



**UNIVERSITI PUTRA MALAYSIA**

***A CASE STUDY ON TOWYONGI SDN BHD FEASIBILITY STUDY ON  
EXPORT POTTERY TO SPAIN***

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A case study on Towyongi Sdn Bhd feasibility study on export  
pottery to Spain / Chen Shiang Yih.

# FEASIBILITY STUDY ON EXPORT POTTERY TO SPAIN

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**2001**



*A Case Study on Towyongi Sdn. Bhd.*  
*Feasibility Study on Export Pottery to SPAIN*

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**Chen Shiang Yih**  
2000/2001

## AIM OF THIS STUDY

The main objective of this study is to come up with a marketing plan to solve the problem of Towyongi Sdn. Bhd. by exporting pottery to oversea market by themselves. The method of analysis used in this case study was the SWOT. The SWOT analysis managed to identify the alternative strategies, which are the most important.

This study also aimed to provide a model for project writing for the masters students in Business Administration, to write a case study analysis concerning the marketing plan that are commonly encounter in the business establishment. Finally, it also aim to help Towyongi Sdn. Bhd. to sustain the competitive advantages and hopefully to achieve mission in the near future.

## ABSTRACT

Towyongi Sdn. Bhd. is a medium size private limited company involved in pottery design and manufacture. In order to protect the interest of shareholders and strive to provide attractive return to share holder fund, where it had made drastic decision to move from the backyard manufacture to the Ceramic Park in year 1993 and bought a set of new kiln machinery from Italy. Towyongi needed to expand the market reach by exporting their products to oversea by themselves.

Small domestic market size is one of the major problems for Towyongi Sdn. Bhd. production as well as for most other industrial production in Malaysia. In addition to the smallness of the total market size, the diversified demand of consumers form top-quality products to low-end products makes the production unit of each product volume even smaller. This limited market size is largely preventing the autonomous growth of Towyongi Sdn. Bhd. in Malaysia. Towyongi Sdn. Bhd. has no experience of know-how of export. Even the products had been exported; it is also due to the trading house available, not by them.

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**PART 1: CASE WRITE UP**



## 1.0 SCENARIO- A DAY OF WORK

### 1.1 1000 hours

Mr. WK Tan is not a very happy man. There is a board meeting next week that he has not managed to summon the enthusiasm to attend the meeting. Since he was appointed as the managing director of the company, the company did not achieve the expected growth rate even though the shareholders had increased the investment funds to procure the assets like the new factory at Ceramic Park and the new kiln machinery. Indeed the return on asset is relatively lower compared to the old days manufacturing products in the back yard.

The last meeting that was hold when this is a month ago, he was so tensed and blurted to the board that they would be able to find a means to boost sale. And now three weeks were up and the concept paper has yet to be finalized. The company seemed be not performing and the board was so demanding.

“Elaine,” he intercom his sister, “How about my concept paper? I want that for the board meeting.... Don’t tell me the information that I asked you to gather it’s not done. Just shows your bad time management skills, nothing ever gets done on time.”

“Well, in the first place, you passed the board meeting paper last two weeks and expect is to be done by today, which is crazy, you have been playing tennis with that proposal. I

think I need more time to gather the information since we are not familiar with that country and the export market. However, I wish with the assistance of the government we will be able to access to such information by next Friday.”

## 1.2 Last shareholder meeting

Mr. WK Tan always lead his team during meeting and discussions, and that meeting was also chaired by him where attended by others shareholders inclusive his father, Mr HK Tan.

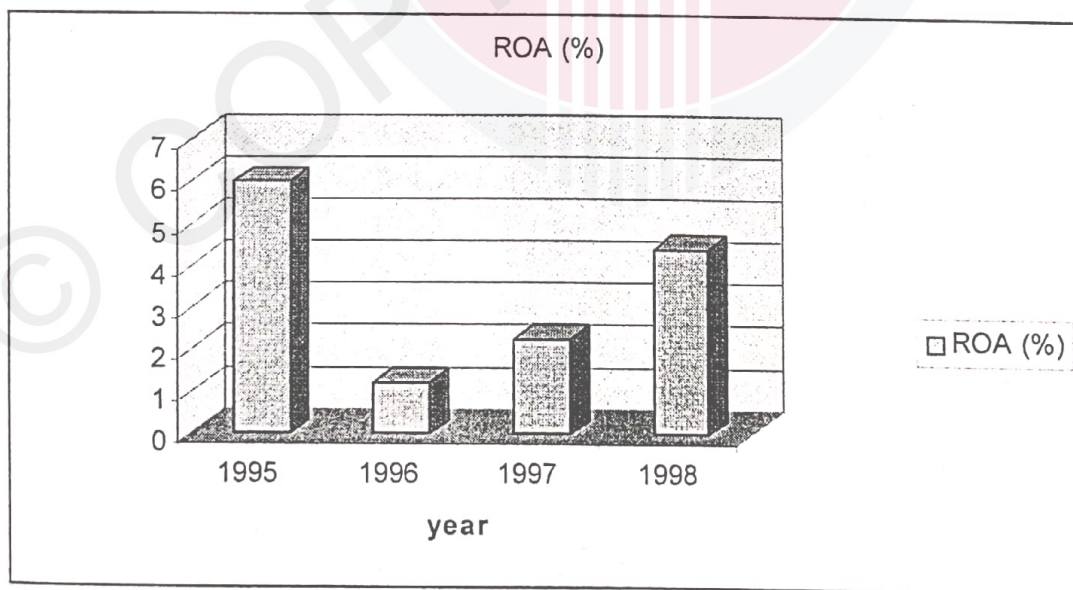
“ I think we shall do something additional, our company is not in a very good condition right now, our return on the investment did not seen visualize after 3 years investment. I don't think they (Jaya Trading) can perform, all they ever ask for is trade offers, and there isn't any creativity at all in how they work. Even we had offer them last year, but they are unable to achieve the sales target” Mr. HK Tan said.

“ In fact last year is the best chance for them to sale our product since they are trading in USD dollars, USD \$1= RM 3.80 . Hence, our product is relatively cheaper. Yet we were still selling to them in the same price in Ringgit Malaysia” Mr. HT Tan who is another shareholder. ( Brother of MR. HK Tan)

“ I think it is a good timing for us to go ourselves to market our product to oversea especially I our product is cheaper during this currency crisis. In long term, it is too

dangerous to depend on only one marketing arm. Besides, we cannot let our new machine idling for doing nothing during the low peak season.” Said WK Tan. With the support of the shareholders, they requested the managing director to present a proposal by next special shareholders meeting in a month later. Mr. WK Tan thought for a while and answered, ” Let me have a meeting with the MARTRADE and the trading house first. Then, I will come back with a concept plan for the next meeting.” The meeting continued for a few more minutes and concluded at 1645 hours.

After the meeting, Mr. WK Tan looked into the ROA chart for the past 4 years ( As per Graph 1) The result was unexpected low. He wished that after shifting to Ceramic Park and bought in the new machine, he will be able to proof to the shareholders that he is capable and visionary and able to lead the company in the new era. He is able to expand the family business and bring them to a paradigm shift.



