

O
by N J

Submission date: 13-Apr-2021 02:36PM (UTC+0300)

Submission ID: 1558051548

File name: expansion_of_manufacturing.edited.docx (50.34K)

Word count: 2308

Character count: 13060

FICTIONAL CASE: INTERNATIONAL BUSINESS BLUNDSTONE

¹
by Student's Name

Class/Course/Code

Professor's Name

University/School

City, State

Date

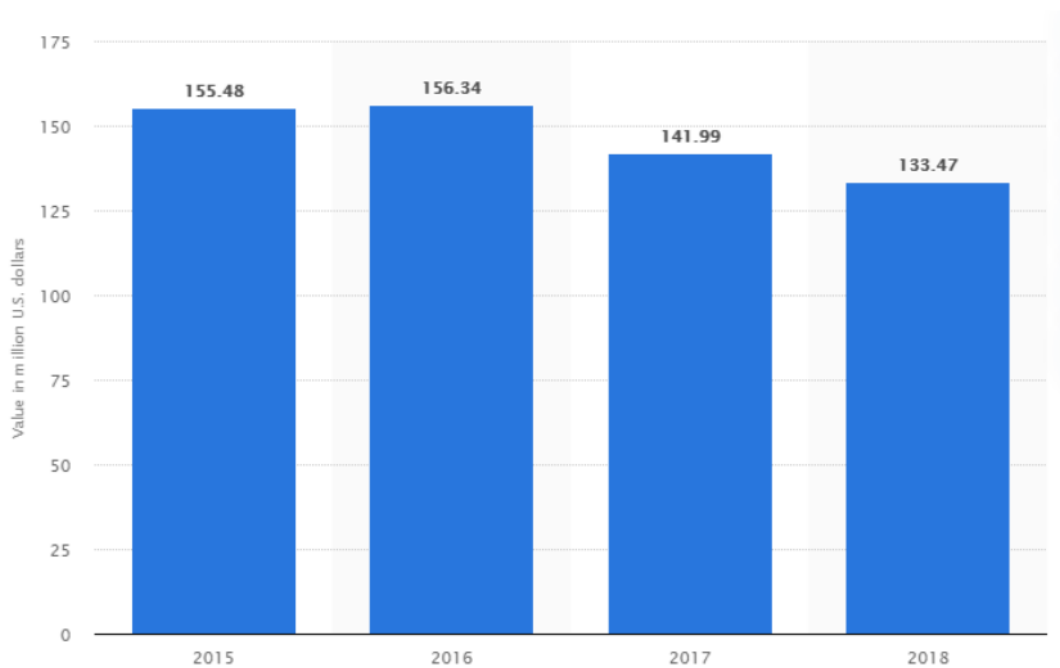
Fictional Case: International Business Blundstone

Blundstone company has specialized in making iconic boots and footwear in several countries. The Company comprised a highly integrated group of firms managed and ran by a family. Tretyakova (2018) states that this Company was established in 1840s, but the family bought it in 1932 and integrated their name into Blundstone. Although the Company has developed the brand and made it known across different countries such as Australia, China, and Vietnam, it has also focused on creating quality products and satisfying its customers. Also, they have concentrated on increasing their market share by incorporating other footwear manufacturing companies such as the John Bull brand. After combining the John Bull, the Company now has two brands, including John Bull, sold in New Zealand, and Blundstone, which is sold worldwide. Therefore, the Company now aims at expanding its manufacturing to Costa Rica. This paper will focus on the suitability of Costa Rica in increasing its manufacturing.

Economic Conditions for Costa Rica

The economic climate of the country plays a critical role in supporting foreign companies' investment. The first thing that a company will consider before moving to Costa Rica is its economy, including setting the Company and the customer base. Blundstone has gathered significant reasons for expanding their business to Costa Rica. For instance, the Company is focusing on increasing its revenues. When the firm has utilized the growth chances extensively in their home, they focus on international expansion to help their Company grow. Therefore, the Blundstone company focuses on expanding its markets to Costa Rica to explore more markets and obtain more customers, increasing sales and revenues.

Another reason for Blundstone to expand to Costa Rica is the high market in the country. In 2018, Costa Rica imported footwear nearly 133.5 million United States dollars. Although the imports reduced compared to the previous year, it still indicates a chance for Blundstone to explore new markets in the country. China led in importing footwear in Costa Rica, which After exploring and being successful in the countries they operate, Blundstone should involve itself in looking for new markets. Nevertheless, before applying to the new government, the Company is required to do research. Based on the footwear market in Costa Rica, it will be suitable for the Company to expand its manufacturing.



Source: Lopez (2020)

Moreover, Costa Rica has significant footwear sales; therefore, while China is the biggest supplier, Blundstone can enter their manufacturing process to gain a competitive advantage against other companies. According to Tulung (2017), entering the market before the competitors

go is essential in marketing the brand. Moreover, expanding the Company to other countries such as Costa Rica allows them to out of the saturated market because it provides new clients and a call where the competitors do not have much influence.

