

What is the Best Way to Organize an Import and Sales Business of Malaysian Manufactured Slippers in Hungary?



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ABSTRACT

The aim of the thesis is to aid a starting import business of colorful slippers to Hungary at first, with hopefully expanding operations over other European countries later.

The enterprise is the author's with a partner and co-owner family member. The importing will be its first operation as it was non-functional previously since we acquired it last year. Currently there are no employees or assets. The aim is to launch the product in the 2016 season (May to August) due to flip-flops being seasonal products in continental climate. The first season's order is planned to be of fairly small scale; firstly it is important to gain experience about the whole process and to precisely determine the market need. The firm's resources are limited and the owners have little or no experience in sales and promotion activities. The first season's objective is to establish the product and introduce a brand in the country. To accomplish the goal utilizing pop-up stores on beaches and major shopping hubs, also being present in major music festivals would contribute to the fresh and stylish image. To back this up with a marketing campaign online media is the key as it is cheap and reaches a wide audience. Hungary is home to one of Europe's biggest festivals and some of the best with hundreds of thousands of foreigners visiting mostly from Europe. The image created on the festivals will be very valuable towards the expansion plans.

This thesis is intended to help better understand why we trade, how successful import businesses operate and how should it be done effectively with a specific product: flip-flops.

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1 INTRODUCTION

The research question is: “What is the best way to organize an import and sales business of Malaysian manufactured slippers in Hungary?” reflecting on the origin of said product in a specific and small market. It is intended to help with the understanding of the effective importing and management of a starting business and to try to lay guidelines and support advice for the managers. For achieving to answer the research question there are several objectives of this thesis. Entrepreneurship is a less defined field of business, and to be successful one not only has to possess knowledge, but enthusiasm and cleverness.

The topic of the thesis had been chosen because the business idea was conceived, but the commissioning organization has no previous experience with this type of activity.

The firm’s business idea is from observations on the Hungarian market. These observations were the absolute lack of affordable and quality slippers. In the 2013 season the availability was limited with high starting prices. The cheapest flip-flops were starting from EUR13-15, lacking style or any features. International brand’s models priced above at EUR18 such as Nike and Adidas but those seemed to be of low quality, as if it was solely intended to be positioned as an entry level flip-flop, the cheapest of the brand and it showed. In Malaysia the ‘Fipper’ brand’s shops are very popular; the assortment is stored on the walls of the shop making it a sight. Pleasurable to the eye, the colorful wall of flip-flops is a well-established concept. Being made from high percentage of natural rubber the quality of the products is very good. A fashionable yet simple design combined with the quality and the choice of personalization and a good price was the reason this business idea advanced to the realization. The decision was made that the firm will start importing the product for the 2016 season.

Objectives of this thesis are as follows;

- Theory: To help with the basic understanding why there’s trade worldwide and how did it evolve through the ages from the trade restrictions to the idea of free trade.
- Assessing the current situation: To collect all the important data of the Malaysian market, what are the trends and results of its economy. How is the European Union’s relations and plans to improve on trading. There is also Hungary’s direct relation to Malaysia what is mostly covered by the EU, but to discover if there is anything specific about the manufacturing and the destination country.
- Market study: It is the base of the business plan to understand the current state of the Hungarian market, look at competition and determine the validity of the product. Its goal is to compare and assess the product of different manufacturers.

- **Analysis:** Its objective is to bring the market study and the situations finding together to help determine the product that fits the market needs the best and is available for the firm to distribute. It has to give a complete picture of possible costs and profitability of the operation.
- **Recommendations:** The final chapter is intended to help the management with the summary of findings of the thesis on how certain aspects of the operation should be handled. Specifically what product and regarding very important aspects of promotion and distribution.

1.1 About The Organization

It is a family run business with 2 owners, divided into an equal 50-50% ownership. Its headquarters is located in Budapest, the capital city of Hungary. It has been established in 2003 while being inactive until 2013. In that year's October the capital of the firm had been raised to HUF 5,000,000 (roughly equal to EUR 16,600) as 2 new owners as investors to start the business activity. The name has been changed to "Provirtus Szolgáltató Korlátolt felelősségű társaság." which translates to Provirtus Services Limited Liability Company. It is set to be a mostly business-to-business firm but also catering to the business-to-customer relations.

According to Hungarian law conforming to EU Commission recommendation '2003/361/EC', the enterprise is classified as 'micro' for having less than 10 employees and a turnover and or balance sheet total not exceeding EUR 2 million. It is classified as an autonomous enterprise for not having any linked partners or shared ownership between other firms. (Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, 2003)

Two of the owners are going to take managerial responsibilities, while the third member remains only as an investor. An employee is planned to be hired for the mobile sales and delivery position.

The company's portfolio includes a list of things that are allowed to do. One of it is importing, which will hopefully become the main function if the business is growing. All permits had been already obtained to conduct the operation.

1.2 Planned Assets

The firm is located in a central location in Budapest but in an industrial area. It resides in the same building with a nursing home, a 3 storey building with a separate office building which accommodates Provirtus' small office space. Additionally there is a large and currently unused lockable basement, which is ideal for storage purposes. Every permit is at hand for the operation for storage and delivery.

Deliveries will be handled with a regular sized van which has a double role. The plan is to use it as a mobile store, providing enough cargo space for a couple hundred pairs of merchandise and promotional materials. Other

things include racks and wall stands, cash register, small pavilion to be deployed at the points of sale.

1.3 Planned Operation

Initially the company will set up stalls/booths with the display of the merchandise. In spots which are very busy it's important to find selling partners and established shops selling the merchandise for commission. These will include holiday and touristy destinations approximately 8-10 around the Lake Balaton and Lake Velencei. That way the stocks can be kept reasonable, and with a good variety to maintain the colourful wall and size selection. Not more as the number of pairs are limited and the more it's divided the less variety there will be. The partnership with the sellers would be ideally percentage based on the sales volume while the goods remain in our possession.

The other sales channels include a van and an employee to move the stand frequently to different location around the holiday areas. For example Lake Balaton with many beaches around, the sales from the moving stand would be cost effective and reaching a wide range of customers. Additionally beaches in the summer are the perfect locations to sell flip-flops. The van's mobility is what makes it unique. Another great opportunity is to sell at the music festivals where a wide range of national and international customers can be reached. At festivals there is always a need for new footwear as they get broken or lost.

There are currently negotiations to become a wholesaler of the imported goods. Ultimately the goal is to have business to business relations selling large volumes. We are targeting established shoe and footwear retail chains with enough capital to be able to buy up the stock. The start of the sales has to be backed up by an online marketing campaign and every available social media presence. Creating the brand is a key to be able to sign a deal with retail chains.

2 ABOUT INTERNATIONAL TRADE

2.1 What is Importing and International Trade?

Importing is purchasing from the international market with the intention of selling it with a profit margin. International trade is the exchange of goods and services among countries. It supports globalization, and enables the expansion of markets for firms and governments. In our modern world goods are available at different prices and qualities with some products are not produced locally. Partly due to being manufactured or produced in another part of the world and it is available because of trade. The cheaper or better quality product produced abroad is raising the living standard for both the buyer and the seller. Therefore a correlation is between a country's living standards and other's level of development.

Different countries have different assets and resources. The most effective way for using them is to be engaged in global trade. If something cannot be

effectively produced in one country it can be obtained from another. This is known as specialization. Another important term in the world of trade: Opportunity cost is the benefits of taking 'B' action instead of 'A' action. Comparative advantage is having the advantage of lower costs of manufacturing goods or producing services than other firms or individuals. Absolute advantage is when a firm or individual can produce something at a lower cost than any other country or firm could with the use of more efficient methods and/or less number of inputs.

