

Potential globalization of brompton bicycle economics essay



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Brompton Bicycle is a UK manufacturer of bicycles based in Brentford, London, founded by Andrew Ritchie in 1976. Models are named using a code to describe the handlebar type, number of gears and factory-attached fixtures. An optional suffix is appended to show the inclusion of titanium upgrades. In Britain, the club's membership is changing, now 35-40% of customers of Brompton are women. The average rider's age has also dropped below 40. It's getting profitable in the UK.

Brompton Bicycle is a British company that specialises in folding bicycles, commonly known as Brompton, which is popular among bicycle commuters, especially in the UK, the Netherlands, and Japan. The Brompton design has remained fundamentally unchanged over three decades, although it has been steadily refined. The Brompton increases people's independence and freedom so people can use this cycle wherever they can use. Approximately 22,000 bicycles are produced by the company each year and 70 percent are exported to Asia and Europe. The compact dimensions of most folding bikes allow easy transport in public transport where travelling with a normal bike can be difficult or forbidden. We can use this cycle in different styles of handlebars like C-type handlebar, M-type handlebar, S-type handlebar and P-type handlebar.

-http://en.wikipedia.org/wiki/Brompton_Bicycle

PEST ANALYSIS OF BROMPTON BICYCLE:

Political factor:

Many people are cycling on London major roads and it has nearly doubled since 2000 and TfL is targeting a 5% mode share for cycling by 2025. South

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West Trains is a part of Stagecoach Group, has joined forces with Brompton Bicycle to encourage passengers for cycle as part of a fully integrated low carbon journey combining bike and train. Every one like this bikes because it is efficient to ride but can be quickly folded into a package smaller than an average suitcase, so people can take wherever they like.

Economic factor:

Though exports account for around 75 per cent of its output, it continues to manufacture all of its bikes in the UK. It's getting profit here.

Social factor:

Brompton bike got a award, Mr Ritchie, who was awarded the prize that recognizes a lifetime contribution to design, he has spent 21 years perfecting to the Brompton, which is manufactured in Britain and sells around the world. At a reception in Buckingham Palace 50 years of British design genius was celebrating.

Technological factor:

When transporting a Brompton Bicycle by Train, Car plane or boat it would be beneficial to have a protective case. There is a need for such a protective case to also double as a fully functional bike trailer so it will attach to the rear of the bike and be used to transport light to moderate loads.

-<http://www.stagecoachgroup.com>

SWOT ANALYSIS OF BROMPTON BICYCLE:

strength:

Brompton bicycle is travel free and without booking restrictions we can use on rail, bus, underground, ferry or air services. It's that freedom to travel anywhere that gives folding bikes a magic quality. A folding bike can be new ways of travelling. It's have many colour with extra tall frame to fit tall riders.

From 1976, Brompton was in business, but growth was infuriatingly slow.

Today, Brompton Bicycle Ltd turns out 100 precision-crafted bikes a day from its cosy in Kew.

Brompton bicycle sold in 27 international markets and servicing needs of the 200, 000 Brompton users who are already on the road. They make something fashionable. People like the Brompton because it's fun and it fits into their lives. In London, the bike is moving from being an issue of personal choice. On the corporate side, Brompton already leases a fleet of bikes to South West Trains at Waterloo. Mr Butler-Adams planned to provide package deals including bikes, training, storage and insurance to other companies. Brompton Bicycle is going to produce 25, 000 bikes this year, achieving sales of £7m- £8m. Ritchie expects it to grow 25% a year under the leadership of managing director Butler-Adams. Brompton bicycle exports to markets to Netherlands, America, Germany, Japan and Scandinavia account for about 60% of its sales.

weakness :

Brompton bicycle's seat pillars in both steel and aluminium versions.

standard seat pillar, the Brompton and Brooks saddles can be up to 995mm

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from the ground. If customer's inside leg is more than 33"/84cm, he will almost need either of the longer seat pillars. So for the shorter people it can be difficult for ride. It's not adjustable as other bigger cycle. The merits and drawbacks of small and large wheels alike can be argued into the late hours.

Opportunities:

The Brompton is the only bike in the world to combine such ready portability with a first-class ride, and it creates countless new opportunities for using a bicycle. Malcolm Shepherd, Chief Executive of Sustrans said: " Cycling England has been a crucial conduit for funding which has touched the lives of millions of people by making it possible for people to cycle for everyday journeys. And Brompton bikes are suitable for the every journey.