Costa Rica has a stable economy which makes it essential for the Blundstone to expand their manufacturing process. Growing to a stable country will help the Company establish its operations where there are no challenges in rising and falling in prices. Although the economy mainly depends on tourism, agriculture, and industries, the Company looking to expand to another nation will not look at the gross domestic product but on the customer base. Therefore, Blundstone will have the opportunity to diversify its products to the new country, such as introducing new products that will match the customer preferences in Costa Rica. Through diversifying the market and sales, the Company can obtain more sales and enhances their sales.

Moreover, companies provide products of varying prices. However, every product always has its customer base depending on the economic level of the country. The financial status of Costa Rica is stable because it comprises a relatively high standard of living (Gimenez and Barrado, 2020). Also, the same source added that the country has a constant banking system with several state and private banks. The stability of the economy makes Blundstone expand their manufacturing process because they know that individuals will be willing to purchase their products at the prevailing prices. Furthermore, after reviewing the footwear market in Costa Rica, it indicated high chances for the customers to purchase the product and the opportunity for economic prosperity. Nevertheless, the most significant risk in entering the country will depend on the prices of producing the country's goods and that of exported boots, especially coming from China, because the graph indicated that China is the largest importers of footwear in the country (García Herrero et al., 2018).

Cultural Considerations

Culture plays an essential role in expanding the business operations to another country. Different countries have varying cultures, which makes it a challenge for some products to be sold. Culture can differ from the spoken language in the country to religious practices and food types taken by individuals. Therefore, there is a meaningful role for marketers to consider how they will handle the differences, especially when entering a new market. In most cases, marketers are forced to change their marketing mix or include the advertisement's language that every individual will understand. Nevertheless, Blundstone has focused on developing products associated with the way individuals live in Costa Rica and thus cannot alter the country's culture. Acceptance of the product and the Company is vital in enhancing the progress and success of the operations.

Spilker et al. (2016) emphasized that the citizens of Costa Rica are friendly and welcoming. Hence, this is a critical aspect for Blundstone to build personal relationships with citizens to allow their products to be accepted and the industry. Manufacturing plays a crucial role in Costa Rica because the government is working on expanding on sectors. Nevertheless, Blundstone will face a challenge in language because Costa Rica's official language is Spanish. Therefore, the company marketers will need to use Spanish in their advertisement despite English being the most spoken language. Language plays an essential role in the business; therefore, using Spanish will make the county citizens develop trust with the Company and realize they are connected with the brand. The Blundstone manufacturing company expanding in Costa Rica will have to make their business cards and promotional resources in Spanish and English.

Moreover, business talks and consultations will be slow because the decision-making process is consensual and comprises several individuals. Therefore, although the country's cultural environment is sufficient for the Company's establishment and success, there are significant risks when it comes to cultural recognition in responding to time. The majority of Costa Ricans understand and recognize the value of conservative attire, thus making them punctual. Nonetheless, they have a relaxed attitude, making them have delays in the Company, especially during meetings. Moreover, another risk is on bureaucracy to be circumnavigated; thus, with an increase in adjournments in paying bills and invoices, the Company will need to develop proper strategies for handling their payments in advance to avoid the common delays in Costa Rica.

Population plays an essential role in establishing the Company and checking if there will be an available market. The country has accepted technology and the highest percentage in the country are technological oriented. The coronavirus pandemic resulted in many companies moving their marketing platforms to online; however, Blundstone has also implemented online sales. Therefore, Costa Rica is a member of the European Convention on Cybercrime (CEC), which focuses on punishing cyber criminals. The country does not have unique cybersecurity challenges, making it an essential element in Blundstone to establish their manufacturing and sell their products online.

Different country fosters further developments, for example, some countries resist technology because of their culture and those that allow and enhance it. Costa Rica is among the countries that will help supports technology advancement. They have changed from a dependence on agriculture to a varied, contemporary, and growing economy. Moreover, Gleason (2018) emphasized that Costa Rica relishes a continuous movement of Science, Technology,

Engineering and Math's (STEM) university graduates hence, making the citizens well educated and attaining the necessary skills needed in the industry.

Political and Legal system of Costa Rica

Political stability plays a crucial role in the establishment of a foreign company in the country. Therefore, it is essential to recognize the administration and individuals of Costa Rica's attitude before the manufacturing operation is brought into the nation. Blundstone has invested in different countries, including China, Vietnam, India, Mexico, and Thailand; therefore, it has past experiences supporting other countries. Similarly, Costa Ricans do not have a problem with foreign companies and products coming into their country because they have invested in developing their industries, thus changing their primary production, agriculture to industrial.