The long opposing views in the field of trade are the protectionism against free trade. The simpler view is the free trade and as the name suggest it should allow countries to trade without limiting tariffs, quotas or subsidies. The global demand and supply will determine the scale of manufacturing and theoretically will work at maximum efficiency. The opposing view suggests trade should be limited to protect national markets, because international trade does not happen on an ideal level. Therefore inefficiencies still exist, which can cause the benefits to diminish. Utilising trading activities every country's output could be more efficient and the potential for acquiring and producing merchandise will be maximised. Most economists agree that trade makes the world better; a significant difference of the performance and development between open and closed economies confirms this.

(Heakal)

2.2 Short History

Trading appeared with the first civilizations thousands of years ago. From ancient Mesopotamia when caravans of merchants traversed Asia to do their business in Europe. The time of the Roman Empire was when trade progress sped up, and like so many other things went under huge development and a well-organized trade emerged in Europe the Middle-East and North Africa. Unfortunately with the dawn of the Empire the progress slowed down, the next major point in history was in the 8th century under the Carolingian Empire. Most trade was done at the time between Europe and the Middle-East, on the basis of medicines for different textiles, tin and slaves.

During the Middle Ages some Italian cities lead the commercial revolution and became the hub of trade for many years to come. Venice and Genoa are the most noted arising in the 12th century. The other parts of the world were changing too, Christopher Columbus discovered America, Vasco Da Gama soon after discovered the Cape of Good Hope in what is now South Africa. This had a great influence on European nations, mainly those with access to the Atlantic. For the obvious reasons, trading was easier with ports, and these Nations engaged in colonial activities. With such commercial opportunities the entrepreneurs and traders weakened the power of nobilities. Some historians cite that these events, mainly the trade between the new world and the colonial Empires lead to quicker progress, and China started to lag behind and the Industrial Revolution finalizing the gap for decades. At the time mercantilism was the widely accepted concept of trade. They promoted a 'favorable' balance in trade meaning that the export should be more than the import. The resulting trade surplus could be then stored in the treasury in the form of precious metals and other high value

tangibles. Any import was thought to be harmful, and restrictions were made accordingly. (Helpman, 2012)

Adam Smith's published his work in 1776 with the title: *An Inquiry into the Nature and Causes of the Wealth of Nations*. It was the first book to really change economic thinking. He promoted specialization, the means of producing more from the available resources. Higher efficiency means higher living standards and benefits the society as a whole. Not just in the producing country but as trade opened new markets, the more productivity it meant for the world. Smith has raised a voice against mercantilism he believed that the trade restrictions were only doing harm. Import restrictions would help national producers to a monopoly situation where they could charge more and are prone to mismanagement consequently working inefficient. In his work he came to the conclusion that the best policy was free trade, and any restriction was harmful unless some special consideration overrode it.

David Ricardo's work *the Principles of Political Economy*, 1817 was among the first classical economist writing. He established the term; *Comparative Advantage*. It stands for the difference between absolute and relative cost advantage, in which the greater the relative advantage that's the goods that the country should manufacture. Therefore, a least developed country without absolute advantage can still have relative advantage and engage in mutually beneficial trade. Labor productivity differences between countries what trade flows were mainly affected by. (Kling)

The 20th century's most important economist work is Swedish economists Eli Heckscher and Bertil Ohlin. According to them, the key is factor endowments by identifying that advantage lays in labor and capital. They proposed that the country having plenty of a factor that is required for producing goods will be most likely exporting those. For example where an abundance of man-power there is should be the manufacturing and exporting of those, but where the capital is like knowledge and plants those should export capital-intensive products. (McDonald, 2012)

After World War II a new era has begun reduced and somewhere eliminated trade barriers, the World Trade Organization was brought to life. The aforementioned theories lost some of their relevance a revolution was needed with new trade theories. But domestic policies are still relevant, protecting their markets with different taxes, in different sectors. Many countries still impose barriers in areas of service such as transportation, communications, and the financial sector. Others welcome competition in these sectors as well.

New technologies emerged, making it easier to document and measure trade, and the theories were visibly inadequate for the years to come. The second revolution took place on the dawn of the new millennium with the focus on individual firms and their maneuvers in trade.

2.3 The Significance of Trade

The total exports of all 160 WTO members equaled to USD 17,8 trillion in 2013, growing by 2.5% compared to the previous year. Asia accounted for the biggest growth in exports with 4.5%. 2013 was the first year that the US wasn't the biggest merchandise trader in the world, as China took over with USD 4,159 billion. The ranking continues with the US in the second place, followed by Germany and Japan in 4th. (World Trade Organization, 2014)

It is not only the import-export what's beneficial by increased efficiency, but the possibility of Foreign Direct Investment (FDI). It is the money/assets invested abroad by companies and investors, where they usually keep majority of control over. In theory this allows firms to grow substantially and reduce costs. For the government receiving the FDI it means technology/expertise and foreign currency. FDI accounts for a relevant part of many developing nations Gross Domestic Product. Open economy countries usually attract more investors than closed over-regulated economies. When a cheaply produced foreign merchandise or service is purchased, both countries living standards increase. There is also the possibility that the product they purchase is perhaps better suited for the customer's needs or it is something that's not available domestically. The manufacturer/producer also benefits by selling more than its own market could use and additionally earning currency what can be used in trade.

However with free trading not every firm or individual wins. When there is the availability of locally manufactured products and imported of the same quality but lower price or higher quality for the same price, the local producer is likely to lose sales. Yet it is believed that the gain for the buyer who buys the foreign product is greater than the loss of the seller.

2.4 Importing Activities

- Making contact with the distributor or manufacturer
- Starting the negotiations with clear intentions to buy and resell the products and that the firm is capable of these activities
- Proceeding to the contracting where the parties ensure the mutually beneficial contract agreeing upon discussed terms
- Placing the first order according to the market needs in the country(ies) it will be sold in
- Agreeing on transportation methods and price usually with a third-party depending on the quantity and method of shipping
- Laying out the background while the shipment is en route. Getting ready for the arrival of the products, clearing of customs if it's not included in the shipping contract

- Checking the shipment upon arrival, documenting and reporting anything deviating from the agreement, deliver to the warehouse
- Starting to distribute between the enterprises stores/selling points and/or wholesale partners and retail partners

3 THE CURRENT SITUATION

As of 2013 the European trade has bounced back from the great depression of modern times in 2009. Asia's export growth is slowing down marginally but still going strong compared to other continents. Asia accounts for 26.2% of global services exports, a significant rise from 2005 when it was 21.7%. In 2013 the merchandise trade from Asia to Europe was USD 855 bn. on the other way around was only USD 667 bn. That accounting for 14,8% of Asia's regional merchandise flow while only 10% of Europe's merchandise trades back. Europe's manufactured goods export rose by 4% as of almost at the nominal value of 2011. Asia was on the rise too, with a slightly lower 3%. Total share of the manufactured goods world export is 41% by Europe at the nominal value of USD 4,910 bn. and Asia being the second largest at 39% and USD 4,566 bn. together adding up to 4/5 of the world's output.

Looking closer at the target countries of this thesis, in 2013: Malaysia is the world's 25th biggest merchandise exporter with USD 228 bn. and the 24th biggest importer with USD 206 bn. Scoring a trade surplus of USD 22 bn. Hungary is ranking 38th place in the world with USD 108 bn. of exports importing USD 100 bn. at the 34th place with trade surplus of USD 8 bn. Malaysia's clothing exports in 2013 was USD 4,586 mill. accounting for 2.0% of all.

Clothing items shared 2.5% of the world's export at USD 460 bn. of value of which USD 274 bn. was exported from Asia, almost 60% (World Trade Organization) of all products. Europe was Asia's biggest cloth item importer with USD 80 bn. in second place is North America with USD 75 bn. Europe's population is much larger than NA, therefore there is expected growth. In 2005 this percentage was 48.3% which indicates that not only China's production but other Asian nations closing up and participating in world trade. Statistically and generally the relevance of importing clothing items (slippers in this case) from Asia is high.

