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In addition to its privately owned production facilities, the Danish shoe manufacturer ECCO has two distribution centers in both the United States and in Tønder, Denmark. From Tønder 60,000 pairs of shoes are trucked daily to 25 European countries; shoes for markets outside of Europe are freighted to those countries (Nielsen et al., 2008). ECCO also retails its own products, owning its own stores, opening its 1000th in 2011 and is currently retailed in over 4,000 locations worldwide. Moreover, the firm sells its products online via online shops operating in the US, Europe, and Australia.

Denmark's average salary levels are significantly higher than in other countries ("Understanding the Tax and Social Security System in Denmark," n.d.). In light of high labor costs locally, it is understandable why ECCO has followed an internationalization of production strategy in having privately owned facilities in Portugal, Indonesia, Thailand, Slovakia, and China where the cost of labor is considerably less. ECCO's production strategy has also helped the firm achieve production differentiation, for example in Thailand, a country well regarded for its commitment to quality management and precision. According to Hill (2009) exporting has advantages and disadvantages. For ECCO this has meant attaining higher profit margin and greater profitability as well as product differentiation from those of competitors, by basing their operations in locations where there is value and market creation at lower production cost. Such was the case with ECCO's foray into China, where its operation in Xiamen is able to serve the Chinese market exclusively (Nielsen et al., 2008).

Disadvantages to exporting can surface, however, in terms of the cost of exporting from the firm's home country as opposed to exporting directly from the production facility abroad, if the firm in question has those overseas facilities (Hill, 2009). Rather than seeking to cut exportation costs by shipping to markets from its overseas facilities, ECCO in 2001 actually expanded its warehousing in Denmark an additional 9,000 square meters and is committed to exporting mainly from Denmark proper (Nielsen, et al., 2009). This may have been mainly for quality management reasons, as the firm prides itself on the high quality of its shoes and leather and perhaps is not willing to take the risk of cutting costs in this area by shipping from its overseas facilities. This particular aspect of centralized quality control differentiates it from Clarks, the English shoemaker which has had a more difficult task monitoring material standard and product quality by having so many independent manufacturers. However, as ECCO owns its international facilities, it would be advisable for the firm to explore cutting export costs in terms of expanding its distribution centers to include Asian markets and for there to be no need in effect for product to go through Denmark. This is an organizational issue that requires a rethinking of how to implement stringent quality control overseas and reconfigure the manufacturing process in a manner that does not require the shuffling of product to and fro before it is finally shipped to market.

ECCO perhaps is satisfied with its current global supply chain and may view it as a gradual process in terms of establishing an Asian distribution center beyond Denmark's everyday inspective reach. To some extent this is the case with its tanneries which are located in Denmark, but also in Thailand and China ("Opening of ECCO's

China Tannery,” 2009). The opening of the China tannery is a significant stride in the possible direction of more Asian autonomy for the facilities located there. Could such autonomy and the subsequent result in cost savings in not having to ship product to the Danish or American distribution centers ultimately mean lower costs for customers?

One of the reasons ECCO shoes are on the higher end in terms of pricing is perhaps due to the current margin costs of production. If an Asian distribution center located in China or Thailand significantly reduced those costs, the savings could well be passed on to consumers.

Reducing costs in general is a common theme in the footwear industry that ECCO’s main competitors Geox, Clarks and Timberland also practice (Nielsen, et al., 2008). ECCO is reluctant to outsource, however, which keeps its costs higher in my view. Regarding its tanneries, for example, ECCO is regarded as unique in the footwear industry for owning them in conjunction with their production facilities. A full 80 percent of ECCO’s shoes are produced in-house as a result (Nielsen, Pedersen & Pyndt, 2008). Nevertheless, the key reasons driving ECCO to globalize its production facilities and supply chain have been to increase its market share and reduce its labor costs. The company’s competitors, moreover, all still utilize overseas outsourcing in order to reduce costs, ECCO at a level of about 20 percent.

To some degree ECCO has bragging rights in the footwear industry in terms of their reputation for superior commitment to quality. Their unique degree of ownership control is a fundamentally a strength, and yet at the writing of the Nielsen et al. (2008)

article, ECCO was struggling with how to enter new markets, perhaps due to pricing and lack of variable product offering. Geox had been well doing exceptionally well with their Geox Shop stores, which was undergoing a new product offering of clothing. Timberland consistently had been doing likewise with clothing, apparel and accessories, which constituted a quarter of their revenue in 2008. What needed to happen then for ECCO was a similar expansion of its stores and product line. Much to ECCO's good fortune, that appears to have happened since the 2008 article.

It would be advisable for the firm to continue to follow Timberland and Geox's lead as a "Fast Second" player with offerings that are attractive to customers and potential ones alike. When customers walk into a Geox store, they see clothing, for example, as they also would in a Timberland shop; whereas ECCO has mainly shoes and leather handbags as well as some accessories. There is arguably too much focus on leather in my view, which may alienate customers who are sensitive to animal welfare and environmental issues in general. While ECCO, Geox, and Timberland, target each a respective market segment, ECCO products are consistently more leather oriented. A change in product offering, for example, an expansion into the clothing sector, would take a rethinking on how to supply that as per their global supply chain. Certainly if ECCO wishes to expand its customer base, it would be advisable for the firm to move in this direction.

Competition as a whole in the footwear industry has caused investments in supply chain cost optimization and new technologies which can pass value as well as savings on

to consumers. We see these dynamics playing out with ECCO and its aforementioned competitors. We see ECCO for example pursuing “First Mover” tactics in its direct injection production technology and marketing it to the consumer as an innovative value proposition. Geox has done the same with its breathable membrane technology, Clarks with its air-cushioning technology, and Timberland with its injection molding production technology (Nielsen, Pedersen & Pyndt, 2008). However, “Fast Second” is an approach that can be used in conjunction. Buisson and Silberzahn (2010) compared “First Mover” and “Fast Second” approaches in their research on the domination of new markets. Citing their studying of twenty-four innovation cases, the authors stated that innovation that successfully leads to market domination comes about through four types of breakthroughs that are simultaneous or separate. The breakthroughs are categorized as follows:

A technological breakthrough: A new technology that winds-up dominating the leading technology

A business model breakthrough: A new way to create value through the exploitation of business opportunities

A design breakthrough: A new way to design a product without changing it profoundly.

A process breakthrough: A new way to do things (manufacturing, logistics, value chain, etc.) (Buisson & Siberzahn, 2010, p. 370).

ECCO, Geox, Clarks, and Timberland could each respectively break further away from each other. They could either lead as “First Movers” or follow as “Fast Seconds” with above-like breakthroughs, followed by a strong marketing campaign to reach customers via observing trends in the marketplace and quickly acting on them. In this manner, ECCO could target leather consumers less and be more inclusive in the sense of seeing everyone as a potential customer, even those who shy away from leather goods. Here, breakthroughs relative to the clothing sector are recommended as a pursuit in ECCO’s supply chain. Eco-friendly clothing and apparel could play a huge role in growth, differentiating the company from Geox, and Timberland, thereby opening up a whole new customer base in future years.

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