(Graph 1- Return On Asset Over 4 years)

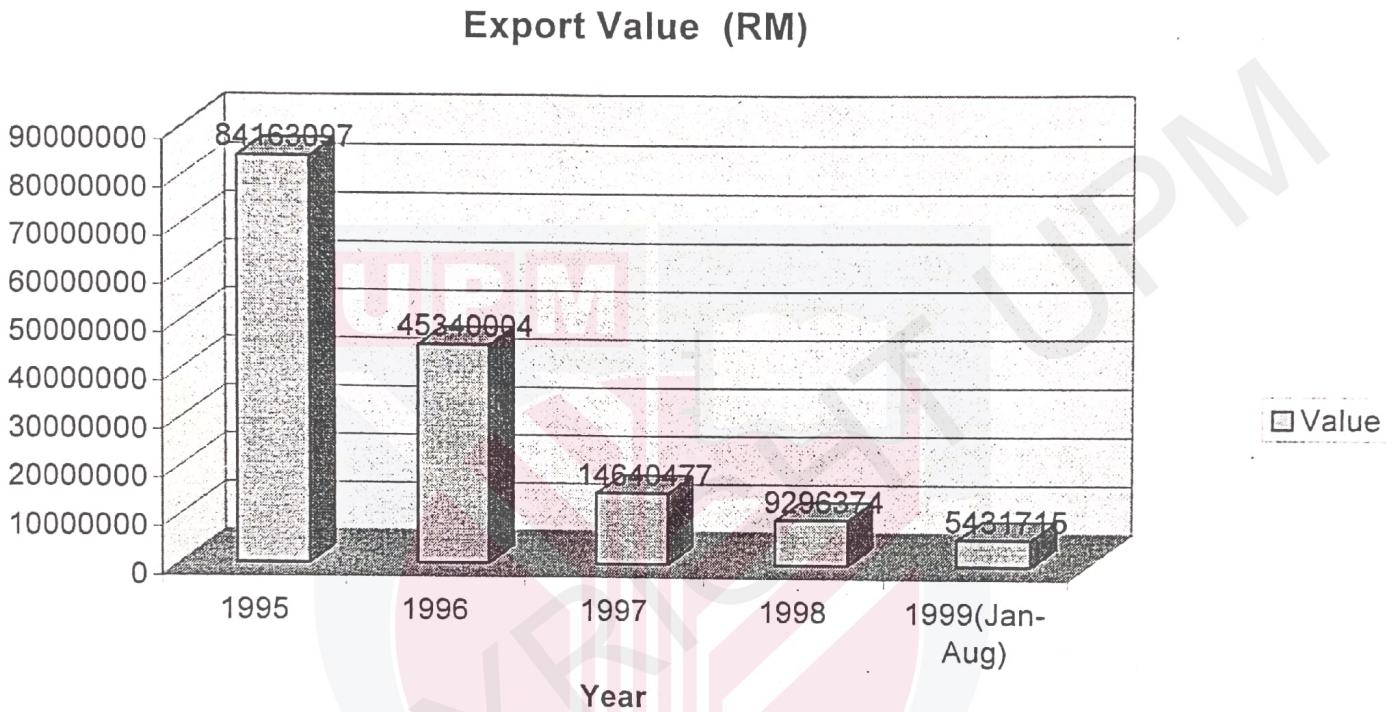


However, the amount invested is not justified with the return. Most of the machinery is not run under full capacity especially the new kiln machinery that cost RM 800,000. Mr. WK facing the pressure from his father and relatives on the decision that he had made but unable to proof the flying color result. What shall Mr. WK do as the appointed managing director in the company?

## 2.0 JAYA TRADING

Towyongi currently only acts as manufacturer that produce, package and deliver to sell to the trading house- Jaya Trading Sdn. Bhd. Towyongi will deliver the products to Ipoh inland port and hand over to Jaya Trading House. Hence, the sales is very much dependent on the trading house order. It had face the seasonal unstable demand and caused the machinery idling for some of the low peak season. Even though, Mr. WK intends to do something on the above matter, he is lack of the client information and risk involvement. It is also due to long period that depend on the one trading house for marketing the product.

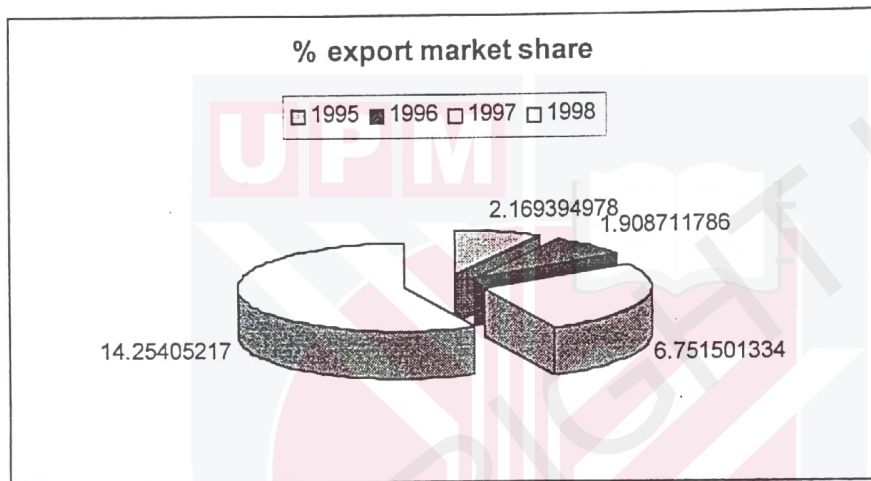
One week prior to meeting, during a discussion between Mr. WK and the manager of the Trading house, Mr. Muthu , he encountered that the sales for Malaysia has dropped drastically and shrinkage since year 1996 as per shown in the graph below :



(Graph 2- Export Value)

Mr. Muthu also informed that the market share for export market in term of percentage is increasing. Hence, indeed the trading house is doing a very good work. The good result is also due to the established good relationship between the trading house and the distributor at oversea. Mr. Muthu also mentioned that the rough pottery served the market for the outdoors-garden pot and flowerpot, currently, with the emerging of the China and Vietnam pottery manufacturers that able to produce cheaper and more varieties in design and sizes by the handcraft, it become a main threaten to Malaysia pottery. In fact, the pottery products are easily to be copied by the competitors in term of the design.

Mr. Muthu also mentioned that it is the main selling point for the Towyongi pottery is the quality of the pot that after firing in 1200 Celsius ( new kiln machine) and strengthen the properties of pot that can guarantee the pot will not crack during season change . Most of the pot from the China and Vietnam still furnace up to 700-800 Celsius.



(Graph 3- Percentage of export market by Towyongi)

Last week Friday, Mr. WK Tan had visited the MATRADE and gathered information to go to export market himself in order to increase the overall sales volume, utilize excess production capacity, improve company profitability, improve ROA, reduce the overall risk. He intend to expand the company to marketing environment since depending itself is better than to depend on Jaya Trading only.

### **3.0 TOWYONGI BACKGROND**

#### **3.1 TOWYONGI SDN. BHD**

Towyongi Sdn. Bhd. is a medium size private limited company involved in pottery design and manufacture. The company had a humble beginning. It started life as a “one man show” when Mr. HK. Tan decided to strike on his own after several years working in a pottery firm that owned by his uncle. The company is located in a recently built factory n Ceramic Park, Perak.

According to Kolter, to become a successful company, must do a better job than its competitors of satisfying customer. Mr. HK. Tan had started to invest into the semiautomatic since 1985. Today, Tow is a semi automation company.

#### **3.2 COMPANY GOALS**

Towyongi wishes to produce high quality pots with mass production and able to meet customer satisfaction.

