

Koyo jeans



**ASSIGN
BUSTER**

1. Introduction

Economic globalization accelerates the world economic and industry between the mutual cooperation and penetration makes the enterprise of the multinational business gradually become a common economic behaviour. Textile industry is one of the principal industries; implementation of international business is a kind of objective need, is the only way to participate in international competition. Implement transnational management faces a problem is the entry mode choice, the entry mode selection is influenced by many factors, and this choice can also affect the enterprise in the long-term development of an investor. This assignment is based on the multinational business market survey analysis, and carries on the summary.

Mainly analyze internal and external of KOYO, Macro and MicroEnvironment analysis, industry lifecycle analysis, evaluate the motivation of nationalization, use of porter diamond analysis of the competitive advantage, and the analysis of the market entry mode. At last, through the analysis of entering the new country to KOYO are summarized.

2. SWOT analysis of KOYO JEANS

Internal

External

Strength

1. Expansive computer-based system
2. The presence of store in Harbour City
3. Affordable prices (Koyo Jeans)

4. Only choose experienced franchise companies

Weaknesses

1. System management software
2. Shortage of talented individuals
3. Production process is still outsourced

Opportunities

1. Gain more consumers
2. Sell more products in China and Hong Kong
3. Online expansion

SO

1. Allow full play to their advantages and development space, give great impetus to cooperate with foreign clothing company.
2. Strengthen the brand construction, and continuously improve the market competitive power.

WO

1. Using the world location talent advantage, to hire the right talents.
2. Catch the vast space of the Chinese economy, speed up the steps of developing.

Threats

1. Recession in France
2. Growing demand for sustainability
3. High competitors
4. Rapidly changing fashion trends

ST

1. Use the system and mechanism advantage of KOYO to increase marketing capability.
2. Rely on KOYO's standardization management ability; continuously improve their management level and the product quality.

1. Strengthen cooperation with the larger group, enhance advantages of resources complementary. 2. Strengthen the cooperation with foreign clothing company, make up in the international market competitiveness of the shortage.

Through the SWOT analysis, KOYO has to face the challenge in severe than any time. Because cheap labour countries (e. g. Mainland China) clothing production is booming, and famous brand clothing is almost occupied in developed countries. Koyo has to develop and getting stronger in the international market, has to start from a height strategic, and constantly improve the international competitiveness, strengthen the adjustment of industrial structure, will realize large-scale industrial cluster; Quality supervision of clothing products and revise standard system; To strengthen the enterprise brand awareness, strive for the world first-class brand; Increase marketing efforts, develop marketing channels, and implement the strategy of market diversification, to strengthen the international trade protectionism consciousness, familiar with the rules of the game, pay attention to the protection of intellectual property;

To introduce and cultivate clothing related senior personnel, strengthen international cooperation and communication; To vigorously promote the virtual operation in the whole industry practice. So I suggest can enter to Britain and the United States this country. The following analysis is based on this two countries market.

3. 1 External MACRO and MICRO ENVIRONMENT of UK and USA

The	MACRO	environment
PESTEL	analysis	in Britain

Political

factors:

Britain has a good investment environment, infrastructure is extremely advanced, commercial laws and regulations are perfect. Britain is the EU's largest textile clothing market. The UK economy's development of foreign trade has high dependence. So pay special attention to and promote a completely free trading system. British Prime Minister Gordon Brown said he hopes more than 100 Chinese companies will invest in Britain before 2010. Although foreign trade laws and regulations take the EU common policy, but on the whole the British government is unlimited to the enterprise outside the European Union countries import or export, this makes a good market environment for the international trade. Economic factors:

According to the British textile and garment Association (UKFT), in 2011, British textile and garment industry sales reached 8.1 billion pounds, exports account for more than 91.0%, about 7.1 billion pounds. From the inlet side, in 2011 the British clothing imports amounted to 17 billion pounds, of which more than 75% of the products are from outside the European Union countries. In the UK clothing sales market, only 4.8% of the products are for local enterprise production. And Britain's economy with private enterprise as the main body, and manufacturing only one fifth, a few years ago British textile garment industry slowed down, and imports are increasing year by year.

