

GLOBAL MARKETING

SPANISH COMPANIES IN EASTERN EUROPE

THE CHALLENGE OF THE SERVICE SECTOR

The Spanish business have decided to use the franchise formula to penetrate in the east European market, which suppose a market potential of more than 100 million consumers. Well-known firms such as Telepizza, Zara, Springfield or Mango are fabulous examples as they have advanced projects for entering to this Eastern Europe region.

There is also a very interesting group of business such as Pressto, Solmania and more exactly Paella d'Or (which is specialized in prepared meals) and that are also entering to the Eastern Europe region.

These groups of business have decided to go through this project after realizing the high potential existence of franchise development which is present in these countries (Poland, Hungary, Check Republic, Slovakia, Slovenia, Bulgaria, Rumania, Leetonia, Estonia y Lithuania). There is the growing necessity of the population to see satisfied their demands in services, which are increasing progressively at the same time their economic developments are consolidated.

This is the reason why I choose to concentrate in MANGO because it is in the service sector where the Spanish businesses are more competitive in the franchises ambit (the statistics of the UE show that Spain is in the fourth place after Germany, England and France, in front of Italy). However this leadership is mainly due to its aggressive commerciality and the international growth of its brands.

These both factors with the franchise formula which permits an internalization business strategy with moderated costs are helping the Spanish entrepreneurs to face the challenge that Eastern Europe imply.

WHY A FRANCHISE

A recent study made by the Gallup Institute show that the investment in the franchises can vary between the 30,000 € and 150600 € and that it means a reliable investment in difficult times. Furthermore the franchise has a 92% of probability to survive the first two years of activity, against a non-franchised business, which would have an expectative of only a 15%.

The survey includes optimistic numbers that encourage Spanish service firms to conquer this market:

- In Poland there is capacity for 500 franchises against the current 80 ones.
- In Hungary, Romania, Bulgaria, Check Republic and Slovakia this capacity is between the 40 and 450 franchises, against the 23 which existed in Bulgaria or the 20 which existed in Romania.
- The most developed market is the Hungarian one, where we can find currently more than 350 franchises.

MANGO is a prestigious multinational company dedicated to the design, manufacture and marketing of clothing garments and accessories for women. It has over 5.500 employees, 1.300 of which work at the company's central offices in Palau-Solità i Plegamans (Barcelona).

They currently have more than 700 stores in 73 countries located on the five continents. And their expansion is continuing with the entry into countries such as China, Italy and Australia. Among their last international openings in the Eastern Europe countries we can find Czech Republic, Romania this last November 2004, and

Slovaquia this November 2005.

HOW IS MANGO ENTERING IN THE EAST EUROPEAN COUNTRIES

The MANGO fashion chain offers its franchise system throughout the European Union and in major capitals and cities of the rest of the world. Mango's franchise system covers aspects relating to product marketing and franchise management, so in resume MANGO offers exclusively the fact of maximizing the sales while they will:

- Inform of latest tendencies
- Provide with a complete collection.
- Serve in accordance of the needs, to avoid possible anticipated investments and accumulation of stocks.
- Carry out the decoration of the store.
- Trains the sales and management teams.
- Continuous assessment made by periodic visits of merchandising professionals.

For MANGO, entering to the Eastern Europe countries supposed high potential existence of franchise development, but they had also to consider the possible threats and their weakness points, because when they decided to go through this step, they found that it was difficult to find a suitable partner and another key point was the lack of control over the business, and specially of the brand.

For Isak Halfon, the expansion director of Mango the control of the brand is essential to avoid that the image dilutes. That is the reason why we have around 70 supervisors who travel around the world, visiting all the stores every month. This means an important economic effort but prevents our image to get damaged.

On the other hand, the possibility of entering this new market and in the way MANGO is doing it (by the use of franchises) also means great opportunities such as:

- This way is really suitable for the expansion because it reduces the inherent risks at the beginning of their activity, moreover, when they are

trying to find local partners, is mainly him who will assume the majority of this risks.