3.1 The EU and ASEAN's Relation

ASEAN stands for Association of South-East Asian Nations, is the 3rd largest trading partner of the European Union. It consists of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Vice versa the EU is the 3rd largest after China and Japan, with about 13% of all trades.

European companies are the largest investors in the region with 13.6€ bn. on average in since 2005. Main exports being machinery and transport

equipment while imports are clothing and textiles, machinery and agricultural products.

A free trade agreement has been passed between Singapore and the EU with great benefits. Currently there are ongoing negotiations about FTA's with Malaysia as well as Thailand and Vietnam.

3.1.1 Malaysia

It has a total land area of 329,847km², very rich in raw materials and its biodiversity is extraordinary. The major raw materials including: oil and liquefied natural gas, palm oil, rubber, tin. And foodstuffs: pineapple, coconut, tea, cocoa and sugarcane. The Malaysian ringgit's exchange rate is fixed to the US dollar since 1998 at 1USD is worth MYR 3.8. This had helped export growth by relieving pressure on the currency. This is possible due to stable economic environment, growing currency reserves, low inflation, limited foreign debts and a stable bank system. Although voices has been raised to remove or alter the exchange rate, due to the dollar's crisis following the 2001 terror attacks on the United States.

Malaysia is ASEAN's second most developed country, with 29.3 million inhabitants, and a remarkably cultural diversity of Malay, Chinese and Indian people. The EU appreciates this similarity and promotes the core values of the Union. A delegation opened in the country in 2003 and the co-operation has increased and tightened since. Two initiatives has been launched in October 2010, the Free Trade Agreement and a Partnership and Cooperation Agreement. (European Commission, 2015)

The FTA means a stable legal framework for equal partners. Current negotiations are comprehensive, covering tariffs, competition and sustainable development. It would most certainly remove tariffs of almost all goods, and open the market up for trades of services. The gains will be great bilaterally; Malaysia will have access to the world's largest single market boosting the GDP and for the EU firms a gateway to South East Asia. It will also mean a step closer to a future region-to-regional agreement with ASEAN.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	5.1	5.6	4.6
Export of goods and services	4.6	-0.1	3.8
Import of goods and services	6.1	4.7	4.8
Inflation	3.2	1.7	2.7
Population	1.6	1.5	1.4
Unit labour cost	2.8	-0.8	0.7
Source: Oxford Economics			

Table 1 British Chamber of Commerce data

The trade between the EU and Malaysia is mainly focused on industrial products. Imports are machinery and appliances, in smaller quantities

rubbers, plastics and mostly palm oil. In terms of goods they were the EU's 24th largest trading partner, in 2013, and the 2nd largest in ASEAN after Singapore. The main export goods are and machinery, transport equipment, chemical industry goods and also mechanical products.

Trade between the partners has been increasing since 2003, only disturbed by the economic depression of 2008. As a major partner in goods, the same can't be said of services. The EU is on the fast track with the Free Trade Agreement which would help even more. The FDI outflow is constantly above 1€ bn. yearly.

SWOT analysis

<p>Strengths Abundant of Natural Resources</p>	<p>Weaknesses Political uncertainty</p>
<p>Opportunities high-income status by 2020 Moving up the value-added chain</p>	<p>Threats Slowdown in the global economy</p>

Table 2 British Chamber of Commerce data

3.1.2 Hungary's Relations to Malaysia

In 1970 the previous socialist system's leaders signed the first double-sided economical agreement. Since Hungary's join to the EU in 2004 this contract had been terminated and missing since.

Nevertheless trade between the two countries is dynamically rising. It is also characterized by the passivity of the Hungarian side. Malaysia's pro-business politics are resulting in diversification which is leading to the export of quite a few products which are cost effective to import into Hungary when compared to other producers.

The Hungary-Malaysia trade's next milestone was in 1999 when the Hungarian export quadrupled against the 128% rise in import. By 2002 Malaysia became the third largest Asian trading partner for us. However in 2003 there had been a decline when Hungarian exports dropped to one/fifth (20.3mil USD) while the import topped at USD 236.5 million. The next year had seen a rise in export at USD 35.9 million, but more significantly imports in the same year almost tripled at USD 617.6 million. This meant that Malaysia became Hungary's most important South-East Asian trading partner and 4th largest in whole Asia.

In recent years the import numbers are fluctuating largely because of the crisis and its aftermath. Even losing 4th place to Thailand which is in rapid development and extending its trade. (Hungarian Republic's Ministry of Foreign Affairs, 2005)

Import Business From Asia to EU

3.5.15. Imports by main countries of origin in USD and EUR (2009–) (1/2)

Country	Value (million USD)					
	2009	2010	2011	2012	2013	2014
Asia						
Bangladesh	74.1	66.1	80.4	83.2	100.3	109.8
China	9 084.7	11 614.1	11 606.1	9 992.9	9 942.0	9 957.4
Hong Kong (China)	96.3	142.6	105.3	98.7	91.5	95.0
India	502.6	378.9	513.0	494.1	505.0	552.2
Indonesia	191.3	228.5	348.9	370.9	327.5	255.1
Iraq	0.0	0.1	0.0	0.0	262.4	437.0
Israel	149.3	157.0	190.1	208.1	198.0	246.9
Japan	2 903.4	2 990.9	2 764.2	2 149.9	1 993.5	1 894.1
Korea, Rep.	2 909.0	3 912.9	2 613.5	2 036.0	1 586.8	1 727.8
Malaysia	626.9	363.4	527.6	617.5	482.7	549.0
Philippines	756.3	541.0	399.2	319.0	299.5	329.7
Singapore	495.6	620.4	587.8	486.8	382.8	363.9
Taiwan	1 391.0	1 381.9	1 181.1	1 198.2	1 180.6	909.5
Thailand	493.4	570.3	585.8	614.8	682.1	738.4
United Arab Emirates	41.2	96.2	140.6	119.6	156.9	163.0
Viet Nam	160.2	208.8	167.3	152.7	218.1	265.7

Table 3 Hungary's Central Statistics Agency data

In trade the most important group of products are the electronic and computing industry products of major multinational companies. The trades of regular products are just slightly rising. In export and import the duty-free zones are providing with more than 80% of the whole. Predominantly electronic and telecommunications industry products and parts are in the loop. Hungary's major exporting companies include: Philips Hungary, Magyar Képcső Ltd., IBM Storage, Fastron, Ganz Mérő. In the rise of import, the major contributors are the multinational companies which import parts for their manufacturing based in Hungary. For example some of the largest are: Nokia, IBM, Sony, and Flextronics. (Hungarian Republic's Ministry of Foreign Affairs, 2005)

Most important Hungarian export products: machinery, electronic and computer industry, high voltage transformers, raw materials for medicine. Major import products include computer industry products and parts, as well as electronic products and parts, raw rubber and tropical agricultural products.

The first Hungarian-Malaysian joint venture was established in 1988 to manufacture furniture parts. In 1992 the next milestone was the purchase of Hungarian electronics manufacturer Videoton's plant in Tab, south-west Hungary. The buyers were Malaysian Sanda Plastics Ltd. with 51% and Phillips Austria with 49% to create Ecoplast Ltd. the first Malaysian owned manufacturing business in the country. Other ventures include: HTR Technikai Rendszerszolgáltató Ltd., Fastron Hungary Ltd. In 2001 the Hui Holdings had invested a considerable amount in the electronics industry. The total foreign direct investment is more than USD 40 million. (Hungarian Republic's Ministry of Foreign Affairs, 2005)

3.2 Malaysian Business Culture and Etiquette

Malaysia is a culturally very mixed country, and while it is essentially Asian there are several major differences between ethnic groups to observe when engaging in business. The native Malays, the Chinese and the Indians are very different cultures indeed, what is appropriate for one can be totally disrespectful to another. From here on the term Chinese and Indians are

referring to the Malaysian ethnic groups and not indigenous people. There are some basic rules to go by and from then the business partner's ethnicity should be observed. It is a high context culture, where words have less meaning than other non-verbal communication elements. It is a less direct culture, instead of quickly and efficiently exchanging facts and getting on with the business, it is rather about developing relationships based on trust. Direct disagreement should be avoided as it is distorting harmony which is a very important cultural aspect.