### 3.3 Cooperate Mission

- Protect the interest of shareholders and strive to provide attractive return
- Recognize employees are the most valuable asset.
- Provide the highest quality products.
- Aiming to be market leader through the continuous development of manpower and product.



### 3.3 Organization Structure

By year 1992, Mr. WK Tan (Son of the Founder) had been assigned to take over the plant. The production was unable to cope with the demand for year 1992 & 1993. Thus, he had decided to go for mass production and bought in the kiln machine (firing) from Italy, year 1995 that are able to overcome the bottle neck of the production. It had doubled up the size of the production. (Refer Appendix 3- Kiln Decision)

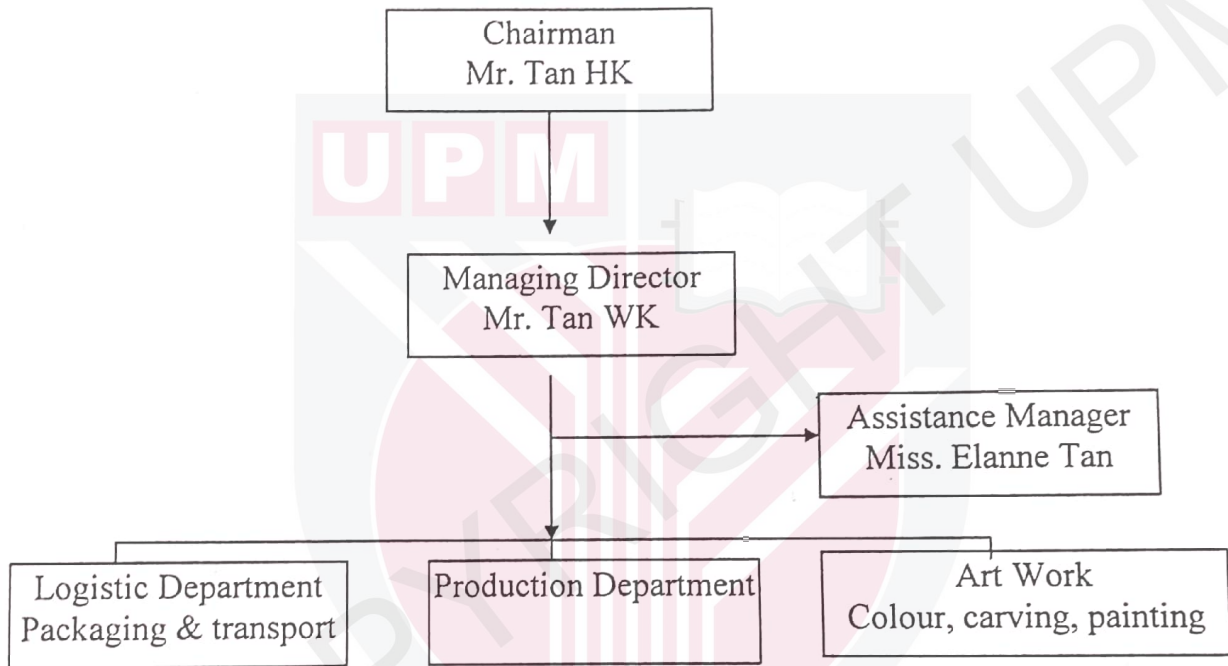
Mr. WK oversees total 52 workers in the whole plant and reported to his father on all the main activities in the plant. He takes charge of the material incoming and products outgoing logistic cum daily production work. With his philosophies “the only thing in life is change, and the successful companies are those who cope with it”. These also causing the drastic decision to move from the backyard manufacture to the Ceramic Park in year 1993 and bought a set of new machinery (RM800000) for kiln from Italy. Indeed it had helped the company increase the capacity to produce the pots.

Miss Tan, the daughter of the founder is the assistant manager for the company, she takes charge of all the salary payment and the account of the company. Miss Tan had the qualification of the secretary course from private college in KL. Out of the 52 workers, 20 of them are the relative of the family Tan. They are mainly the division head or supervisor. Most of them are very experienced and having more than 15 years of real hands on working experience, especially, in terms of the kiln operation. (Refer Appendix 1- Flowerpot Manufacturing Plant)

It is clearly seen that Towyongi is a typical China man family business. They did not practice modern management or employ any engineers for production improvement. Mainly decision making is not funded process that is described in most business. It involved with large assumption, output guesses based on information available. It even do not have any sales and marketing arm, but it had successfully exported the pottery product to oversea through the trading house ( Jaya Trading Sdn. Bhd.) It constitutes 80% of the sales of company from the trading house. Other pottery products, are sold by Tan's family at local market.



### 3.4 Organization Structure





### 3.5 Main Products

The main products for factory are shown in the Table 1.

Table 1: Main Products for Towyongi Sdn. Bhd.

Garden pots varies sizes from height 5-19.5 inches and diameter form 6.5-23.5 inches.

Size	height (inch)	Diameter (inch)
GPXL	19.5	23.5
GP1	15.5	19
GP2	12.5	15
GP3	10	12
GP4	8.5	10
GP5	7	9
GP6	5	6.5

Flowerpot varies sizes form height 5.5-16 inches and diameter from 6.5-23.5 inches

Size	height (inch)	Diameter (inch)
FPXL	16	23.5
FP1	12.5	19
FP2	10	15.5
FP3	8.5	12
FP4	6.5	9
FP5	5.5	6.5

Shallow pot with varies sizes form height 4-8.5 inches and diameter 9-23 inches

Size	height (inch)	Diameter (inch)
SPXL	8.5	23
SP1	7	18.5
SP2	5.5	15
SP3	4.5	12
SP4	4	9

Bell pot with 3 sizes

Size	height	Diameter
BP1	12	15.5
BP2	10	12.5
BP3	8	9

Squat Water Jug

Size	height	Diameter
SWJ1	17	23
SWJ2	15	20
SWJ3	14	18
SWJ4	12	15

There are variety of color ,carving and painting are available for the garden pots, flower pot, shallow pot and bell pots. ( See Table 2- Colour, Carving and Painting)

Color	Carving	Painting
<ul style="list-style-type: none"> <li>• imperial blue</li> </ul>	<ul style="list-style-type: none"> <li>• Weave</li> </ul>	<ul style="list-style-type: none"> <li>• Blue''S'</li> </ul>
<ul style="list-style-type: none"> <li>• rice</li> </ul>	<ul style="list-style-type: none"> <li>• Net</li> </ul>	<ul style="list-style-type: none"> <li>• Bamboo</li> </ul>
<ul style="list-style-type: none"> <li>• dark green</li> </ul>	<ul style="list-style-type: none"> <li>• Vines</li> </ul>	<ul style="list-style-type: none"> <li>• Salt Glazed S</li> </ul>
<ul style="list-style-type: none"> <li>• brown</li> </ul>	<ul style="list-style-type: none"> <li>• V line</li> </ul>	<ul style="list-style-type: none"> <li>• Red Flower</li> </ul>
<ul style="list-style-type: none"> <li>• white</li> </ul>	<ul style="list-style-type: none"> <li>• Chrysanthemum</li> </ul>	<ul style="list-style-type: none"> <li>• Salt Flower</li> </ul>
<ul style="list-style-type: none"> <li>• salt</li> </ul>	<ul style="list-style-type: none"> <li>• Comblin</li> </ul>	<ul style="list-style-type: none"> <li>• Picasso</li> </ul>
<ul style="list-style-type: none"> <li>• honey yellow</li> </ul>	<ul style="list-style-type: none"> <li>• Vertical Grooves</li> </ul>	<ul style="list-style-type: none"> <li>• Bird</li> </ul>
<ul style="list-style-type: none"> <li>• sky blue</li> </ul>	<ul style="list-style-type: none"> <li>• Bamboo</li> </ul>	<ul style="list-style-type: none"> <li>• Blue Flower</li> </ul>
<ul style="list-style-type: none"> <li>• C.C Green</li> </ul>	<ul style="list-style-type: none"> <li>• Fan</li> </ul>	
<ul style="list-style-type: none"> <li>• Dark blue</li> </ul>		

