

MEP Postřelmov, a.s. – Current Foreign Trade Activities and Their Further Development

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Postavení českých firem s vysokým podílem exportu

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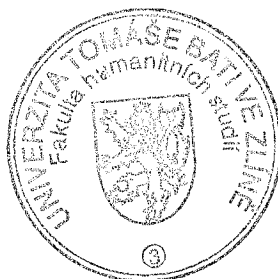
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ABSTRAKT

Obchod je nejdůležitější částí všech firemních aktivit. V mé práci jsem se zaměřila na možnosti obchodního růstu a rozvoje konkrétní firmy MEP POSTŘELMOV, a.s., která se nachází v místě mého bydliště. V této firmě jsem strávila několik dní, během kterých jsem se snažila načerpat dostatek informací k mé bakalářské práci.

V teoretické části bych se chtěla zaměřit na základní definice zahraničního obchodu a stručně charakterizovat firmu MEP Postřelmov, a.s.

V praktické části bych ráda poukázala na některé z nejdůležitějších částí zahraničního obchodu, jeho rizik, faktory, které je mohou ovlivnit a pokusila se navrhnout nové metody, které by mohly snížit rizika a vylepšit marketingový i obchodní úsek podniku.

Klíčová slova: podnik, zahraniční obchod, globalizace, know-how, vrtkavost měny/kurzu, snížení rizik

ABSTRACT

The business is the most important part of activities of the company. In my thesis, I have focused on possibilities of business development of the company MEP Postřelmov, a.s., enterprise dealing in my region. I have spent couple of days in this enterprise while I was trying to get some of the main information for this thesis.

In the theoretical part of my work I would like to define some of the basic facts concerning foreign trade and information about MEP Postřelmov, a.s.

In the practical part of this work, I have tried to identify some of the main points of foreign trade, its risks, factors by which it is impacted and proposed some measures to improve marketing, product promotion and mitigate potential risks.

Keywords: enterprise, foreign trade, globalization, know-how, rate volatility, risk mitigation

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INTRODUCTION

The annual economic growth of the Czech Republic is almost 6 percent and on the rise. One of the main reasons of this significant growth is its membership in the European Union in 2004 which facilitated trade by abolishing international barriers.

As a result of this fact, many Czech companies including MEP Postřelmov, a.s. (hereinafter as MEP) have managed to increase their export activities especially to EU member countries and worldwide.

With regard to limited possibilities of the Czech market is the export one of the most import ways of development of the company and its economical results.

The main activity of MEP is the manufacturing of electric devices and sheet metal fabrications for traction application. The company has a very long tradition in the manufacture of power braking resistors for trains, metros, trams and trolley buses. It is one of the few European countries dealing with such activities having a unique know-how. The specific characteristics of the company are given in section 3 of this thesis.

The main objectives of this research are:

1. To study the structure, organization, strategy, know-how, goals, and achievements of the company.
2. To provide suggestions and recommendations in view of:
 - Marketing and product promotion strategies,
 - Contacting new customers,
 - Cost saving,
 - Risk mitigation.

I. THEORY

1 CHARACTERISTICS OF THE PRIMARY DEFINITIONS

In the first chapter, I would like to clear up basic definitions of the main characteristics of foreign trade to illuminate the basic facts concerning definitions, content, function and some of main points of international marketing.

1.1 Definition of Foreign Trade

Foreign trade is a branch of production sphere, which is focused on an exchange material and incorporeal values between two or more countries, what means participation in external, thus international trade.

1.2 Content of Foreign Trade

Foreign trade includes a value of export, import and re-export, ennobling relation, services that are connected with these sorts of trade and export and import of the industrial rights. All of those components create a turnover of the foreign trade.

1.2.1 Ennobling Relation

Ennobling Relation is an implementation of ordered works on certain goods for the different country:

- a) active – means that we ennoble something for a different country
- b) passive – means that we are ennobled by a different country

1.2.2 Basic Balance Concerning Foreign Trade

The foreign trade has its own national account.

We distinguish two basic balances for the purposes of the monitoring of the situations and development in the foreign trade:

- a) Balance of trade – this balance catches movement of the products and services which are connected with mentioned products
- b) Balance of payments – is connected with the previous one and contains all the others financial payments towards the state or either from the state (also known as a money balance)

Both of these types could be either active or passive, what also means credit balance or reverse.

1.2.3 Effects of the Foreign Trade on Gross Domestic Product and National Income

- a) Direct effect – export reduces and import heightens the gross domestic product and national income
- b) Indirect effect – we can get the same number or even more resources for the import products thanks to the comparative advantage
- c) Effect on the structure – the structure of the produced domestic product and national income is changed by the foreign trade. The range of products is different in each country what means that foreign trade enriches a variety of the markets offers in the given country. (Vysušil 1999, 23-25)

1.3 Function of the Foreign Trade in National Economics

1.3.1 Current Trends and Functions of Foreign Trade

A character of the connections with national economics and the external environment is much different compare to the past.