Respecting and acting upon the local customs can be a key to success, or at least a head start. Negligence can easily result in the loss of a deal or even a partnership.

- Introductions:

When introducing someone just like in Western culture, honorific and professional titles are used with the last name of Chinese persons, and with the first name of Indian and Malay. The tendencies for introductions are quite similar, the older person to the younger, the women to men and if in a team the most important person first. Usually Chinese persons instead of looking straight at the partner lower their eyes to show respect.

- Names and titles:

Like in Western cultures, Asians are similarly referred to by title and last name, although with Malay's the situation is more complicated. They use their fathers' last name connected by a 'bin' for men and 'binti' for women meaning 'son/daughter of'. It should be used together with the last name and adding Mr./Mrs. However Malay men can also be referred to as 'Encik', and women as 'Cik/Puan' (unmarried/married) and 'Tuan' should be used if the person is of high authority, usually official use. If someone carries the title of 'Haji', he should be addressed as 'Tuan Haji'. There are other official titles given by the government: 'Tun', 'Tan Sri', 'Dato' and 'Datuk'. All respective titles should be used.

Chinese are referred to Mr. /Mrs. together with their surname which is the first of the usually 3 names. Indian men are referred to as Mr. and the surname while Indian women also have customs of keeping their father's name's initials before their given name.

- Handshakes:

When first greeting a Malay men a slightly firm and short handshake is appropriate, when greeting Chinese and Indians a light but longer handshake is appropriate. Women on the other hand are usually uncomfortable with handshakes, as for Malay and Indian woman touching with the opposite sex is not appropriate. If they reach their hand out it is okay for foreign men to shake, otherwise one should not insist on it. Instead a smile and a slight bow is sufficient. Chinese women are more familiar with it; however one must wait for the woman to reach out. Foreign women should wait with the handshake for the Malay partner to reach out first.

- Business cards:

They are exchanged at every business meeting, and usually handed out first by the visiting party. Cards should be hand out and received with both hands, name facing upwards. It is considered rude not to look at it, one

should only put the business card away after a brief look. It must be treated with respect and dignity, as it is the extension of the person who gave it. Therefore writing on it, or folding it is rude and should be avoided.

- Business attire:

It is largely depending on the level of business, it can be ranging from traditional to modern, usually shirt and a tie is the basic in most cases. However Malaysia is a tropical country with high heat and humidity, which means it is possible that the dress code is less formal. Long pants and shirt are the usual informal attire but not for every ethnic group. Muslims are required to wear long pants, while Chinese and Indians are not necessarily. They would also go more freely on the footwear, no shoes or socks only slippers. Women can wear pants or skirts, and usually many choices for the top. The clothes cannot show too much skin, revealing tops (shoulders should be covered) or short skirts are considered rude especially for Muslim business associates. For women doing business with Muslims it is advised to be covered up with long sleeves and no V-neck top.

- Gifts:

Usually given at larger events, but not obligatory. In some cases it should be avoided as it can be perceived as bribe which has a strong history in South East Asia.

If they are exchanged then they are offered with the right hand or with both hands, and the recipient should take it with both hands and only open it later. Gifts should be reciprocated with close to equal value just as in Western culture. There are significant differences in the meaning of different gifts and how they should be wrapped. For Malay partners wrapping in yellow should be avoided as it is a color of royalty and white for being the color of mourning. When giving food items one must make sure they are 'Halal' (permissible for Muslims), and strictly no alcohol for present. Anything made from pig, or dog shaped plush animals must be avoided. For Chinese the wrapping should not be white, black or blue because those are mourning colors. Flowers should be avoided as Chinese people give those to the sick or bring them to funerals. No knives or scissors make good presents as they are considered severing to the relationship. Gifts should be given in even numbers for luck. For Indians white and black wrapping is also the colors of mourning, rather use bright colors to cover the present. Leather and cow products are not good to give as many Indians are Hindu and they consider cows as holy animals. Alcohol should only be given when one is absolutely sure that the recipient is drinking.

- The concept of face:

It is one key element to Malaysian business culture, one's emotions particularly embarrassment should not be shown through the face. It is considered to be a commodity, and it can be earned, lost or taken away. Losing it is possible by not controlling one's anger in public or by putting someone on the spot or challenging authority, even disagreeing with someone can lead to it. The worse it gets by doing the abovementioned publicly. To avoid these situations one must remain calm, and ask or face the person in private while maintaining a courteous tone. Discussing

mistakes without blaming anyone, and letting the person leave the situation with their pride intact.

- Communication style:

Malaysian style of communication is best described by indirectness and slowness. They take their time to get to the point and before responding to questions. Pausing for a moment to answer indicates that the person has given thought to it, and is able to respond carefully. In their culture it is important to avoid confrontation, as a result of that answers can be rather indirect. Hints are often used and yes does not always mean yes. When an answer may possibly be no, Malaysians rather say something like 'I'll see' or 'I'll try' to maintain harmony in the relationship. If there is doubt whether the answer is positive or negative rephrasing of the question and asking around the subject is the key to the right style of communication with Malaysians.

- Business Meetings:

In Malaysia time is not a strict concept, punctuality should not be expected from the partners. Usually 10-30 minutes after the scheduled starting is perfectly normal. One should not be aggravated or impatient; it is very rude to show it and results in the loss of face. When making appointments tight scheduling must be avoided as Malaysians like to take their time and a meeting might just not end when it was supposed to.

First meeting between companies are most likely to be just used for getting to know the other party. It is the opportunity to build rapport and trust to give a foundation for future partnership. No serious business decisions can be expected on the very first meeting. Meetings are more often started with a speech from the senior Malaysian followed by some small talk and personal questions.

Showing a respect to hierarchy is quintessential; the most senior member should enter first and greet the most senior Malaysian. The teams are usually sat down in hierarchical order with the leaders sitting on the opposite of each other. High ranking persons must be treated with great respect.

4 FIELD RESEARCH OF ALREADY EXISTING IMPORT CO.

4.1 Meetrix LLC.

It is a limited liability company established in 1996 that wholesales athletic and casual footwear, slippers, and clothing items. The firm is active; their current headcount is 3 personnel, and last year's net sales by the last financial report of 2014.12.31. was HUF 74.400.000 (roughly EUR 235.000). (Creditreform company database, 2015)

Meetrix is important because they have the sole distribution rights of Asadi Malaysia's products. My meeting with the Asadi team in Penang revealed that they already have a sole distributor in Hungary and I got their contact from there. Fortunately the flip-flops in question are sourced from an outside partner located in Thailand. Meetrix has no intentions in importing that kind of products, or just haven't been interested yet therefore the sole distributor right is available.

It is the only company that is importing footwear of any kind from Malaysia and could be found. I've learnt about Meetrix only by their partnership with Asadi. These are the questions I submitted through email for a short interview (for convenience in Hungarian). The reply didn't come for a prolonged time; the questionnaire was completed over a brief phone interview with senior manager Gergely Lovász. The answers were translated freely from my short notes that I was able to write during the interview.

1. *Hogyan érdemes ázsiai kereskedelmi partnerek után nézni, van-e hatékony online módja vagy személyesen illetve arra mi a legjobb módszer?*
How to search for Asian trading partners is there a fluent online way or rather personally on trade fairs and other events?

