

Issues and  
recommendation for  
export strategy  
economics essay



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For the company it is very important to focus on the low labour costing country like India.

Consistency of export strategy with other goals of the company

Demand of management personals, production capacity and finance.

Establishing a production unit to produce shoes in the country itself rather than importing in the country.

Logistic services and available modes of transport

Importing materials related to manufacture shoes like leather and other necessary materials.

Government policies regarding export and imports of materials from raw material supplying countries of its own to calculate cost of productions.

Indian market is having a rapid growth in the sale of such fashion oriented and foreign brands nowadays, so it is a considerable point to look forward for the expansion of the business.

Issues to establish local manufacturing facilities and getting support from local authorities.

EXPECTED RETURNS are worth spending such amount in the country we are planning to develop new business.

## **Recommendation(s)**

Company has to allocate and distribute resources according to need of export while establishing the business. It is recommended to export

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materials to India rather than exporting finished goods and just to sell them. Labour is the must to decide whether to export basic materials to produce goods or to export most of the materials needed in the production process. Needs of management personalities and qualified employees to handle business properly, by appointing highly skilled people in the company it can be resolved from the local country. Company has to maintain its brand value in terms of achieving desired goal by maintaining quality. It is important to focus on transport facilities.

## **Background**

As one of the leading shoe maker in the world ECCO has made its reputation and fame in the industry of shoe manufacturing. Karl Toosbuy founded company in 1963 in Denmark. It is a business operated by the family. The company has first expanded its international business in Brazil in 1974 by starting upper production. ECCO has focused mainly on the market presence and flexibility in cost to become successful in globalisation of its business (Global Value Chain Management, 2008). In Portugal company was having its major section of production in 1984 but further expansion led the production to other established facilities in Thailand and Indonesia in 1993 and 1991 (Global Value Chain Management, 2008). Some problems related to slow transportation in Indonesia it has started other facilities in countries like Slovakia and China. The main problem faced by the company in Asia was slow transportation and therefor it made company to look for another site to start production in Europe with lower labour cost because in Portugal labour cost was increasing. Politically unrest environment of Indonesia has also effected production in the country. The best step taken by ECCO was the

establishment of its production facility in China. China has supported ECCO very well. The local community of the Xiamen province was responsible and workaholic. Local authorities were also helping very much to establish the facilities and that made the development of business in China an easy-going step. ECCO' collaboration with Aibu the famous local shoemaker helped to expand its business. Aibu was well known and reputed firm in China and ECCO was having its brand value with it and the collaboration made a huge impact on the business of ECCO in China.

Company has also suffered from financial crisis. Investment done in expansion and inventories led them towards debt of DKK 2 billion from DKK 1 billion in 2000. After the determination of issues, which caused such huge debts, company recovered in 2004 and made DKK 150 million and the operation income margin raised 8% (Global Value Chain Management, 2008) by that year. Then company has set a target to achieve revenue of DKK 8 billion to DKK 9 billion by 2013 and set a target to sell approximately 24 million pairs of shoes.

## **Research on the Assessment Topic**

To expand and develop the business company has to get engaged in international trade or business with other firms or by starting its business in other countries. By selling its product in other by exporting it from the home country or by producing the product in the foreign country company starts international trade. As per the investment done by the company in different sites of production to produce either a full product or producing different materials required finishing the product it can be said the company has done a good progress in terms of expanding the business. The company has <https://assignbuster.com/issues-and-recommendation-for-export-strategy-economics-essay/>

divided the production of different materials to its different facilities around the world. The benefit from the division of production facilities was some relief from taxes and other regulations of government regarding cost and labour. The low labour cost and low tax policy led ECCO to establish production unit in China. The government act liberally and ECCO get much needed help in terms of keeping the production cost low. Government policies for cheaper transport rate and availability of modes of transport like huge rail network and good air transport facility helped expanding the business. Considering Indian market it is also a liberal market to establish new business. The policies of import regarding the business of shoe manufacturing are considerable to start manufacturing in India. Exporting required materials from other countries to India is beneficial at some level. As India is the second largest shoe manufacturing country after China, many of the required materials to produce shoes can be obtained from the Indian market rather than exporting them from the other countries. India is also having one of the world's largest rail networks. Availability of other materials required to manufacture shoes is also high in India so it is also required to focus on the utilisation of available resources rather than exporting from other producing facilities.

### **Arguments against the Recommendation(s)**

It is recommended to establish production unit in India. Regarding government policies for the importing materials required for production may cost higher than getting the same thing from the country. Due to underdeveloped infrastructure company is going to require more investment in response to create a better facility for production. It is advisable to get

certain material required for production from the country's local resources rather than exporting it from the home country. Due to a developing country it is difficult to get highly skilled management personalities from India. It will be easy for the company to export cheaply but importing in India the rubber made items are costing more than buying it from the local market at the import rate costing around 15%. While considering modes of transport underdeveloped road transport is worst to face. Roads and the regulations controlling road transport are not favourable to use for the transport though local companies are using it too much.

### **Arguments in support of the Recommendation(s)**

Resources are available in vast conditions to utilise because India is a developing country and the resources are not fully utilised in the country. It is not avoidable that India is a developing country but one positive thing about it that it makes availability of labour high at a cheaper cost. Because of company is finding a place with cheap labour cost India will be a good place to have business in terms of manufacturing. The modes of transport are also a positive factor, which works in favour of India. It has one of the world's largest rails network and widely available ports which can be useful to export products ready to use. As sea transport is widely used in Asian market it is a useful mode of transport, which can be used widely with good availability.

### **Implementation of Recommendations**

As the company wants to achieve success in global market starting business can be useful to it. India is the world's second largest shoe manufacturer that makes scope of improvement by market research. By considering company's <https://assignbuster.com/issues-and-recommendation-for-export-strategy-economics-essay/>

objective to maintain quality it is achievable in Indian market as it is still developing so it gives the company more opportunity to develop. Indian government is also making its international trade policies more liberal and it gives the company more space to expand and develop its business.

**Signature and Date:**

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