At the present time, we can mention a broad range of material and incorporeal flows.

Foreign trade becomes more a result of straight specialization and cooperation in production, development, studies, projects and investments.

1.3.2 Function of the Foreign Trade

We can find expressive differences in a view concerning functioning of the foreign trade in economics of a particular country. That could be an economic proportion and economic maturity. We can take into account that they can be valid. As an example:

- a) hash function - that is an influence of the foreign trade on the internal economic balance
- b) growth function – fulfillment of economics time with the results of nation work while involving into the international differentiation
- c) foreign trade might, in some cases, functions as a barrier concerning the growth of domestic economics

Significance of the foreign trade might be filling up the principle of the time saving as well. (Plchová 1996, 3-4)

Function of the foreign trade in common could open variety of opportunities and experience with foreign countries for the given state. In my point of view, that could be a big contribution and interesting activity for the person who is dealing with this issue by

communicating in a foreign language, getting new practices relating to different country and many others.

1.4 International Marketing

In this section, I would like to explain what exactly International Marketing means and give some of the main points concerning this topic.

As Doole and Lowe say:

“At its simplest level, international marketing involves the firm in making one or more marketing mix decisions across national boundaries. At its most complex level, it involves the firm in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe.” (Doole, Lowe 2000-2008, online)

Appleby emphasizes that governments have highlighted a need for a foreign trade especially for small and medium-sized firms.

Exporting might be influenced by couple of factors which could occur while dealing with international marketing. For instance too much strain for the company. Producing abroad could also means risky conditions for the given company or lack of information or rather education and minimum knowledge considering exporting.

Concrete company which would like to start with exporting has to take into the consideration some of the most important conditions and points such as size of the particular country (mainly relating to a number of inhabitants), rate of inflation, regulations given by government such as taxes, law, statues and many others. (Appleby 1991, 275)

In the case that company is able to undergo all of these requirements, there are, without doubt, many advantages of the global marketing (exporting could mean more production, getting much more information about the global marketing, many experience concerning main subjects of marketing and as the most important thing – be able to be much confident towards the foreign enterprises). (Appleby 1991, 276)

In the end of this article, I would like to mention just basic methods of exporting which are available for the certain enterprise according to Appleby’s Modern Business Administration book:

- a) A buying agent
- b) Export merchant houses
- c) An export agent
- d) Import merchants

e) A commission agent

f) Direct to overseas buyer (Appleby 1991, 276)

2 CZECH COMPANIES WITH HIGH-RATED EXPORT

I would like to point out just brief information about the development of the foreign trade in Czech Republic what could be quite interesting if taken into the consideration that Czech Republic disposed almost no foreign trade activities after 1989, when the country broke away from communist regime and became totally different state in a manner (together with the Slovak Republic).

2.1 Development of the Foreign Trade in Czech Republic

The traditional manufacturing of machinery, the volume of which exceeded the demand of the national economy, always required high volumes of imported raw materials and exports of finished products, with the added value of Czech labor and craftsmanship. The international renown of Czech machinery and consumer goods has ensured long-term prosperity for the country. Brands such as Škoda Plzeň (heavy engineering), Škoda Auto (cars), Tatra (trucks), Bohemia crystal, Budweiser (beer), Pilsner Urquell (beer), Jablonex (jewelry), Bohemian ruby (jewelry), Prague ham and other products are well-known and traditional export articles. The high extent of the Czech Republic's involvement in international trade is documented by the fact that the value of Czech exports in 2003 accounted for 56.9% of GDP, while the value of Czech imports represented 59.8% of GDP. (Czech Republic, online)

2.2 Czech Companies with the high-rated export

In the next couple of articles, I would like to introduce three of the most important companies with high-rated export and target the most successful one – Škoda Auto a.s.

2.2.1 Škoda Auto a.s.

Following chapters distinguish main information about the enterprise.

2.2.1.1 Basic information about the Company

A group of Škoda Auto belongs to the most important economic groupment of the Czech Republic. It is formed by the ŠKODA AUTO a.s., Škoda Auto Deutschland GmbH, ŠKODA AUTO Slovak Republic, s.r.o., Skoda Auto Polska S.A., Skoda Auto India Private Ltd. and OOO VOLKSWAGEN RUSSIA.

Controlling company ŠKODA AUTO a.s. is a Czech company which has a tradition of the production of cars that goes over a hundred years. A brand Škoda comes under the oldest companies considering car production in the whole World.