- A quicker growth due to the less risk.
- An improvement of the profitability and more diversified ways of revenues.
- Take advantage of the scale economies.
- A decentralization of the management.

These opportunities have to be taken into account, considering also the strengths of such a firm. I would mainly mention three of them, which have allowed MANGO to enter to Eastern Europe: concept, team and logistics.

- ◆ It is the creation of a concept." The Mango concept comes from the interrelation between a quality product with a distinctive design and a coherent and unified brand image. Dressing the young, modern woman for her daily needs is a formula that is analyzed, adapted and applied to all the countries in which they we are present."
- ◆ The team, this means to encourage continuous improvement in the day-to-day management, some ways to do this is by promoting continuous training, leading by example, creating a climate where ideas may be contributed, and the most important is that they transmit this know-how to all their subsidiaries and store teams throughout the world. That is the reason why they say that *our greatest asset is our people*.

- ◆ MANGO bases its logistics on an in-house system which has been developed since the opening of our first store in 1984 up to the present date, through acquiring and adapting the latest technologies. This allows them to classify and distribute 30,000 garments an hour. That is why they are currently the second biggest export company in the Spanish textile sector. In order to develop a truly integrated infrastructure, MANGO supplies its franchisers on a

sale or return basis. The objective of this is to ensure that all their sales outlets, located throughout the world, have the goods they require in accordance with rotation speeds and sales forecasts. In this way, they are able to guarantee that goods are constantly renewed and that production keeps up with the market demand, in terms of volume and variety.

MARKETING PLAN

The factor price is one of the principal reasons of the exit and prestige of MANGO, the questionnaires show that 65% say to buy in this shop because of the price reasons, against a 20% who say that is not the reason.

It is also shown that MANGO is one of the businesses more important in the feminine market because a 95 % of the questionnaires say to be buyers of these stores, a 75% say to be eventual buyers and only a 20% buy sporadically.

In Czech Republic, the business has two main discount seasons which are between January and February, and the other between June and July. To support these promotions, they realize an important advertising campaign in which they announce their products half the price approximately.

MANGO uses around 12 million euros per year to make up their advertising image. the advertising team uses, in Czech Republic, around 2000 commercial catalogues in every store, the advertising in press and direct mailing. At the same time, this team advises about the corporative image, being responsible of the image in order to achieve a business image between all the MANGO stores in the world. Currently it uses 4% of their budget in advertising.

Basically their want to communicate the same idea in the entire world, and the success of their advertising is due mainly to:

- Glamour, using the main top models of the moment, among them , Claudia Schiffer, Naomi Campbell, Eva Herzigova, Judit Mascó.
- Quantity, MANGO invests around 3000 annual millions to make a soundness brand and protect itself in turbulent periods.
- Different, every advertising campaigns goes together with the evolution of the firm, they have their own magazine and catalogues.

CONCLUSIONS

One of the reasons why MANGO has grown so quickly is mainly due to their expansive strategy in the national and international ambit. In the national growth they use their own stores, but their growth to the Eastern European countries has mainly been characterized by the use of this franchises.

In these countries the one who buys the franchise doesn't buy MANGO'S clothes but gives the right of the local and assumes the costs of the decoration, it is the central who controls that the stands are always full of the products. The product will only be paid by the one who buys the franchise only in case that it has been sell, permitting to the central the return of those products which were not commercialized at the end of the season.

The advanced informatic system, based in the just in time principle, permits to the owner of the franchise to communicate on-line with the central and ask what it needs in an immediate way.

To sum up, MANGO'S growth to the Eastern Europe market is not only due to the management of the company but because of their capacity of adapting to the demands of this market, and always taken into account the concept of MANGO (a good example would be that in Poland and Czech Republic their winter collection is wider than other countries of Europe)

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