Here are so many bike company competitor for the Brompton bikes. Alldays [HYPERLINK " http://en. wikipedia. org/wiki/Alldays_&_Onions"](http://en.wikipedia.org/wiki/Alldays_&_Onions) & [HYPERLINK " http://en. wikipedia. org/wiki/Alldays_&_Onions"](http://en.wikipedia.org/wiki/Alldays_&_Onions) Onions, Bickerton- folding bikes. Boardman bikes, british eagle, claud bulter, dawes, etc.. bicycles are here. Like Brompton bickerton is also a folding cycle. It can be a main competitor. The Bickerton was a portable, aluminium folding bicycle designed by Harry Bickerton it had manufactured in the UK between 1971 and 1991. The bicycle was made of aluminium profiles and riding properties were poor, aluminium parts could never be properly locked in place. its weight and folded package size broke and it is cited by Andrew Ritchie as one of his inspirations in creating the highly successful Brompton bicycle. So the Brompton is better than any cycle thats why 70% Brompton bike are exporting to asia and Europe.

Threats:

The UK folding bike Brompton is a curious company. Brompton bicycle exports for around 75 per cent of its output, it continues to manufacture all of its bikes in the UK.

Brompton bicycle's many parts are custom made so it may bring delays and extra costs for repairing than authorized dealers. The bike is less suited to long rides as most models have restricted gears. Riders requiring a bottom bracket to saddle top height of more than 715mm/28" can select an extended seat post to give a maximum saddle height of 775mm/30.5"

-<http://www.bikesandtrailers.com/folding-bikes/brompton.html>

Before doing any business first we have to do pest analysis in that country which is following:

PEST ANALYSIS OF BANGLADESH:

Political environment

Bangladesh is a poor nation in South Asia its gained independence in 1971 against West Pakistan . After independence, Bangladesh has established a largely moderate and democratic majority as a Muslim country. The Bangladesh National Party and the Awami League traditionally have dominated Bangladeshi politics, with the AL in government since January 2009. Bangladesh was ruled by a military-backed caretaker government led by Fakhruddin Ahmed for two years prior to the return to democracy that was ushered in by the December 2008 election. The current Hasina

government came to power in free and fair elections with an overwhelming majority in parliament.

Economic environment

The economy of Bangladesh is a developing country its per capita income in 2008 was est. US\$1, 500. According to the International Monetary Fund, Bangladesh's rank was the 48th largest economy in the world in 2009. The economy has grown at the rate of 6-7% p. a. over the past few years. Most Bangladeshis earn their living from agriculture. Although rice and jute are the primary crops, maize and vegetables are assuming greater importance

Social environment

Bangladeshi population is largely Muslim. There are many dialects of Bengali spoken throughout the region. The dialect spoken by those in Chittagong and Sylhet are particularly distinctive. In 2009 the population was estimated at 156 million. Religiously, about 90% Bengali people are Muslims and the remainder are mostly Hindus.

Technological environment

The Bangladesh have Space Research and Remote Sensing Organisation which operates remote sensing facilities in both French and American satellites, and it is applying meteorological and geographic data to such basic problems as soil fertility, water management, forecasting, and agricultural census work. In 1986 it became the first non-American organization and it got a award by the United States National Aeronautics and Space Administration. They provided training for Bangladeshi scientists and grants of equipment and technical assistance. Bangladeshi Atomic

Energy Commission operates an experimental nuclear reactor and conducts as well important agricultural research on seeds, parasites, storage of harvested crops, and irradiation.

– <http://www.traderscity.com/board/countrytargetedleads/Bangladesh.html>

PEST ANALYSIS OF INDIA:

Political environment

After India's independence on August 15, 1947, India received most of the subcontinent's 562 widely scattered polities, or princely states, as well as the majority of the British provinces, and parts of three of the remaining provinces. Muslim Pakistan received the remainder. Pakistan consisted of a western wing, with the approximate boundaries of modern Pakistan, and an eastern wing, with the boundaries of present-day Bangladesh. India is a Sovereign, Secular, Democratic country with a Parliamentary form of Government. The Constitution was adopted by the Assembly on 26th November 1949 and it came into force on 26th November 1950.