Social

factors:

The British clothing quality requirement is high. Brand awareness is very strong, like brand textile and clothing. British people always pay attention to dress properly and beautifully. Due to the textile industry is labour-intensive

industries, in order to reduce cost, UK since the 1950 s, the formation of the industry production to the cheap labour of third world countries transfer or change the line of production, the domestic many small and medium-sized businesses have closed down, make the domestic industry employment reduce. Britain is the birthplace of the creative industries in the world, with a strong design capability and a large number of the world's top design talents, London are the centre of the design of the world. Technological factors:

British wool quality is good, sales volume is larger, the production of wool factory efficiency is better; but for the production of cheap clothing fabric demand is very big. British network service is very developed, the use of the Internet number as high as 83. 6% of the population. Environmental factors:

In recent years, the British requirements import textile and clothing products quality higher. From the traditional practical, beautiful, durable development to more pay attention to safety, healthy, environmental protection. Legal factors:

Britain imposed no intervention of free trade policy, no foreign exchange control, tax rate in Europe is low, and even the registered of the enterprise established without minimum capital, and London is the world trade, finance, insurance, transportation centre. Mercantilism tradition makes the British government for foreign capital to enter his land holding open attitude, the British government, each chamber of commerce, including enterprise and the mass media, for external investment is a welcome attitude. PESTEL analysis in USA

Political factors:

The United States is the majority of textiles and clothing imports country in the world. Due to the fierce competition, USA already from textile export country turns into textiles import country. The United States government helps the textile industry, encourage their export products, taken a lot of measures to develop their textile and garment industry.

Economic factors:

In 2012 the United States clothing footwear garment industry association (AAFA) announced annual report, clothing sales value increased by 4.9%, to \$283.7 billion. The United States market has 97.9% clothing come from all over the world. China is the biggest clothing supplier in American market, nearly 33.2% of clothing products from China. Social factors:

Have to mention the cowboy clothing, it seems to be the symbol of costume culture. In 1853, Levi Strauss using brown canvas fabric miners processing the world's first pair of jeans for San Francisco. Jeans quickly accept by the United States in the western area of the miners, paternalists. For more than one hundred years, jeans have always been the favorite of US young people. Jeans become a kind of understanding point of view the American culture. Technological factors:

US innovative technology is far ahead. The United States textile field of innovation ability and results greatly more than any country in the world, such as a variety of chemical fibre products: nylon, polyester, optical fibre, etc. The United States textile and garment industries equipment mostly are some highly modern equipment, some still for production innovation fibre special equipment, in addition to the United States is still no trace in other

countries. About network, at the beginning of 2012, the United States launched the 4G network ahead of the world, and they have 46.4% of Internet users in the population. Environmental factors:

The United States pays attention to environmental protection textiles. Characteristic is free from pollution to the environment, no harm to consumers, material renewable, biodegradable waste fabric after. Legal factors:

United States in textile trade has no equal trade barriers, the other properties of the tariff for 33.3%. For some products, United States mainly agricultural products and textile implementation quota management. In China, most types of set quotas and the number are the most severe.

The MICRO environment

Porter's five forces analysis

UK

USA

Threat of new entrants:

Using the new strategy of the price, have to pay more attention to design, version and fabric. Substitutes:

Casual wear and Suits are the biggest threat for jeans.

Bargaining power of customers:

UK is one of the largest clothing market countries of the European Union. So the competition is quite fierce. Customers pay more and more attention to the quality of the clothes and design. There are so many choices for customers, so the bargaining power is getting stronger. Americans spend in

<https://assignbuster.com/koyo-jeans/>

textile clothing consumption growth faster than the overall consumption growth. Customers require the branding more. But lots of the brand in the market, the competition is very strong. So buyers bargaining power is very strong. Bargaining power of suppliers:

Supplier bargaining power is weak. Because the British labour and raw materials are expensive, imported goods more cheaply. Lead to many British clothing manufacturers transformation, a large number of garment enterprises are going overseas or subcontract to overseas manufacturers to achieve a low cost. Supplier bargaining power is strong. Even in the face of fierce competition in the emerging industrial countries. United States also of textile export power into textiles import country. But textile and garment industries are still the main department of the national economy, on average for the United States to create the value of not less than 50 billion USD.

Rivalry:

FCUK? Agnes. B is one of the famous British enterprises. Have high reputation, also have a stable market. Levi's, Lee, Wrangle are the famous three major American jeans brand in the world. Their products have good sales on the market.