The best way is to find your partners either on trade fairs, such as the Global Destination for Shoes and Accessories fair in Düsseldorf, Germany. Being one of the largest in size, and with exhibitors from all over the world it is a great opportunity to exchange contact information with manufacturers. I do not recommend online searches. There is usually little trust and commitment from these encounters. Alternatively like our company's manager is of Chinese origin, he is utilizing his connections and situational knowledge.

2. *Milyen partner után érdemes nézni, mik azok a jelek amik bizalmat sugallnak?*
What kind of partner is ideal, what are the signs that show trustworthiness?

The ideal partner would be honest and fair. Unfortunately that is hard to come by, and preventive measures must be taken to not be left without money or product. Lack of law harmony between the EU and China makes it very difficult to recover goods or money from a bad deal. Good signs are the company's presence in other European country, and their English knowledge. It gives away how serious they are with international trade.

3. *Mik az alapjai a megállapodásnak, mire kell odafigyelni szerződéskötéskor?*

What are the bases of a contract, what to look for before signing the partnership?

The bases of it should be the mutually beneficial agreement between the parties. In the case of importing it must contain that X company produces and delivers the products that are up to standard for the agreed price. Prior to ordering, I advise to order production samples to make sure it is the right quality and model for the price. The contract has to have a deadline when the goods will be ready to sail out of port. From that point arrival time can be calculated via the freight company. Time is of the essence, if they fail to comply with the deadline the contract should contain penalty amount.

4. *Hogyan lehet effektíven rendezni a vitás ügyeket, az áru garanciális minőségbeli problémáit?*

What is the way to effectively handle warranty and other issues?

Warranty of the products in the shipment is risky. The manufacturers are capable to determine the defects rate rather accurately. If they cannot, and don't have a percentage to give they should not be trusted. The distances are great, and for something cheap as slippers it is not worth sending them back. The flawed pairs should be counted and reported back to manufacturer. If the deviation of defected pairs is greater than the forecast, possibly negotiate lower prices on the next order.

Meetrix LLC.'s founder and manager is a person of Chinese origin a Mr. Gao Dong Hong. He's the founder of an organization called Sino-European Foundation of Chinese Culture and Education (SEFCCE), it's headquarters are on the same address as Meetrix. The organizations main purpose is to offer educational and cultural exchange programs between China and European countries.

5 MARKET STUDY

5.1 The Product

The flip-flop or slipper term is most likely referring to a simple piece of footwear consisting of a Y-shaped strap and a thin flat rubber sole. It is characterized by the strap running between the toes, and when stepping it's making the familiar flopping sound.

It goes back a very long history; originated from ancient Egypt around 4000B.C. Mural paintings have shown how people of the past wore these papyrus flip-flops. From all over the world there was a need for simple and easy to make footwear, and so it was popular In the far east it was made out of rice straw, rawhide in Africa, and yucca and agave in South America.

After the Second World War it became popular in the United States, despite the fact that it was the Japanese zori brought back by US soldiers. At the time the war was in the minds of the people and things from Japan were still regarded as it was from the enemy. Elliot Chaze journalist wrote in 1952: "I do not know how you feel about the Japanese, but I do like their feet." when rubber Zori's started to gain popularity. The Hiroshima Rubber Company started exporting these enlarged products to the american market when the rubber industry was spooling up. (Kennedy, 2012)

After the Korean War popularity rose even more and it became associated with the beach lifestyle of California. The colors were changed to bright and other styling cues were added. The flip-flops advantage is that they are easy and comfortable to wear and to clean. It is also a great match to many outfits: summer dresses, swimwear and casual shorts. In some parts of the world it is the absolutely common thing to wear, while in some countries it has its limits for example in some restaurants or public spaces it can be considered indecent.

As it is a very simple design it can be made of almost any material, different plastics, leather, foam, fabric and the traditional rubber. Nowadays most flip-flops are coming from China or Brazil and manufactured of Polyvinyl Chloride (from here on referred to as: PVC) on the strap and foamed PVC on the sole. Alternatively the Ethylene Vinyl Acetate (from here on referred to as: EVA) is a different choice of plastic asian manufacturers take. While others use the combination of materials in trying to create something different, for example instead of the PVC strap the use of Polyester webbing. All of these plastics are raising environmental issues, and this is the reason while some manufacturers are returning back to the original material which is rubber. Rubber is easier to recycle and makes the flip-flop very comfortable to wear.

5.1.1 Fipper Branded Flip-Flops

Fipper Holding (M) Sdn. Bhd. was incorporated in 2008 in Malaysia to produce and distribute the brand of footwear (slippers) of the same name.

Vision: *“To enrich footwear experience in an ecofriendly environment”*

Mission: *“Design and produce quality footwear for all walks of life”*

The company's profile is manufacturing and selling colorful and simple flip-flops of higher quality than other manufacturers in Asia. The use of natural rubber for the upper part of the footwear ensures comfort and more environmentally friendly than PVC. Their logo the elephant is to resemble the country of origin, Thailand where elephants are kept in high regards for centuries. The lineup consists of 9 models, suited from children to ladies and men's. But all design is the open slipper type, which is all year round in the tropics but would be considered seasonal footwear in Europe.

Fipper emphasizes on their unique design of a large number of color combinations. The slippers itself are a common and simple 2 piece models. It's attractiveness provided by the vibrant color varieties and the good quality materials. With more than 50 available combinations (depending on the model) the choice is the customer's. To use a more marketing oriented term: 'wall of colors'.



Figure 1. Fipper merchandise in a Fipper store in Penang, Malaysia

5.1.2 Other Brands of Flip-flops

There are several brands with a core concept very similar to the “Fipper’s”, a good quality rubber made footwear in different color combinations, advertised and stored on a wall. ‘Papilo’ is one of those brands, and the shop owner revealed that it is manufactured in Thailand as well. Almost identical to those above there are available with different markings like ‘RMC’. Cannot be called a brand because there is not much behind it, rather just put something on instead of leaving it plain. The colors of the sole material and the rubber are vibrant and fresh with minimal fading over time.

However Fipper is a good brand but it has stiff competition. It is very easy to purchase almost identical products without any name or brand and that is cost saving. Not only that, but the lack of franchise contracts binding or harsh conditions. The materials are depending on the factory, but the key to success in Europe is the quality. There are plastic, Ethylene Vinyl Acetate (EVA) shoes widely available which are made with the Direct Injection Foam Molding technology. These shoes are light and relatively strong, plus having good wear resistance. However as an average European customer I personally don’t find them attractive as they feel very plasticky and cheap.



Figure 2. EVA (100%) beach flip-flops



Figure 3. Other example of an all EVA product

Asadi Malaysia is a brand belonging to a manufacturing firm located in Penang, Jooi Brothers Sdn. Bhd. Founded in 1980 they were the first firm to use EVA foam molding for production in Malaysia. All of their products are currently made by the same process. It's not only manufacturing for the firm but they also import rubber flip-flops from Thailand. For some reason rubber footwear is not being currently manufactured in Malaysia, although the country is the world's largest producer of rubber. Very importantly any color is available for manufacturing, as the factory is capable of producing anything by industrial color codes. In the plant in Thailand a more or less standard 18 rainbow colors are on the line. The straps are being manufactured color-matched to the soles. Possible number of combinations is a whopping $324 - 18 = 306$ for single-tone (not the same color for strap and sole) and another 306 with the dual-tone models (only produced in limited combinations).



Figure 4. Fipper branded Single-tone



Figure 5. Fipper branded Dual-tone sole

5.2 The Hungarian Market

Hungary is a small Central European country, with less than 10 million inhabitants and member of the EU since 2004. Hungarian Gross Domestic Product has been on the rise again since 2013 after the plummeting caused by the Financial Crisis. Inflation is slowing down and positively affecting the trust of investors.