Economic environment

India is eleventh largest economy in the world by nominal GDP and the fourth largest by purchasing power parity. The country began to develop a fast-paced economic growth and free market principles were initiated in 1990 for international competition and foreign investment. Per capita income in india is \$1, 030, ranked 139th in the world, while its per capita (PPP) of US\$2, 940 is ranked 128th. India's large service industry accounts for 55% of the country's Gross Domestic Product (GDP) while the industrial and agricultural sector contribute 28% and 17% respectively. In 2006 India

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exported US\$21. 8 billion worth of merchandise to the United States and Indian imports from the U. S. rose 26. 3% to \$10. 1 billion in 2006, up 146% since 2002.

Social environment

Current Population of India is around 1, 150, 000, 000 (1. 15 billion) people in 2010, of which Hinduism accounted for 80. 5%, Islam is (13. 5%), Christianity is (3. 0%) and Sikhism (2. 3%). these are the major religions followed by the people of India. There are 29 language in india.

Technological environment

The Indian software industry was grown from a mere US \$ 150 million in 1991-92 to a staggering US \$ 5. 7 billion in 1999-2000. The annual growth rate of India's software exported consistently over 50 percent since 1991. India's software exports would be around \$ 6. 3 billion, in addition to \$ 2. 5 billion in domestic sale.

-<http://www.stylusinc.com/business/india/encyclopedia.htm>

-<http://www.locatehotelroom.com/India/encyclopedia.htm>

PEST ANALYSIS OF NEPAL

political environment

An isolated, agrarian society until the mid-20th century, Nepal entered the modern era in 1951 without schools, hospitals, roads, telecommunications, electric power, industry, or civil service. The government encouraged import and export to promote good business and encourage growth which will

hopefully result in a higher employment rate, higher salaries and a better standard of living for all in time.

Economic environment

Agriculture is Nepal's principal economic activity which employing 80% of the population and providing 37% of GDP. Only about 20% of the total area is cultivable; another 33% is forested; most of the rest is mountainous. The main food crops are rice and wheat. The lowland Terai region produces an agricultural surplus is a part of which supplies the food-deficient hill areas. Export in recent years is approximately 70% of merchandise. Nepal's merchandise trade balance has improved somewhat since 2000 with the growth of the carpet and garment industries.

Social environment

Nepal's current population is 28, 563, 377 of which 80. 6 percent are Hindu, 10. 7 percent are Buddhist, 4. 4% are Muslim, 3. 6 percent are Kirat , 0. 5 percent are Christian, and 0. 4 percent are classified other groups such as Bön religion.

Technological environment

Nepal is a late starter in modern science and technology. it developed technological capabilities in some specific areas they are civil engineering, architecture, agriculture, metallurgy, water management, textile and paper manufacture, medicine, dyeing and food technology.

– <http://www.visitnepal.com/business>

PESTEL ANALYSIS IN SRI LANKA

POLITICAL ENVIRONMENT

Socialistic predilection in Sri Lanka was unswerving, but as time passed by it gave room for investment overseas in 1978. Board of Investment operates as a sovereign legal bureau with investment in foreign countries as a focus. BOI is authorized to yield grants to organizations that meet the basic eligibility standards on minimal investment, employment and exports. When the organization fails to meet the standards then its projects have to be sanctioned by the respective departments of the government. BOI also deals with the 10 zones of free trade, which is known as the export-processing zones. BOI possess the authorization to relieve any confinements on the FDI. Eleven huge privatizations were accounted for 34% of the FDI. Nevertheless due to the instable political conditions and conflicting ethnicity the advancement on this issue is been decelerate for years. The president sketched out regarding anti-privatization economical scheme in his electoral pronunciamento known as „ Mahinda Chintanaâ€™. Various enterprises of the state which designing itself to be privatized were not approved, this includes the airports and banks. Privatize. Organization was planned to be regulated by the government which will turn the loss into a profit-making organization.

ECONOMIC ENVIRONMENT

Sound rates of growth has been steady in Sri Lanka despite if its intense violence on ethnicity. Rich private demand of requirements, core industrialization, primarily the intensive labour textile industry and the advancement of domestic tea manufacturing hiked the growth rate of the economy. The well-disposed FDI policy of the government ensued the

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zooming inflows of capital. The deceleration in the global issues activated an acute condensation in the activities of the economy in the year 2001.