3. 2 Lifecycle Analysis of UK and USA

Stage

Development

Growth

Maturity

Decline

Sales

Market structure

A few competitors

More competitors

Fierce competition

Lack of competitiveness

Market development

Slow

Rapid

Deficit

Decline

The influence of profitability

Low cost, low price

Profit growth, reinvested profits

Fat profit, to reduce the investment? formation source of cash Price

competition and low growth maybe take its toll

Products

Quantity production

Flow line production

Experience curve lead to cost down

Emphasis on cost reduction, high efficiency

Industry productive power drop off

Buyers

The buyer accept unreliability

The buyers increase

Quality and dependability is important

Mass market

New product reduce
 Brand switching
 Know the brand very well
 choice base on price
 Competitors
 Pay close attention to new product
 Try to produce new product
 Market entry
 Try to innovate and investment
 Competition focus on design and quality
 Competition focus on style and price
 Some enterprise drop out the industry

4. Motive for internationalization of KOYO

(a) Find the new customers for existing products and services. Develop overseas market new customers for existing products and services. With the development of economic globalization, different countries consumer demand preference and consumption habits have the tendency of convergence, which makes KOYO could be products and services to a broader market. Global market demand is big potential. In developed countries, developed market and higher profits. (b) Creating core competitive ability.

Core competence are the source of enterprise competitive advantage, expand to overseas markets with greater range learning new technology, management experience, accumulation of customer needs understanding, and thus makes stronger core competitiveness.

5. National competitive advantage of UK and USA

6. Entry modes in UK and USA

Based on all previous analysis, according to the current market conditions, the follow are Britain and the United States suggested market entry mode.

There are four modes of foreign market entry modes:

Exporting

Licensing

Joint

Venture

Direct Investment

KOYO advantage is the factory in China, Cheap labour. Lots of British and American enterprise has no advantages of this. Use export this way can greatly reduce the cost of the factory in foreign countries, and British and American textile and apparel industry of the high price of labour. So we can minimize the risk and investment. But because of the American trade barriers

and tariffs cost is high; transportation cost is also very high. So is not suitable for export mode. KOYO already have patent, trademark, technology and mature management system, and also was successful in France, Spain, Macau, mainland China and Hong Kong market. In principle can be through licensing to enter Britain and the United States market. This is a more agile market entry mode, the process is fast, can be the local political risk minimization, get extra income. Nevertheless, this kind of income is also lower than the other model, because this kind of investment is less, although there is the potential for very large investment return. And it is easy to lose control. It has to influence the risk of reputation. So those two countries are

not suitable for licensing mode to enter the market. About joint venture have five common goals: market entry, risk and return sharing, technology sharing and cooperative product development, and in accordance with government regulations. Such partners on the strategic target of cohesion reduce competition. And plus can learn from each other. However, as it is, KOYO also hope to the maximum of the own competitive position. That can make the partner have a chip on each other, mutual trust. There is also the cultural conflict. It can be a very big threat to KOYO. So it is not suitable for the development of KOYO entry into Britain and the United States. Foreign direct investment is the most suitable entry mode for KOYO into Britain and the United States. First, KOYO has passed this way in the success of the French and Chinese mainland. Confirm that can have a very high operational control, and a better understanding of consumers and the competitive environment. KOYO can hire local designers, to establish a new enterprise or buying an existing entity company to operate. So I suggest KOYO can be in this way in Britain and the United States market.

7. Recommendations and Conclusions

This article covered KOYO's internal and external environmental analysis. In the macro environmental impact process, we can say KOYO has strong international competitive, Chinese clothing enterprises to export greatly increase for many years, so KOYO is facing good opportunities for development. Under the influence of the internal factors, organizations must change staff recruitment and employment welfare policy. Many rivals spend lots of money to employ the designer. This is kind of strength of KOYO, It can also strengthen. HOYO can employ some local design to increase their

competitive ability. Create a safe public praise. Set up effective enterprise culture of them. KOYO can pass into these countries, introduce some new equipment, enterprise staff training, and let technology walking in front of the industry. Constantly changing can be highlighting the status in the industry. It is important to establish a fixed group provides the high level of service. In the clothing industry, the competition is extremely fierce.

8.

References

1~China textile News (2012) Britain's textile industry recovery program suspected of shadow [online] available from <http://www.cfw.com.cn/html/Home/report/158885-1.htm> [28 Dec 2012] 2~Internet World Stats (2012) Internet Usage in Europe [online] available from <http://www.internetworldstats.com/stats4.htm> [27 Dec 2012] 3~Internet World Stats (2012) internet Usage statistics for all Americas [online] available from <http://www.internetworldstats.com/stats2.htm> [28 Dec 2012] 4~National Council of Textile Organizations (2012) U. S. textile industry [online] available from <http://www.ncto.org/ustextiles/index.asp> [27 Dec 2012] 5~Quichmba (2010) Foreign market entry modes [online] available from <http://www.quickmba.com/strategy/global/marketentry/> [27 Dec 2012] 6~Richard Ivey School of Business Foundation (2011) ' Internationalization of Koyo Jeans From Hong Kong', 2-11