Table 2- Color, Carving and Painting of the pottery

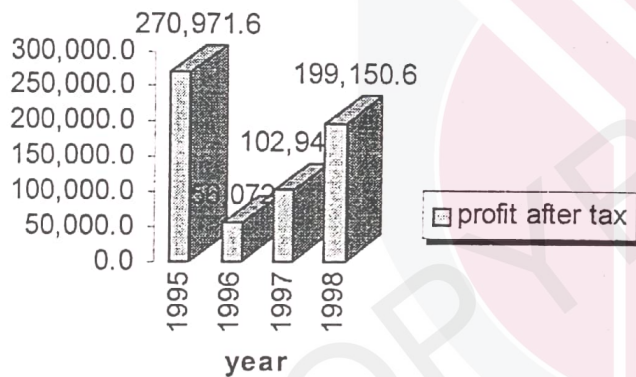
Besides, it also produces Saucers, pot feet as the accessory for the pot. It also produce water jug and vase but in a very small amount. In short, the factory produces a wide variety of the standard garden and flower pot.

### 3.6 Financial Highlight of Towyongi

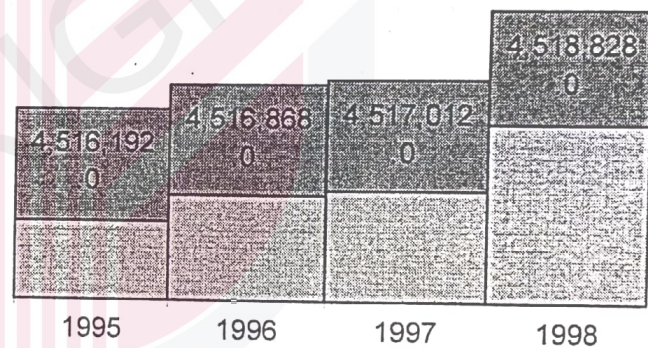
	RM '000	RM '000	RM '000	RM '000
	1998	1997	1996	1995
Operating Turnover	1,325,110	988,452	865,410	1,825,830
Profit Before Taxation	373,789	255,958	212,894	549,041
Profit After Taxation	199,150.6	102,949.6	56,072.9	270,971.6
Total Assets	4,518,828.0	4,517,012.0	4,516,868.0	4,516,192.0

Table 3- Financial Highlight

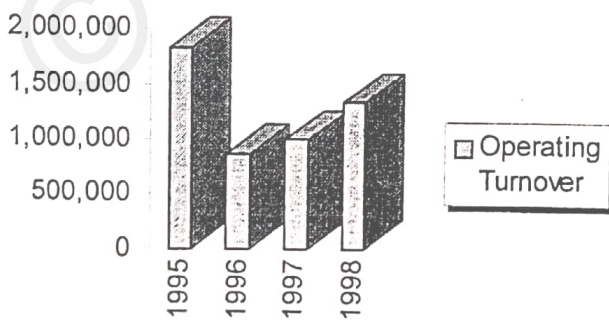
Profit After Tax



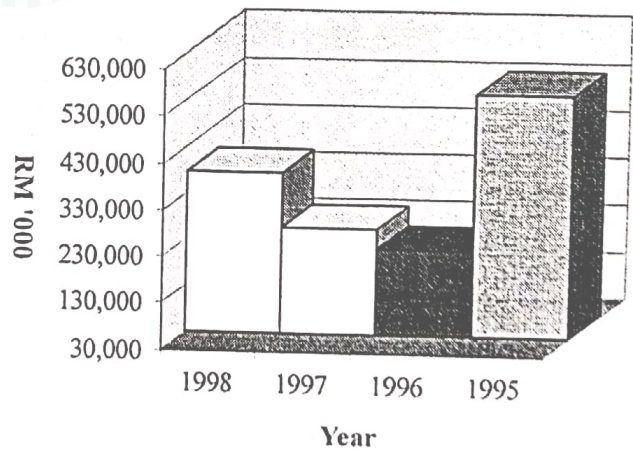
Total Assets



Operating Turnover



Profit Before Taxation



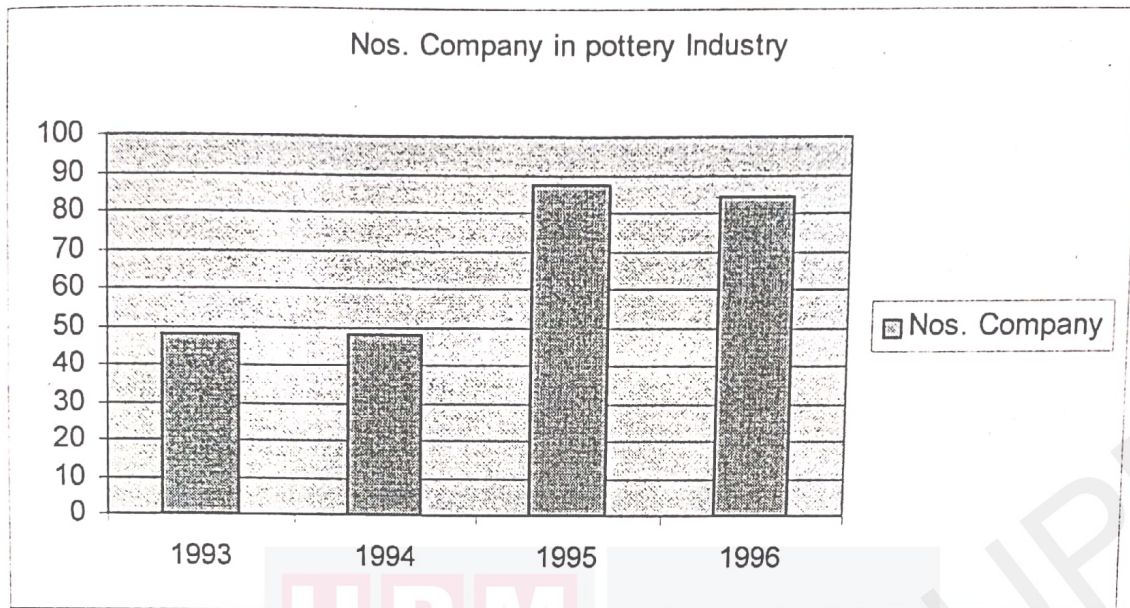
Graph 4, 5, 6 & 7 – PAT, Total Asset, Operating Turnover and PBT.