Subsequently there was a recuperation in the sectors of the industries that is impelled by a firm external demand and an increased growth rates in the sectors relating to service resulted in a sizeable enlargement of economical activities though the tsunami that hit the sectors of agriculture was critically damaged. Deficits in the fiscal aspects are an important issue to the government, which has been diminishing in the years past. The current fiscal obligates to cut back deficits. There are many industries that imparts in great value to the GDP that engages greater population of the manpower, this comprises of the industry in tourism, and the service industries. When taking industries into consideration, it is the textile industry that yields greater sum of revenues in export.

SOCIAL ENVIRONMENT

Sri Lanka holds a populace of 20, 238, 000, of which Sinhalese constitutes about 74%, Sri Lankan Moors constitutes about 7. 2%, Sri Lankan Tamils constitutes about 3. 9% and the Indian Tamils constitutes about 4. 6%. When religions are taken into consideration the Buddhists comprise a major share of 69. 1%. Sri Lanka is prominently a rustic area that holds 79% of the population. The populace medial age is 30 and 7. 8% constitute for an age group of 65 and over. The health index of Sri Lanka is fairly good when compared to other countries in Asia. The government has an expenditure of 46. 3% from the 4% of the aggregate GDP for medical expenses of the country. The expected life span is 73. 4yrs of the aggregate populace.

TECHNOLOGICAL ENVIRONMENT

The telecom sphere was improved to an incredible extent in terms of liberalizing right in the

90s. Act of Sri Lankan Telecommunication of 1991 founded the Sri Lanka telecom also known as the SLT, it awarded the permit to function in the global system.

-<http://www.kwintessential.co.uk/resources/global-etiquette/srilanka.html>

After analyzing the market we have found out that there is huge market opportunity in Sri Lanka to sell folding bikes. Due to low price there are more chances that Brompton folding bikes can become the market leader successfully after some time because of many reasons such as low cost, already operation exist in Sri Lanka and due to climate condition. If we talk about local competition, it is very less. The local players get the help by the government also where the government has distributed a project to provide good cycle facility supply to those households.

I'm a manager of this product and i want to make profit that's why I'm going to launch this product in south asia. I will launch this product in sri lanka and will export in 3 other countries, they are Bangladesh, india and Nepal. It will be better to launch this product in south asia because there labour cost will be low and we can sell this cycles in low cost. Brompton bicycle's cost in uk is £600 and over. Here, labour cost is expensive than south asia so we can't export from here. In south asia there is a scope for this product. There is a great number of people who are using bicycle but they aren't like Brompton they can't fold, they are difficult for their journey. so it will be a new kind of <https://assignbuster.com/potential-globalization-of-brompton-bicycle-economics-essay/>

cycle in south asia. I can make a profit. It will be cheaper so most of the people will buy it. I can make a market over there.

Here are different types to entering new market they are:

Export

Joint venture

FDI

Strategic alliances

Among these methods i'm going to use joint venture method because it will be better for my profit if i will export from here it will cost expensive. First i will go sri lanka and will talk in srilankan embassy, i will choose one cycle company as my partner over there and i will do good business over there and will make profit.

4PS ABOUT THE PRODUCT:

Product: my product is folding bicycle.

Price: labour cost will be low so per cycle it will cost £90.

Place: i will open my company in Colombo kingdom of sri lanka because there i can gget more facility than other place.

Promotion: The literacy rate is 92% in Sri Lanka which is considered as a good rate. To sell the Brompton folding bikes every company more emphasizes on direct marketing such as event or trade show and personal

selling. We will give this news first all over in sri lanka later 3 other countries by tv news and international news paper.

MARKETING PLAN:

Our product have made plan for Brompton folding bicycle for next five yrs. To increase our sale and profit we will spend half of our advertisement budget on personal selling because by this only we can aware consumers about our products and persuade consumers to buy the products.

PRODUCTION CAPACITY:

During the first year, product will be imported to Sri Lanka And later the demand of the product goes 3 other countries to have a manufacturing Unit can also be considered. This will result in better pricing of the product will result in more sales and Profits.

BUDGET:

Selling expenses:

Staff salaries, Sales support and distribution staff expenses are included. The total expenditure is

£ 1210000. 00

Sales and advertisement:

For radio advertisement =£5000

Newspaper/magazine =£6000

Tv ad =£25000

Sales promotion =£250000 including customer awareness program

Customer oriented =£200000

Trade oriented =£750000

Support line =£600000