Economic snapshot (% annual growth rate)

	2012	2013	2014-17
GDP	-1.7	1.2	1.9
Export of goods and services	1.7	5.3	5.2
Import of goods and services	-0.1	5.3	5.8
Inflation	5.7	2.7	2.5
Population	-0.3	-0.2	-0.2
Source: Oxford Economics			

With its central location it is a hub for transport between the east and west. Hungary's largest and most important trading partner is Germany altogether, with many German Multi-national companies seeking opportunity here. Fairly recently Mercedes-Benz has invested EUR 800 million in a factory complex that opened in 2012. Malaysia is its biggest partner of South East Asia with trade figures of USD 370 million in 2014. The first quarter of 2015 saw a 25% growth (Hungarian National Tradehouse, 2015).

Sales of footwear in are on the rise again in the country since the depression and in 2014 almost 30% higher than it was in 2006. It is currently 1,93% of all retail sales at a value of HUF 169,696 million (EUR 560 million). It is safe to say that the footwear retail is an expanding market with good business opportunities. Appendix 3

Hungary is a landlocked country but very rich in underground thermal waters which is exploited by having many baths around the country and in the capital. The country is rich in lakes and rivers most of them are available to public use. It is also important mentioning that Central Europe's biggest lake, Balaton is located here as well. During the summer season beachwear such as these flip-flops are sought after. Not only beaches are the places where such products can be sold but as it is in height of its popularity, it suits as a casual summer wear. In many workplaces flip-flops are accepted to wear, proving its popularity.

5.2.1 Main Competitor

Katex Kereskedelmi Kft. (translates to Katex Trading Llc.) is one of the biggest competitors in the segment. Founded in 1993, it's a wholesale importer of footwear and clothing. The current headcount is 63 personnel, and last year's net sales by the last financial report of 2014.12.31. was HUF 1.477.750.000 (roughly EUR 4.767.000). The company has the sole

distributor rights for importing the Ipanema brand, and its portfolio is consisting of more basic but colorful flip-flops. Katex also has the rights to distribute the Rider brand which has only slippers in their portfolio but it is a rather different approach. The brand is emphasizing on style options rather than color, catering to for example: swimming pool use, different watersports also on a professional level. In the recent years the firm had opened to the retail market. (Katex Trading Llc.)

Katex also has 4 retail shops in different parts of Hungary. All of them are located in malls. Every brand that they are importing is represented online, each having its own website. The most popular retail shops can be found in malls in and around the capital city. With many world brands represented in Hungary, malls are a thriving scene for sales just like any other part of the world. From 2014 these malls are selling up more space for merchants to use the corridors in the building to set up stands (eg. “islands”). These are offering cheap space in the busy malls to retail watches, phone cases, doughnuts, sweets and candies and so on. But still most are selling seasonal products including flip-flops and other summer footwear. Katex’s number of stands reached 11 in the 2015 season; 7 of which were in the largest malls in the capital and 4 were in the major cities around the country. Katex is the largest retailer of flip-flops in Hungary, without any other company coming close by the number of vendors.

The advantages of these islands are clearly seen through their business model. Many retail locations and the thoughtful visuals of the stands are making it visible and prominent in the corridor.





Figure 6.7. Ipanema Island in Arena Plaza mall, Budapest, 2015. July

Katex handles its own brands with advertising. It is done through billboards, online and print campaigns and an active Facebook page which has almost 21,000 likes by the end of 2015 August. Not only the brand's own Facebook page is active but the Katex' webshop: 'Lifestyle Shop' has over 25,000 likes as of August 2015.

5.2.2 Ipanema Branded Flip-Flops



It's a Brazilian manufacturer of internationally sold flip-flops and slippers. It belongs to the Grendene group, one of Brazil's largest footwear companies. The country comes in 3rd after China and India for the largest manufacturer of footwear with 834million pairs in 2012. (Farah, 2013)

Ipanema produces the most famous thong style flip-flops and many different designs of women's sandals such as their Giselle Bündchen advertised line of sandals. Product availability depends on continent and by country. They are exclusively produced in Brazil

In Hungary there is a wide selection available of more than 70 pairs for men, women and children. All of the footwear currently distributed are made of PVC a common and cheap plastic material which is used in the strap and the sole of the product. According to the web shop of the Hungarian Ipanema, the merchandise is starting at HUF 2.990 ranging to HUF 9.990 (EUR 9.5 - 32) and the median price is around HUF 6.000 (EUR 19). The same prices are used on the stands/'islands' in retail.

5.3 Legislation

When importing from Malaysia the Free Trade Agreement is yet to be negotiated therefore tariffs are imposed on the goods. Currently the tariff on such articles according to EU law R0838/06 is a 'third country duty' of 16.8%. VAT must be paid where in the items are being sold, which is currently 27% (one of the world's highest) in Hungary.

Companies and individuals must apply for vendor license before commencing selling activities. Operating license is not required as it is for dangerous goods only for example: firearms, paint and chemicals, etc.

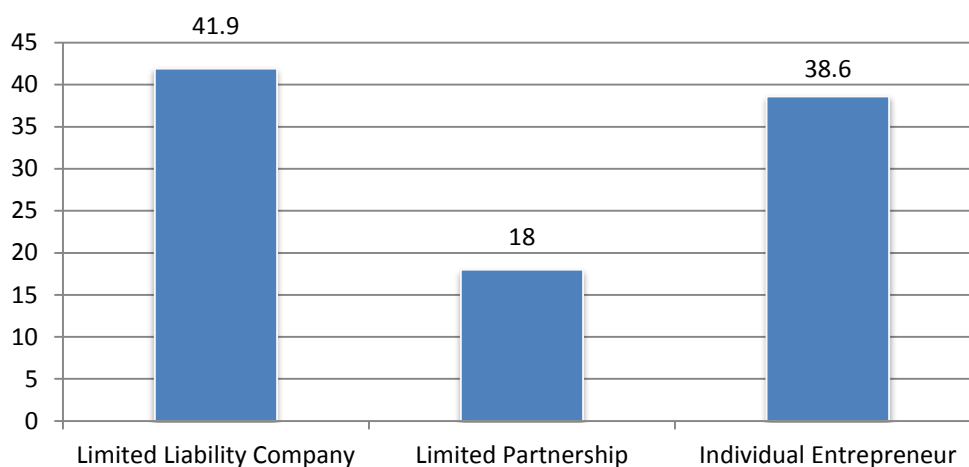
Documents needed for the license are: commitment from all partners of business, Incorporation certificate, specimen signature, if sales activity includes selling in a store area then the lease contract as well.

Warranty is the legal minimum of 6 months for this type of product, regulated by EU Directive 1999/44/EK. This gives the customers the right to claim that a flaw in the product in the first 6 months was already present at sale. The seller has to prove that the product was flawless at sale. Due to the nature of the product no further warranty is needed, neither is necessary to provide user's manual. 151/2003. (IX. 22.) Government decree regulates the period of 3 working days in which the product can be exchanged if there is a fault present.