#### 4.0 POTTERY INDUSTRY ENVIRONMENT IN MALAYSIA

##### 4.1 INDUSTRIAL STRUCTURE:

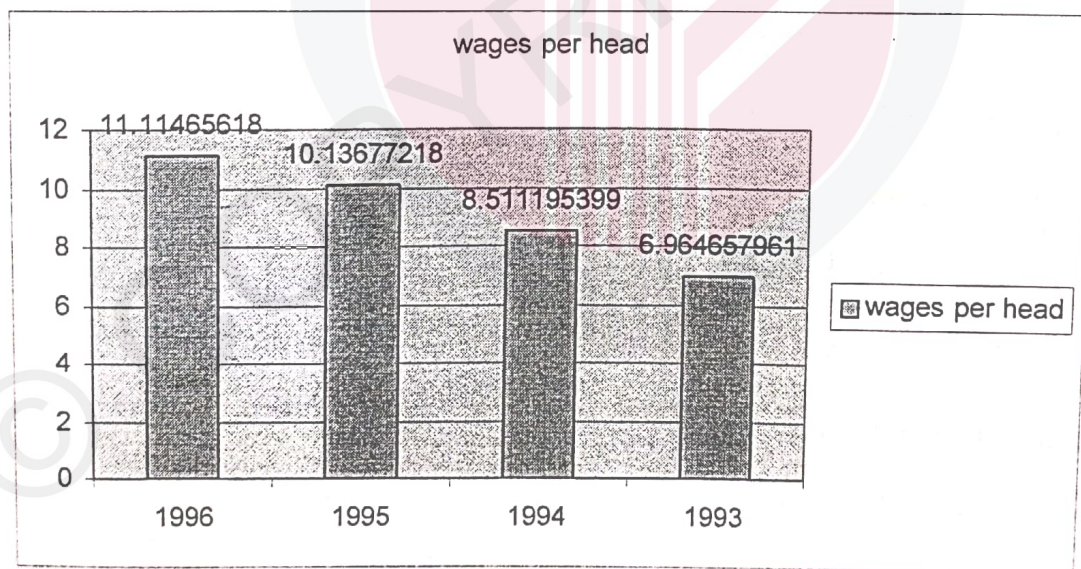
The major Malaysian Chinaware manufacturers or raw material supplier groups are in separated enclaves, which makes the balanced growth of the ceramic industry difficult. For One, there is a group that export 100 percent of their products overseas while depending wholly on imported raw materials, production technologies, design and the marketing capability of their parent companies overseas. For another, there are relatively large numbers of local manufacturers that produce traditional type of decorative ware as souvenirs. They mainly depend on the traditional production technology and raw materials locally available. Towyongi is unique in the sense that it used the local raw material ball clay and export through the trading agency.

The numbers of the pottery factory had been increased from 48 factories in year 1994 to 86 factories in year 1996. Source: ISSN 0128-973x Statistic Department



Graph 8 - Nos. Company in pottery Industry

Besides, the wages per head also increase from RM6946 year 1993 to RM 11000 in year 1996. The numbers of workers are 8347 in year 1993 and 6864 workers year 1996.



Graph 9 – Wages per head

## 4.2 RESEARCH INSTITUTION:

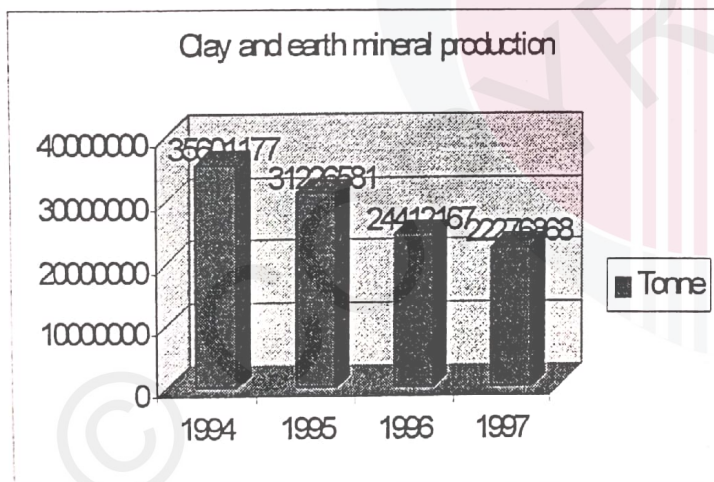
Malaysia lacks a public institute or organization to support its ceramic industry group, and lack of assistance in technology, market information or engineering training has been done. Even though there are department of geology and science and University Science Malaysia that occasionally held some research on the pottery industry. It is still substantially consider lack if compare to others country such as European.

## 4.3 GOVERNMENT:

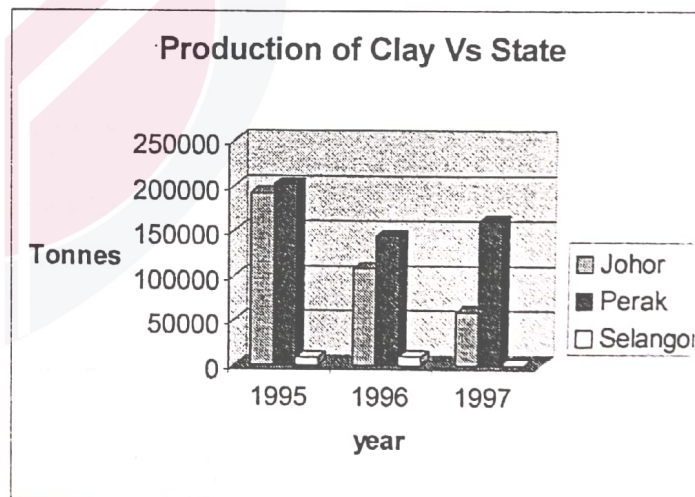
In year 1992, with the encouragement of the state government especially in Perak, by setting up a ceramic park and shifted most of the back yard industry to the park had help the manufacturer able to own a better and proper place for production. Most of the manufacturer that had stated to look into the semi automation plant layout for production. Indeed, it had help to increase the production of the pottery industry. Currently, it had 89 nos of pottery related companies in Malaysia ( MIDA, monthly report). It fact it had give the manufacturer a good offer with a very attractive and low price (RM 2.00 per square feet). However, the policy of government that only imposed relatively low import tax on ceramic products and with the high demand for Chinaware products with lower price in Malaysia combine to force the very large variety of imported Chinaware products.

#### 4.4 RAW MATERIALS

Malaysia abounds major mineral materials essentially used for Chinaware production, such as kaolin and ball clay. There are estimate more than 1.0 billion tones in Perak. Unfortunately, these raw materials are not fully utilized for the production of high value added product. This is partly because of the low quality mineral resources presently produced in Malaysia, but also because of the lack of investigation for better utilization of materials and the lack of suppliers who could supply a consistent grade of various kinds of clay material. Although there are two kaolin-processing plants in Ipoh, their products are mainly for paper and other industrial uses and not specifically for the ceramic industries. The production for the ball clay is shown as per below:-



Graph 10- Clay and Earth Mineral Production



Graph 11 – Production Clay Vs State



#### 4.5 MANAGEMENT AND MARKETING :

Small domestic market size is one of the major problems for Chinaware production as well as for most other industrial production in Malaysia. In addition to the smallness of the total market size, the diversified demand of consumers from top-quality products to low-end products makes the production unit of each product volume even smaller. This limited market size is largely preventing the autonomous growth of Chinaware manufacturing in Malaysia.

From the managerial point of view, many local companies are small sized family owned firms except those of foreign capital companies. They are managed without modernized management methods and facilities for quality control. In fact, they often lack even the concept of quality control. As for sales, most of the firms take a very primitive method of selling their products at their own retail shops operated beside their factories. Many of them have no experience of know-how of export. Even the products had been exported, it is also due to the trading house available, not by themselves.

