and the writing provide valuable examples of value chain activities.

- Supply Chain and Distribution Channels

Both companies have similar supply chain systems and are focused on international markets, and namely on China. However, ECCO promotes inside-out international level strategy, while Geox and other competitors are following out-inside strategy leveraging their costs (Luchines, 2009). Consequently, the case and the writing demonstrate the importance of well-developed supply chain system for international expansion.

- Risks

In conclusion, the efficient value chain strategy helps avoid possible risks. International expansion poses risks and footwear companies realize that fact perfectly well. Besides they face fashion risks and changes of consumer tastes. However, ECCO can respond to various changes more quickly than its competitors because the company does not have any outsourcing contracts and produce materials at its own tanneries. Geox manufacturing facilities, in their turn, fully depend on material producers and are exposed to higher risks. These examples demonstrate how international businesses develop their strategies trying to avoid risks and losses.

Conclusion

- Business success of companies going international depends on value chain management.

The most important lesson I have learned from the cases is that value chain strategy is crucial for corporate success and competitive advantages over rivals. Having the unique competitive value chain activities, ECCO Company is more efficient than its competitors. In addition, the company spreads its value chain through several world countries using its own supplies and producing footwear of the highest quality.

- In-house production versus outsourcing.

The case demonstrates the major advantages and disadvantages of outsourcing and in-house production applied by footwear producers. These examples are helpful for evaluating how and when to offshore or outsource. Actually, Geox and other footwear producer use outsourcing to save costs, while ECCO has more increased costs compared to its competitors because it have integrated a vertical value chain with in-store production (Luchines, 2009). Of course, the quality of products is high; however, lots of consumers cannot afford to buy ECCO shoes worldwide.

- Outside-in perspective versus inside-out perspective

Footwear companies apply various strategies that fully satisfy their business goals and enhance their sales. ECCO’s inside-out strategy differs from outside-in strategies of its competitors and includes superior resources, adaptation of environment and strength-driven position (Luchines, 2009). Actually, the case may be helpful when discussing the importance of strategic focus and its change according to changes in environment and costs involved.

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