5.4 Small & Micro Enterprises Statistics

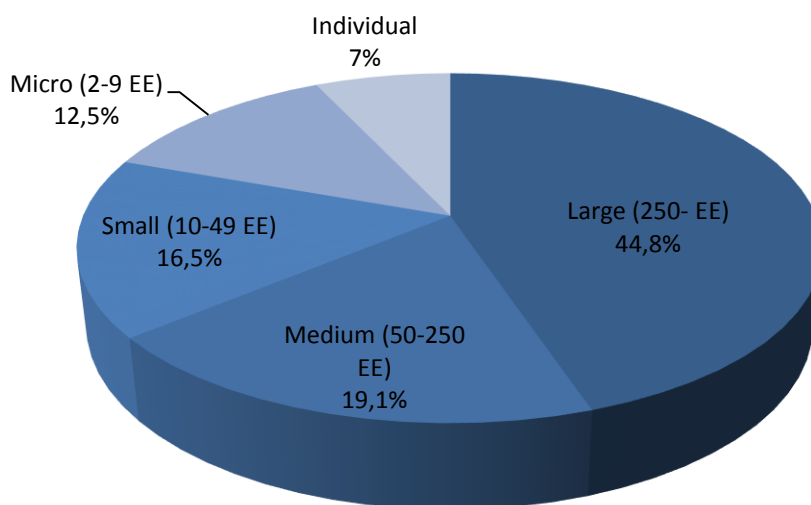
The largest portions of Hungary's businesses are classified as Small & Micro Enterprises (referred to as SME in the following). The classifications are in accordance with the EU '2003/361/EC' recommendation regarding size by the number of employees and balance sheet turnover. Out of 961,847 registered businesses there were 956,300 SME (from 1-49 personnel, statistics also counts entrepreneurs within) which is 99.42% of all as of 2012 December 31. Even Small enterprises account only for 31,200 which are 3.24% of all registered companies. The number of SMEs has been rising since 2002, although there was a slight decline of a little more than 1% from 2011's 966,600 registered enterprises. However it must be mentioned that of all Micro enterprises only 64,7% were active in 2012. Small enterprises had a considerably better activity rate of 82,4%.

Dispersion of Company Form Within Small & Micro Enterprises



SMEs are massive in numbers but less significant in production and added value. Only almost 40% of small enterprises and almost 20% of Micro enterprises are in production, with services being the major sector. That is where most gross added value is realized.

Total Gross Added Value by Enterprise Size



The country's total gross added value is divided by the size of enterprises on the chart. SME's are accounting for more than a third of Gross at 36%.

SME's naturally come short in survivability rate. Statistics show that over the course of 5 years from 2006-2011 the Micro enterprises 40,1% stayed operational and the Small enterprises 39,6% is still in business. However these rates are affected by the financial crisis of 2007-2008.

6 ANALYSIS

From all the above research, the conclusion is that Hungary currently is a good market to start with a business of this kind. There is a lack of quality in the market of simple and cheap light footwear. The 2016 season is promising due to the rising Gross Domestic Product and consumer parity while the inflation is declining. The major threat is the hectic government which tends to make rash decisions and disregard European Union directives. It is also considered a highly corrupt system, present in the higher levels of government. Fortunately corruption is not affecting this level of business directly. To help the business start-up the Hungarian Government's 'Széchenyi-plan' is funding SMEs with non-refundable support with EU money. The conditions are varying due to needs of the sectors and economy. However the possibilities to receive funds are appealing to conduct the operation. Furthermore it is a good indication that sales of footwear is on the steady rise, however no statistics was found to break it down to different kinds of shoes and slippers.

6.1 Partner Candidate(s)

Malaysia is a country which requires a different mindset when approaching business. Things work differently over there, and success comes from the embrace and understanding of foreign cultures. To treat the partners in the appropriate manner is likely resulting in prospering relationships. I have had the opportunity to be there and gain the experience to successfully close two business meeting with Chinese Malaysians, the Jooi Brothers Sdn Bhd.

Meetrix Llc.'s associate Gergely Lovász answers reassures to carry on with the operation as planned. Fortunately we seem to have the right partner the Jooi Brothers Sdn. Bhd. who can supply the quality we need for a low price. Their communication is responsive and the language use is clear, it makes it easy to go into details of the contract. Jooi Brothers has many European trading partners making them easier to trust. Trust is the most we have that products will not fail. Provirtus has to handle the 6 months warranty on its own, with every defected pair cutting profits down. During negotiations Provirtus has placed the order for the samples to arrive before finalizing the order later in December. There is a 3 months production lead time that has to be calculated in with the freight time.

6.2 Competition

In the segment the competition is stiff, many large companies with a lot of experience and established retail chains. Katex Llc.'s sales network is the biggest threat to our sales. They were present in so many malls via the islands in the 2015 season, and expansion is expected by next year. Katex saw the opportunity in the lack of available flip-flops in the Hungarian market, and acted on it. Ipanema is a good sounding internationally established brand, with lovely colorful designs. Katex is trying to promote and upscale the Ipanema products which are originally meant to be cheap and not high quality. The 100% PVC material used is not something that can be considered exclusive. It's a rather cheap and plasticky feel for

slippers with a median price of HUF 4990 (approximately EUR 16). That is a lot of money for that kind of a product; cheap shoes can be bought for the same price.

No other retailer had rubber flip-flops in their inventory in the 2015 season. It seems possible to take a share of the market with the superior quality and lower prices of HUF 3490.

6.3 Costs and Possible Profits

Importing from Malaysia is currently subject to Customs fees as the bi-lateral trade agreement is not completed yet. The final cost consists of the cost of each pair of flip-flops, multiplied with 16.8% customs fee and that is subject to 27% Value Added Tax (VAT). Adding to all is the cost of shipping and distribution, divided by how many pairs are being ordered.

Negotiations with the manufacturers led to the price of USD 1.95 per pair for the single-tone, and USD 2.45 for the dual-tone color. An exemplary simple calculation for a likely 6,000 pairs as follows: $(3,000 \times 1,95) + (3,000 \times 2,45) = \{(12,200 \times 1,168) \times 1,27\} = 18,097$ dollars.

Shipping cost for a 20' container from Kuala Lumpur to Budapest is USD 1,612 for the under 8tonnes category. 6,000 pairs are not taking up a whole short container in neither volume nor weight. Each pair is ranging from 0.16 to 0.29kg if every pair is the maximum weight it still is no more than 1740kg, and takes up approximately 4 standard EUR2 pallets (ISO 2 1,200 mm \times 1,000 mm). Appendix 4

A total cost of USD 19,709, divided by 6,000 is equal to USD 3,29 or HUF 890 per pair after every fee, ready to sell. There is also the distribution cost and retail costs such as an employee. Those numbers are currently unsure and employing someone is still in question. However the market suggested retail price of a pair of flip-flop is HUF 2990-3990. With modest spending on employment and advertising a profit can be clearly realized even by the end of the first season.

6.4 Transportation/Distribution

Inland transportation and distribution will be handled with the company's own van, a Peugeot Boxer which is designated as a Light Commercial Vehicle. The model was chosen for its roomy design making it the category leader. It accepts the standard EUR pallets with ease even through the side door. The van at hand is the second shortest model from the range with a 3,120mm long cargo area, which can accommodate 3 of the EUR (800mm \times 1,200mm) or EUR 2 (1,200mm \times 1,000mm) pallets.

Hungary's government regulations direct that every vehicle owned by a company is subject to the 'company vehicle tax'. The tax is dependent on the emission category and maximum engine power. The vehicle in question is a fairly new 2012 model Partner equipped with a 2.0 liter EURO 5 diesel engine which falls into the lowest emission class. The tax is monthly HUF 8,800 (EUR 29).

Since 2014 the road toll on most major roads and highways for commercial vehicles and trucks is electronically paid for. The high road toll category is avoided by the Maximum Authorized Mass of 3.5 tons (regulated by EU Directive 91/439/EEC) of the vehicle which makes it subjectable to highway toll exclusively. There are 6 major highways and parts of the Budapest ring M0. The yearly fee is HUF 42,980 (EUR 139).

6.5 Legal

Flip-flops cannot be sold in public space as they are limited to only some articles for example flowers, milk, pastry products, ice cream, newspapers. For this activity a mobile vendor's license can be obtained. It is relevant to the company's activity as most beaches are classified as public space. For the sales activity a permit must be obtained from each city's council for a period. That period can be for the whole summer or for only days, depending on each place. Prices vary too according to the category of the public space with four categories currently. Planning ahead is the key to success as it can take as long as a month to get the permit due to unnecessary bureaucracy. Other options include the rental of a private space for the selling activity. Front or backyards of houses or other private spaces to be negotiated upon for a short period. It is worth mentioning that it is legal to conduct sales activity if the seller license is valid and the owner or caretaker of the private space is agreed by contract.