#### 4.6 DESIGN:

Except for some foreign subsidiaries, most Malaysia Chinaware manufacturers lack the capability to develop their own design. They mostly follow the traditional designs or imitate the design of foreign products. As long as they stay in this stage, it is rather difficult for them to achieve enough competitiveness in the export market.

As the ceramic industry in Malaysia belongs to the relatively capital-intensive category, the modernization of facilities requires considerable investment funds. However, because of the smallness of most of the Chinaware manufacturers, Malaysian financial organizations do not show much interest in the financial support for their equipment investment. In addition to this, there is another problem of underlying assets being too weak to borrow necessary funds from financial sources.

#### 4.6 PRODUCTION TECHNOLOGY

Chinaware manufacturing is an industry in which continuous product development efforts are needed in order to produce the highest quality products making best use of locally available raw materials. However, most Malaysian Chinaware manufacturers are small in scale. Most of them rely either on directly imported production technology or on traditional production methods, and have not enough capability to develop their own technology best fit for their condition.

In production process and quality control, a great gap in technical level can be pointed out between local manufacturers depending on traditional methods and foreign subsidiaries who are export oriented.

Improvement in technology and capability in each level of engineers and workers in Chinaware manufacturers in Malaysia is an essential matter. Unfortunately however, in the Malaysian ceramic industry, there can be found almost no training facility, either private or public, capable to train engineers or workers. The present situation is that they rely exclusively on their own experience attained through on-the-job training at their factories.

#### 4.7 ECONOMIC FACROR

Malaysia's gross domestic product (GDP) was being revised to - 6.7% in 1998 and slightly increased to +1.0% in the third quarter 1999.(source : Department of Statistics Malaysia). With the GDP of -6.7% in 1998 due to the slowdown of domestic demand. This supports by per capita GNP was envisaged to decline by 1.86% from RM 12,051 in 1997 to RM 11,831 in 1999. (Source : Department of Statistic of Malaysia). Bank Negara Malaysia had on 1<sup>st</sup> September 1998 fixed the Ringgit to 3.80 against USD, in order to control value of the Ringgit and maintains a stable local financial market. In the meanwhile, the Indonesian Rupiah had strengthened by about 40.8% in October 1998, the Thailand Bath by 9.5% and the Philippine Peso by 8.4% ( Source: Morgan Stanley Capital International)

Inflation Rate in 1998 was 5% and increased to 6.2% in third quarter 1999 ( Source: Bank Negara Quarterly Report 1999 was resulting to the impact of Ringgit depreciation on prices of imported food as well as exportable commodities produced locally such as palm oil had made a great impact on domestic and external demand, where people had to pay more money to buy household goods. Whereas external demand from the United States, Japan and other East Asian nations for Malaysia's export had also affected in terms of real growth. Underlying this expectation was the volatility currency affecting the global financial market.

## 5.0 DEMAND AND DEMAND TREND

In order to figure out where shall the company target the market, let us look into the nearest activities that might consume our product – pottery, flowerpot or garden pot. The main activities are gardening and landscaping.

According to the Euromonitor international \*, one of the reputable and reliable European research survey company: -

### 5.1 Greater Gardening Grow Down South

Southern European markets and the trend towards gardens being seen as an extension of the home will be the drivers behind expansion in the European gardening industry, says a new report\* from leading global market analysts Euromonitor International.

The total markets for gardening products in Europe is currently worth just under US\$25 billion with future growth being centered on the newer markets of **Spain** and Italy. The Italian market is already the fourth largest in Europe with sales of US\$2.8 billion. The European market as a whole is dominated by sales of gardening products in the four largest countries. Germany and France between them accounted for almost half of all gardening product sales in Europe. When combined with the UK and Italy, the top four countries accounted for nearly 77% of sales. Growth in Norway was strong due to sales of the houseplants, of which the Norwegians are the heaviest consumers in Europe.

\*Euromonitor International celebrates 27 years in the research and business publishing field in 1999, and is the leading provider of global consumer market intelligence. The company has offices in London, Chicago and Singapore, employing 130 staff, 85 of whom are full-time researchers. It also has a world-wide network of 500 market analysts, researchers and consultants. Euromonitor International specialises in researching global consumer markets and also undertakes ad hoc consultancy projects in industrial, high-tech, business-to-business and service industries. It publishes over 250 new titles every year, from market reports to statistical reference books, CD-ROMs, directories and journals.

***EUROPEAN GARDEN PRODUCTS BY MAJOR MARKETS 1998***

	US\$million
Germany	7056.0
France	5186.8
UK	3836.3
Italy	2793.4
Belgium	1061.4
Sweden	830.6
Norway	720.5
Netherlands	611.9

Source: Euromonitor International

Table 4 : ***EUROPEAN GARDEN PRODUCTS BY MAJOR MARKETS 1998***

## 5.2 A European Pastime

Gardening is a recognized consumer hobby in several European countries where there is a long tradition of domestic as well as public gardens. In the UK, the Royal Horticultural Society has over 250,000 members, including satellite groups in France, Germany and the Netherlands. Gardening is very popular in Belgium and has grown over the last 10 years, reflecting the attention the media is giving the subject. In Sweden, a 'garden in the city' was the theme at the annual garden exhibition, Tradgard 98. Urbanized cities such as Stockholm and Gothenburg have a large number of people living in flats and the interest in developing gardens on balconies and patios has increased dramatically.

## 5.3 Exterior Design

The Greeks regard their gardens as an extension of their home, an idea that has been promoted by British TV gardening programs. In the cities, gardens are used for resting in when the weather is hot, whereas in the countryside gardens are often used for growing vegetables and fruit for the family's own consumption.

Shorter and more frequent holidays now mean that more Italian families are spending a good part of their summer at home. Italians are increasingly transforming their outdoor home spaces into gardens to make them feel as if they are on holiday

'The market is developing further along lines which regard the garden as effectively part of the home, and even as an 'outside room', rather than a separate hobby area. As a result, greater attention will be paid to decorative rather than utilitarian designs in items such as furniture. There will be further development of sophisticated structures such as summerhouses and conservatories rather than sheds, and replaceable 'fashion plants' for use on the patio, in window boxes or as bedding plants.'

Heather Johnston, Euromonitor International gardening analyst

#### **5.4 Household expenditure extends to the garden**

On a per capita basis, Norway has long been the highest spending nation in Europe, largely as a result of its significant house plant sector. Belgium and Sweden are also particularly heavy consumers of house plants which, as a regular purchase, increase the average levels of expenditure on gardening products considerably compared to countries where outdoor gardening is the norm, as in the UK.



