



**ASSIGNMENT 1ST SEMESTER : EXPORT MANAGEMENT (EM)
EXPORT MANAGEMENT 2
(EM201)**

STUDY UNITS COVERED : STUDY UNITS 1 - 5

DUE DATE : 3:00 p.m. 20 MARCH 2012

TOTAL MARKS : 100

INSTRUCTIONS TO CANDIDATES FOR COMPLETING AND SUBMITTING ASSIGNMENTS

The complete 'Instructions to Students for Completing and Submitting Assignments' must be collected from the IMM GSM office, or the relevant Student Support Centre, or can be downloaded from the IMM GSM website. It is essential that you study the complete instructions prior to beginning your assignment. The following points highlight only a few important notes:

1. You are required to submit ONE assignment per subject.
2. The assignment will contribute 20% towards the final examination mark, and the other 80% will be contributed by the examination, however, the examination papers will count out of 100%.
3. Although your assignment will contribute towards your final examination mark, you do not have to earn credits for admission to the examinations; you are automatically accepted on registering for the exam.
4. Number all the pages of your assignment (e.g. page 1 of 4), and write your name and surname, student number and subject at the top of **each** page.
5. The IMM GSM requires assignments to be presented in a typed format and on plain A4 paper. This assignment must be completed within a limit of 1500 words, excluding the bibliography. Students who exceed the word limit may find that only part of the submitted assignment will be marked.
6. A separate assignment cover, which is provided by the IMM GSM, must be attached to the front of each assignment.
7. Retain a copy of each assignment before submitting in case the original does not reach the IMM GSM.
8. The assignment due date refers to the day up to which assignments will be accepted for marking purposes. The deadline is 3:00 p.m. on 20 March 2012. Late assignments will be accepted, but **25 marks** will be deducted from the maximum mark, if received after 3:00 p.m. on 20 March 2012 and up to 5:00 p.m. the following day, after which no assignments will be accepted.
9. If you fail to follow these instructions carefully, the IMM Graduate School of Marketing cannot accept responsibility for the return of the assignment. It may even result in your assignment not being marked.

Results will be available on the IMM GSM website, www.immgsm.ac.za, on Friday, 4 May 2012.

BACKGROUND

Assume that you are the managing director of Purcell & Winters (P&W), a clothing manufacturer based in the Western Cape. Your manufacturing operations cover a range of different types of clothing:

- Men's suits, slacks and sports jackets, in pure wool or wool blend woven fabrics
- Ladies' tailored jackets, trousers and skirts, also in pure wool and wool blend woven fabrics
- A range of casual wear comprising tailored track suits in knitted wool blends and cotton blends.

The ranges are designed to appeal to the conservative middle to upper income group in South Africa and the conservative middle income group in the United Kingdom and Germany. You have been exporting to these two markets for more than 25 years and your range is firmly established in clothing stores throughout both countries, as well as in South Africa. The fabrics used for the export suits are somewhat heavier in weight for the winter ranges because of climate differences. Your domestic and export markets are roughly equal in terms of volumes sold.

Although generally conservative in styling, your product lines are not outdated: each year, P&W commissions designs for the new summer and winter seasons from clothing design houses in Italy and the United Kingdom. The designers usually do preliminary sketches in their studios for your broad approval. They then spend two months at a time in South Africa, refining their drawings, cutting master patterns, discussing technical details with your production manager and generally ensuring that production of the ranges will not present any difficulties.

The designers also source the required fabrics for each range, either in South Africa or abroad. Although local textile manufacturers have improved their offerings over the years – and there are a few in the Western Cape that can supply fabrics suitable for the men's clothing range – the designers usually look to foreign suppliers for fabrics for the women's and casual ranges.

Over the years, this approach has resulted in the P&W workforce at all levels developing skills far above the average in South Africa and on a par with those in some of the best manufacturers in Europe. In addition the workforce is stable, and management-worker relations are excellent. You also generally have a good understanding with the trade unions, although you have suffered from time to time when broad-based strike action – which has not been aimed specifically at P&W – has affected your operations. Overall P&W is in a special market segment and has not been unduly affected by the rise in output of clothing producers in the Far East.

P&W has been in business for more than 40 years. Its main factory, producing the men's and most of the women's ranges, is still at its original site, although little remains of the original building. Your move into casual clothing occurred 15 years ago when you took over a small producer, and you have continued to use that factory for the rest of your ranges. Your current facilities at both plants would allow you to increase your output by about 25 per cent without any major difficulty. Any increase beyond that level, however, would necessitate major plant expansion.

You and the rest of P&W's board of directors believe that it is time to look at major export market development. The two existing markets are firm and show moderate

growth – you are expecting an increase in volume of about 7 per cent in the coming year. However, they tend to be subject to similar cyclical movements affecting the European Union from time to time. The South African market does not show major growth prospects in the immediate future, and you are expecting perhaps 3 per cent volume growth in the coming year. You all believe that a move into other continents would be wise. You also all feel that at some stage the two factories should be combined because greater cost efficiencies would result, although this would entail finding another site.

As it happens, you have taken a look at the Australian market and believe that, despite strong competition from local companies that contract out much of their clothing production to Chinese factories, your ranges can fill a market gap. Volumes would not be excessively high, but could account for at least a further 10 per cent increase in output.

You have recently been approached by a Canadian clothing importer/distributor who is one of the relatively few to supply clothing stores across the whole of Canada. The Canadian market has a similar conservative segment to that in Germany, the United Kingdom, South Africa and Australia. You and your Canadian contact believe that within a year, at a conservative estimate, Canadian sales could account for a further 5 per cent increase in P&W's output.

The most exciting prospect, however, has come about through the successful development of a contact you made with an American East Coast clothing importer. This relationship has steadily progressed over two years and it seems as though major business could result, equal to half of your present exports.

There are certain key questions: the American importer believes that really large volumes (in your terms!) will be achieved only if your price is made more competitive, perhaps through duty preferences under the Africa Growth and Opportunity Act (AGOA) extended by the United States. You understand that this would apply to your clothing, providing that the fabric is always sourced locally. Another possibility would be to move your factory to another location, such as Lesotho or Malawi, or some other suitable country in Africa, which enjoys greater benefits than South Africa under AGOA and where the source of the fabric would be less of an issue. Several of your director colleagues favour relocating at least part of P&W's production outside of South Africa in order to avoid all output being simultaneously stopped in the event of official strike action. Other countries in the region also have lower wages, and may offer attractive investment incentives.

ASSIGNMENT

[90]

Your assignment is to discuss the options for P&W outlined above, with recommended action.

You should first consider:

- The market opportunities presented to the company at the moment.
- The actual situation under AGOA regarding the American market.
- The feasibility of locating some production off-shore (i.e. elsewhere in Africa, if the purpose is to benefit from AGOA)
- Any other aspect that you think is relevant.

(10)

In order to give a valid assessment of the options, you should:

- Examine the terms of AGOA regarding clothing made in South Africa and in other African countries. **(15)**
- Investigate basic costs of production in at least one other African country and compare them with those in South Africa. **(15)**
- Research and evaluate South Africa and the country/ies you have chosen as an export base according to other criteria you think are relevant (there are a number that should be considered). **(30)**

Based on the above, you should summarise your evaluation and give recommendations. **(20)**

PRESENTATION [10]

Present your work as a business document (*not* a flowing essay) under appropriate headings and sub-headings. Do not exceed 1 500 words in length. Ensure that you fully reference your research sources.

ASSIGNMENT TOTAL: 100