7 RECOMMENDATIONS

7.1 On the Flip-flops to be Imported

This is why our company decided to use those very similar to the "Fipper" brand. Technically the production is on the same lines, produced to the same standard. These flip-flops are manufactured in Thailand, with approximately 65-70% rubber content in the strap part and 50-60% rubber in the sole. This makes them more expensive than EVA products. The natural rubber makes it easy and very comfortable to wear and keep clean. Their worthiness proved through months of constant wearing and tearing being used as a casual shoe on my own feet.



Figure 7. Unmarked Slippers Provided by the Partner

The color combination is the most important aspect of the deal. Unfortunately the colors are available by 1,200 pairs. 6,000 pairs can be chosen from 5 colors, I recommend ordering flip-flops without the strap being assembled to the sole. Putting the two pieces together takes some labor but it is simple and quick, resulting in already 25 combinations. I also recommend ordering one more set, without pre-assembly meaning that the available 36 variations are fulfilling the core concept.

The flip-flops can be ordered without any print or logo on them. The straps are molded with a 10mm x 5mm area left for the logo's to be attached on with glue. Only imagination is the limit on what can be pad printed on the sole but the print's lifetime is limited. This is a great opportunity to start with an own name, to be developed into a brand possibly. Pad printing can be ordered in the factory for a few cents on each pair or in Hungary but possibly more expensive.

7.2 On Advertising and Branding

The recommendation is something catchy for example: 'Wave'



This is a logo designed on the internet by professional designers. The rights are belonging to Provirtus it can be used freely. The letters would make a good subject to be pad printed on the sole, white or black depending on the color of the sole. The black area with the white letters are good for use on the strap logo, recommend using molded soft plastic material. Easy and cheap to produce, and attached by glue to the rubber strap.

Advertising recommendations are the use of online social media, and direct marketing on events. The most important online channels are: Facebook page for the brand, Twitter feed, Instagram. To captivate the audience professional photographs of the product should be shared frequently. Locally shot photographs, using local sights and or situations to create a desire for the product. Facebook is particularly useful to announce new models, discounts and share stories. Twitter could be used to announce the next stop of the moving vendor the van. On Instagram the flow of pictures is helpful with the showcase of the different colors and the situations to wear them. An online shop is a good selling tool, where the moving vendor cannot go the item can be ordered and delivered in a few days by postal services. It opens the market up for the whole country.

The van is recommended to have graphics on the sides with the brand and products. The box of a van is a gigantic empty canvas; it certainly is a mistake not to utilize it for promotion. The printing and installation of large vinyl on vehicles is not expensive, it promotes the product with great efficiency.

7.3 On Distribution Display

The venues for selling these flip-flops are the stands around strategically selected areas, where a 5x5 stand of pairs with the depth of 4 metal hanger walls should be used. That is carrying a total of 100 pairs each rack, and up to 25 color options. The mobile wall's dimensions would be about 1,750mm tall, 900mm wide and 450mm deep to accommodate the number of items and approximately 30kg fully stacked. These stands are good in size to be used in the stalls around a mall's corridor and very versatile in general, equipped with roller wheels it is possible to move by one man.



Figure 8. 5x5 wall of flip flops for size (picture shown is immobile)

The versatility of the walls is truly shown in the mobile and event vending. 4 wall displays fit easily in the transport vehicle with a total of 400 pairs plus about 200-400 more pairs bagged. The total of 600-800 pairs are expected to be sufficient for 3-4 days of an event without the need to restock. It is helping with reducing fuel consumption and saving time. In many large events it is even a logistics nightmare to move the vehicle out of place and on the road again. The 4 displays can be arranged into a 3.6 meter wide showcase wall of the products which is nothing short of impressive and eye-catching, with the proposed minimum of 25 colors.

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Table II.2

World merchandise exports by major product group and region, 2013

(Billion dollars and percentage)

	Agricultural products	Fuels and mining products		Manufactures						
		Total	Fuels	Total	Iron and steel	Chemicals	Office and telecom equipment	Automotive products	Textiles	Clothing
World	1745	3997	3258	11848	454	2001	1750	1348	306	460
Share in total exports	9.5	21.8	17.8	64.7	2.5	10.9	9.6	7.4	1.7	2.5
Annual percentage change 2005-13	9	10	11	6	5	8	4	5	5	6
2012	-1	2	5	0	-8	-2	0	1	-3	1
2013	6	-3	-3	3	-6	2	4	4	8	9
Asia	390	690	483	4566	159	459	1157	331	183	274
Share in total exports	6.7	12.0	8.4	79.1	2.8	7.9	20.0	5.7	3.2	4.7
Annual percentage change 2005-13	12	13	13	9	8	11	7	7	8	9
2012	-1	-3	0	3	-5	-1	2	11	-1	3
2013	3	0	-2	3	-5	2	7	-2	9	11

Appendix 2

EU-Malaysia Gross Trade Statistics

EU-Malaysia "trade in goods" statistics

Trade in goods 2011-2013, € billions

Year	EU imports	EU exports	Balance
2011	19.6	11.9	-7.7
2012	18.8	14.5	-4.2
2013	18.4	14.3	-4.1

Appendix 3

Hungary's Retail Sales by Groups

4.4.11. Retail sales by major commodity groups (2006-)

Commodity groups	2006	2007	2008	2009	2010	2011	2012	2013	2014
Food	21.50	22.76	23.24	24.45	24.87	25.02	26.32	27.23	26.33
Alcoholic beverages	3.40	3.23	3.44	3.43	3.49	3.66	3.87	3.85	3.51
Non-alcoholic beverages	2.52	2.57	2.84	2.82	2.79	3.01	3.23	3.16	2.98
Coffee	0.85	0.82	0.85	0.89	0.83	0.87	0.88	0.89	0.91
Tobacco ^a	2.53	2.78	3.16	3.63	3.39	3.60	4.07	4.96	5.97
Pharmaceutical and medical goods	4.09	4.43	4.33	4.45	5.65	5.93	5.41	5.41	5.40
Cosmetic and toilet articles	2.75	2.50	2.65	3.02	3.17	3.21	3.24	3.26	3.55
Textiles, clothing goods	4.03	4.31	4.25	4.49	4.22	4.21	3.83	4.01	4.58
Footwear, leather goods	1.50	1.64	1.50	1.80	1.63	1.80	1.76	1.83	1.93
Furniture	2.34	2.35	2.15	1.96	1.73	1.51	1.33	1.18	1.23
Household articles of textile materials	0.58	0.52	0.50	0.55	0.55	0.56	0.61	0.62	0.72
Lighting equipments	0.83	0.74	0.60	0.68	0.81	0.81	0.83	0.78	0.75
Household articles	1.35	1.13	1.19	1.14	1.07	1.13	1.01	0.96	0.94

Panalpina Freight Price Estimation

Érvényesség / Validity:

2015-Mar-04 / 2015-Mar-31

Felvételi hely / Loading place	0
Indulási kikötő / Port of Loading	Port Kelang
Érkezési kikötő / Port of Discharge	Koper
Kiszállítási cím / Delivery place	BUDAPEST
Incoterms	FOB
Konténertípus / Type of container	Dry

Szállítványozási díj összesen (vámkezelési és biztosítási díjakat nem tartalmaz) / Transportation charges all in (excluding customs clearance and insurance):	Konténer típus / Container type	Pénznem / Currency	Súly/Weight			
			8 tonna alatt / below 8 tons	16,5 tonna alatt / below 16,5 tons	22 tonna alatt / below 22 tons	24 tonna alatt / below 24 tons
Szállítványozási díj összesen Transportaton charges all in	20'	USD	1.612	1.612	1.633	1.633
Szállítványozási díj összesen Transportaton charges all in	20'	EUR	1.490	1.490	1.510	1.510