GARDENING PRODUCTS: AVERAGE HOUSEHOLD EXPENDITURE ON  
GARDENING PRODUCTS BY COUNTRY

US\$	Average household expenditure	European average =100.0
Norway	390.12	241.6
Belgium	260.98	161.6
France	221.18	137
Sweden	216.86	134.3
Ireland	200.43	124.1
Austria	192.12	119
Germany	191.02	118.3
Switzerland	159.75	98.9
UK	156.89	97.2
Finland	141.35	87.5
Italy	137.2	85
Netherlands	97.98	60.7
Denmark	89.3	55.3
Portugal	53.67	33.2
<b>Spain</b>	<b>31.16</b>	<b>19.3</b>
Greece	24.11	14.9
European average	161.48	100

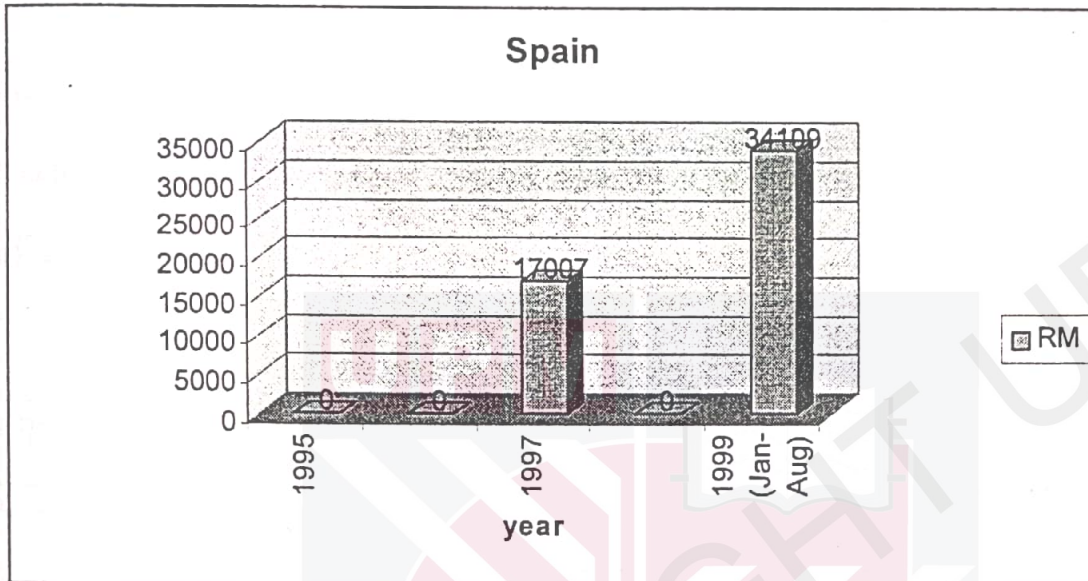
Table 5: Source: Euromonitor

As gardening is discretionary and gardening spending is related to affluence, a stronger European economy should mean higher underlying sales. The strongest growth is forecast in the smaller economies that ought to benefit more from harmonization and free trade. These are also the markets where gardening spending has developed fastest and is expected to continue to grow most rapidly.”



## 5.5 PAST TRADE RECORD

From the above, and past record on the pottery export to Spain as per shown below:



Graph 12: Past Record Pottery Export

From the past data, it shown that Malaysia having the trade experience on the pottery industry and the volume is relatively very small. Hence, we believe that there are still plenty opportunities to explode the market in Spain as well as the neighborhood countries especially at CIS country.

## 6.0 ENVIRONMENT SCANNING SPAIN

### 6.1 OVERVIEW

As per shown in the Global Competitive Balance Sheet 1999 by Harvard University, it shows that Spain as overall ranking 26.

Table 6 : Global Competitive Balance Sheet 1999 by Havard University

<b>Overall Ranking 26</b>	
<b>Openess</b>	26
Government	39
Finance	16
Infrastructure	21
Technology	27
Management	23
Labor	30
Institution	23
<b>Key Facts</b>	
Major economic indicators	
GDP	\$553.2 billion
Population	\$39.1 million
Per capita GDP	\$14,136

Per capita GDP growth	3.70%
Consumer price inflation	1.80%

It is very important that the country openness to the export oriented industry. With the ranking of 26 in the world wide, it mean that the county basically practice a open market policy.

Spain is one of the world's highly developed countries, with an increasingly important role in the international political and economic arenas. The country's capacity to effectively translate its consistent economic growth into significant investments, including communication networks comprising thousands of kilometers of highways, high speed train services and satellite facilities, and the constant effort made to reshape the economy's structures enable Spain to confidently face the future and the challenges it will bring.

Spain has in recent years proved successful in meeting the demands posed by the European Single Market. The heavy investment made by Spanish enterprises to ensure competitiveness, develop foreign networks and join multinational projects have been decisive in providing them with competitive advantages within a tariff-free market of almost 375 million sophisticated consumers, on which Spain has progressively concentrated its foreign trade.

Spain's outstanding economic performance guarantees that the country will, from the outset, be among the European countries foregoing European Monetary Union through the adoption in 1999 of the Euro.

## 6.2 THE COUNTRY, ITS PEOPLE AND ITS INSTITUTIONS

### Geography, Climate and Living Conditions

The Kingdom of Spain occupies an area of slightly more than 500,000 square kilometers in the extreme southwest of Europe, and is the third largest country in the EU. The territory of Spain covers most of the Iberian Peninsula, which it shares with Portugal, and also includes the Balearic Islands in the Mediterranean, the Canary Islands in the Atlantic ocean, and the North African cities of Ceuta and Melilla.

Despite the differences among the various regions of Spain, the country can be said to have mainly a typical Mediterranean climate. The weather in the northern coastal region (looking onto the Atlantic and the Bay of Biscay) is mild and generally rainy throughout the year, with temperatures neither very low in the winter nor very high in the summer. The climate on the Mediterranean coastline, including the Balearic Islands, is mild in the winter and hot and dry in the summer. The most extreme differences occur in the interior of the Peninsula, where the climate is rather dry, with cold winters and hot summers. The Canary Islands have a climate of their own, with temperatures constantly

around 20 degrees centigrade and only minor variations in temperature between seasons or between day and night.

Spain has an excellent quality of life. A fine climate, over four thousand kilometers of beaches, abundant sporting facilities and events and social opportunities are crowned by the diversity of the country's cultural heritage as a crossroads of civilizations (Celts, Romans, Arabs, etc.)

Quality of life in Spain has been widely recognized by the media; a recent study by the prestigious magazine *The Economist* ranked Spain third in the world in terms of a set of social, political, cultural and economic parameters. Hence, we believe that gardening activities may be one of the favorite activities by Spanish.

### **6.3 POPULATION AND HUMAN RESOURCES**

The estimated population of Spain in 1997, were 39.67 million people, with a population density of almost 80 inhabitants per square kilometer. Spain is a markedly urban society (See Table 7), as approximately 20% of the population lives in cities of around 500,000 inhabitants.

Table 7 The Biggest Cities in Spain

	Population
Madrid	2,866,850
Barcelona	1,508,805
Valencia	746,683
Seville	697,487
Saragossa	601,674
Malaga	549,135
Bilboa	358,875

Source : Revised registered population in Spanish cities as of May, 1, 1996,  
Instituto nacional de Estadística (INE)

The official national language is Spanish, which is used jointly with other official regional languages (such as Catalan, Basque, Galician and Valencian) in specific Autonomous Communities. Education is compulsory until the age of 14 and English is the main foreign language studies at school. Communication between us and the trader will not constitute a barrier for the business since we are able to communicate.

Compared with other OECD countries, Spain's population is relatively young: approximately 23% are under 19 years old, 60% are between 19 and 65 years old, and only 17% are over 65.



## 6.4 POLITICAL INSTITUTIONS

Spain is a parliamentary monarchy. The King is the Head of State, and his primary mission is to arbitrate and moderate the regular functioning of the country's institutions in accordance with the Constitution. He also formally ratifies the appointment or designation of the highest holders of public office in the legislative, executive and judicial branches.

The Constitution of 1978 enshrined the fundamental civil rights and public freedoms and assigned legislative power to the "Cortes Generales" (Parliament), executive power to the Government of the nation, and judicial power to judges and magistrates.