Costa Rica has stable political stability and attitude in foreign companies coming to invest in their country. Kubickova and Li (2017) claimed Costa Rica's administration is the most durable than other Central and Latin American countries. Although Costa Rica is a democratic republic, it has managed to maintain peace in the country to ensure foreign investors have ample time to develop their industries and encouraging them to supply their goods with no restrictions. Through enlightened leadership, the government has fostered its products' exports through offering subsidies (Jenkins and Arce, 2016). Therefore, Blundstone company can benefit from selling their products to other countries from Costa Rica because exports are encouraged and supported by the government. Similarly, the country has good education chances to Costa Ricans have the necessary skills that the industry requires, and thus, Blundstone will get local labor.

Taxation is an essential part of the country that determines if the Company will attain its objectives and continue operating in the region. However, when countries overtax foreign

companies, they will probably have no choice but to move away from the government. It will increase production cost and prices of their products hence affecting them in the competitive market. Morera et al. (2020) claimed that Costa Rica is the sixtieth in ease of paying taxes. However, the difficult part for Blundstone is the high taxes because Costa Rica charges corporate income tax of thirty percent, the value-added general sales tax at thirteen percent, and the social security involvement of twenty-six-point three percent.

The Currency of Costa Rica

Currency is what holds the value of products or revenues made by the Company. Therefore, the Company needs to consider the country they will invest in to ensure they do not sell their products at higher prices because of inflation or exchange rates. People come from different countries, and companies will always move to the countries where they see a potential for growth and want to be close to their customers. Costa Rica uses Costa Rican Colón (CRC) as their currency less than the United States dollars (Arguedas-Campos, 2019). Therefore, although the economy is stable, Costa Rica is facing a significant challenge on the growing debt and a budget shortfall. Moreover, the developing dollarization is a risky situation for Blundstone investing in the country because inflation can adversely affect foreign direct investment. After all, it can result in policy instability.

Logistical Considerations

Blundstone expanding manufacturing in Costa Rica is because of the lucrative market and the need to interact with its customers. The Company will focus primarily on Costa Rica as the broad market is in the country; however, they will also export to other countries. the free trade agreement with the other countries will help Blundstone sell their products at a reasonable

price. Free trade has enabled the country to trade with other nations easily, and also the cost of exporting is also reduced.

In summation, before the Company can expand their operations to other countries, they need to consider certain factors to check if the nation is suitable. The first economic factor is critical in the Company as it ensures that there is a ready market for customers to purchase certain prizes willingly. Also, political and legal considerations play an essential role in the success of the Company. Costa Rica has a stable political system which makes it possible for companies to thrive. Costa Rica has a reputable culture that supports the Company's growth and development in terms of products and citizens' attitudes. Currency is also vital because some countries use money that will cost much in the exchange rate. Therefore, Blundstone can build the industry in Costa Rica.

Reference List

- Arguedas-Campos, C.L. and Vallejo-Esquivel, G.M., 2019. Analysis of the reference interest rates in Costa Rica, in national and foreign currency, from a financial investment perspective using the Fischer International Effect Methodology. *Economía y Sociedad*, 24(56), pp.18-46.
- García Herrero, A., Marbach, T. and Xu, J., 2018. *European and Chinese trade competition in third markets: The case of Latin America* (No. 2018/06). Bruegel Working Paper.
- Gimenez, G. and Barrado, B., 2020. Exposure to crime and academic achievement: A case study for Costa Rica using PISA data. *Studies in Educational Evaluation*, 65, p.100867.
- Gleason, N.W., 2018. *Higher education in the era of the fourth industrial revolution* (p. 229). Springer Nature.
- Jenkins, M. and Arce, R., 2016. Do backward linkages in export processing zones increase dynamically? Firm-level evidence from Costa Rica. *Journal of Business Research*, 69(2), pp.400-409.
- Kubickova, M. and Li, H., 2017. Tourism competitiveness, government and tourism area life cycle (TALC) model: the evaluation of Costa Rica, Guatemala and Honduras. *International Journal of Tourism Research*, 19(2), pp.223-234.
- Lopez, A, M. (2020). Costa Rica: import value of footwear 2015-2018. Statista.
<https://www.statista.com/statistics/1084641/costa-rica-imports-value-footwear/>
- Morera, D.A., Vargas, H., Monge-Arino, F., Mora, D., Gomez, A., Chacón, M.S. and Sandoval, C., 2020. F: Costa Rica.

- Spilker, G., Bernauer, T. and Umaña, V., 2016. Selecting partner countries for preferential trade agreements: Experimental evidence from Costa Rica, Nicaragua, and Vietnam. *International Studies Quarterly*, 60(4), pp.706-718.
- Tretyakova, M.F., 2018. Metaphor and metonymy in the conceptual field "clothes". *Sciences of Europe* , (32-2 (32)).
- Tulung, J.E., 2017. Resource availability and firm's international strategy as key determinants of entry mode choice. *Jurnal Aplikasi Manajemen*, 15(1), pp.160-168.

ORIGINALITY REPORT

1 %	1 %	0 %	1 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.coursehero.com	1 %
	Internet Source	

Exclude quotes Off

Exclude matches Off

Exclude bibliography On