The responsibility for enacting laws is entrusted to the "Cortes Generales", comprising the "Congreso de los diputados" (Lower House of Parliament) and the "Senado" (Senate), the members of which are elected by universal suffrage every four years.

## 6.5 INFRASTRUCTURE

Over the last decade Spain has undergone a process of modernization that has included an extensive renewal of its infrastructure. Investment by the Government in this field accounted for 1.6% of GDP in 1996. The Government plans to continue investing heavily in the future. This is reflected in the Overall Infrastructure Plan for 1993 – 2007, which provided for investment totaling US\$133 billion. Intercity transport is the main item in the Infrastructure Plan, followed by urban transport. There will also be accompanying measures in hydraulic works and environmental infrastructure.

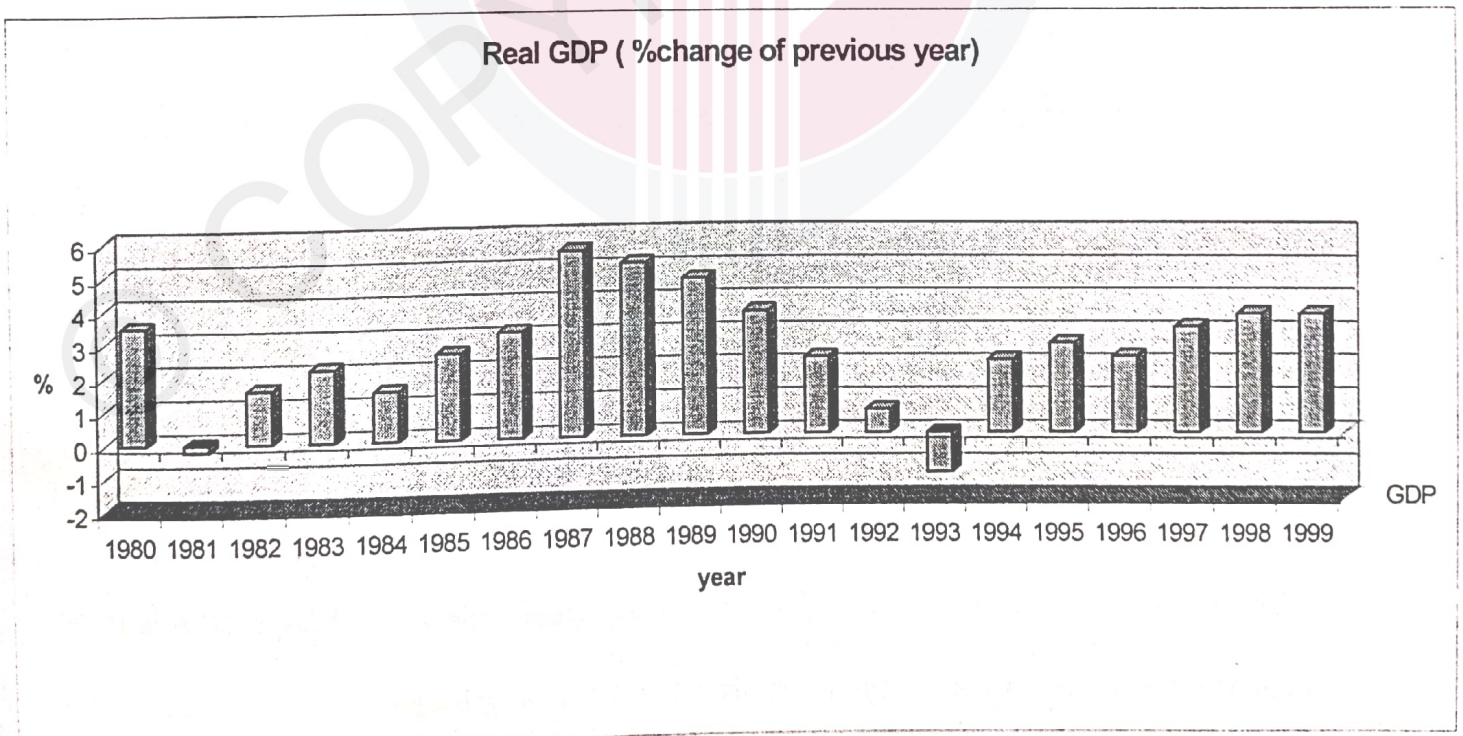
The highway network, totaling more than 8,500 km, has tripled in length since 1982 and has undergone continuous renovation to enhance efficiency and convenience. As far as rail transport is concerned, Spain has a network of over 12,500 km of track, and in 1992 introduced a 471 km high-speed line from Madrid to Seville. There is also a project to connect the capital city, Madrid, by high-speed train to the French border via Barcelona (Catalonia) and via Irun (Basque Country) by the end of the decade.

There are air transport services between the major cities and the approximately 250 airlines with scheduled flights operating out of the country's 27 international airports ensure complete service abroad. Spain is an important intermediate stop in the lines between Latin America and Europe and lies in a crucial position in the network to America and Africa from Europe. Spain also has excellent sea communication, with 50 international ports on the Atlantic and Mediterranean coasts.

Lastly, Spain has a good telecommunications network that will be extended as part of the current liberalization process which, among other benefits, will imply a more competitive offering of products. In addition to the approximately 44,000 km of conventional fiber optic lines, Spain manages one of the largest international undersea cable networks and has satellite connections with five continents.

## 6.6 ECONOMIC OVERVIEW

Spain's GDP was around US\$ 566 billion in 1996, making it one of the world's leading countries in terms of the size of its economy. As per shown below is the real GDP growth



Graph 13 - Spain Real GDP Growth

of the Spain for the past twenty years. It had shown a stable growth of the GDP.

The structure of the Spanish economy is that of an industrialized country, with the services sector being the main contributor to GDP, followed by industry. These two sectors represent almost 90% of Spain's GDP.

## **6.7 DOMESTIC MARKET**

Today Spain has a domestic market of nearly 40 million people with an estimated income per capita for 1996 of over US\$ 14,000 and an additional injection of demand coming from the more than 60 million tourists who visit the country every year. The close links (economic, cultural, political) with Latin America and North Africa and the obvious advantages of using Spain as a gateway to those countries should also be noted, particularly after the relevant commercial commitments reached between the European Union, under the Spanish Presidency, and the South American countries in the course of the Madrid European Council Meeting of December 1995.

## **6.8 SPAIN MARKET**

The major competitors in the Spain that Towyongi has identified are Japan, Italy, Vietnam and China, as regarded as the most serious competitors are China and Vietnam that products sell less 20% of the market price in the same category.

Japan produce very fine quality of shallow pot for bonsai as one of the competitor in the shallow pot. However, the price for the Japanese pot is much more expensive than the shallow pot. Usually, people who planted bonsai will not hesitate to spend the money for the pot since it treated as part of recreation and artwork.

Italy as one of the European country that produce pot since 1800's . There are a lot of establish brands. That are used by most of the architect and landscape, cityscape or interior designer. In fact, there are good in quality and coloring. This is due to the technology and the raw material available is higher grade than Malaysia pot. However, in term of price, it is double up the price of the Malaysia pots.

China and Vietnam as one of the emerging potential pot supplier become the main competitor for us. They are able to produce mass production with cheaper cost. They are also able to produce the pot with varieties of pattern and shape since it is mainly produce by hand made. However, they are facing the problem of inconstant delivery. This might be due to the logistic chain problem.

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