A subject of the business activity of the company is mainly development, production and sale of the automobiles, components and original accessories of the Škoda and providing services for the clients.

The group Škoda Auto operates in over 100 markets all around the World and exported over 630 032 automobiles to its customers during 2007.

Škoda Auto with its turnover belongs to the biggest economic groupment concerning the countries which joined the European Union a few years ago. The company reached earnings of 222 mld. CZK in 2007.

It is significant employer in Czech Republic as well. In 2007 the company employed 24 461 employees.

Škoda Auto is the most important shipper of the Czech Republic with the share of 7.5% on the export trade. (Škoda Auto 2008, online)

2.2.1.2 History of the company

In 1895 the mechanic Václav Laurin and the book-seller Václav Klement, both bicycle enthusiasts, started with manufacturing of bicycles of their own design, called Slavia. In 1899, the Laurin & Klement Co. started producing motorcycles, which became very soon successful and won several races. After they acquired some experience with this sort of production, they changed it into the automobiles in 1905.

The production facilities were extended constantly and after 1914, Škoda took part in the production for the armed force. In early 1930s, the automotive business was again organized as a separate joint-stock company within the Škoda Group. After the crisis, the Company achieved a break-through with the Type Škoda Popular. The German occupation in 1939 to 1945 caused a considerable disruption in the history of the company, which was integrated into the industrial structure of the German Empire. In the course of a large-scale nationalisation which began immediately after the end of the war, the Company became a national enterprise named AZNP in 1946. Production grew again only when the model range Škoda Favorit went into production in 1987.

(Škoda Auto 2008, online)

After 1989, Škoda began to search for better opportunities for its production. They tried to find foreign partner for long-term cooperation. In December 1990, the Government decided on cooperation with the German Volkswagen Group. The Škoda – Volkswagen joint venture began to operate on 16th April 1991 under the name Škoda, automobilová a.s., becoming the fourth brand of the Volkswagen Group alongside VW, AUDI a SEAT. (Škoda Auto 2008, online)

2.2.1.3 Milestones of Škoda Auto during 2007 (concerning foreign trade activities)

I would like to mention just the three most important foreign activities that Škoda realized in 2007:

- “Placement of the Škoda Roomster and Škoda Octavia Scout on the foreign markets,
- Opening of the first exclusive prototype motor show in China and Ukraine,
- Taking up a selling activity in Australia.” (Škoda Auto 2008, online)

2.2.2 Budweiser Budvar

Without any question, Budweiser Budvar is another relevant Czech company dealing with the multiplicity of the foreign trade.

2.2.2.1 History of the Company

The brewery was already known abroad in 1913. A renovation of the enterprise was done after the First World War thanks to the very developed export.

From 1920 Budvar started to export its products to the all continents and in 1936 changed its name into the Budvar one.

During Second World War the brewery was under the Nazism control and after its end was nationalized. In 1967, part of the holding was given to South-Bohemian breweries and Budějovický Budavar was established thanks to the trade mark and quality of the beer intended for export. Further development of the brewery was found after 1989 and the domestic and foreign trade was almost tripled.

Nowadays Budweiser Budvar belongs to one of the most important and most successful Czech export food producing companies. One fourth exported half-liter of beer from the Czech Republic is from the Budweiser Budvar brew-house.

Budvar exports its production all over the world, including 50 countries across all continents. Some of the most important customers are Germany, Great Britain, Austria, Italy, Russia, France, Spain and many others.

In 2002, after couple of disagreements with the brand name's rights, Budvar started its export to the United States of America and Canada under the brand name of Czechvar. (Budweiser Budvar 2008, online)

2.2.3 Škoda Holding, a.s.

In 1859 a count Wallenstein-Vartenberk set up his engineering works in Plzen and employed over a hundred workers, included machinery and equipment for sugar mills, breweries, mines, steam engines, boilers, iron bridge structures, and railway facilities. Later in 1869 was this plant taken over by Emil Skoda. (Škoda 2000-2008, online)

The Second World War and the company's forced integration into the German weapons program led to serious damage at the Works themselves (70% of the company complex was destroyed by Allied bombing in April 1945) and the loss of several foreign markets.

In 1945, the company was nationalized. Škoda Works was gradually split up into different sections (e.g. the car works in Mladá Boleslav, the aircraft plant in Prague, factories in Slovakia, and other plants producing food-industry equipment). The company's main task now was to produce equipment for heavy engineering, capital construction in the industrial sector, public transportation, and power engineering. Most exports were headed towards the Eastern Bloc. (Škoda 2000-2008, online)

Since 1992 the company started with expanding its production and put the company's financial stability in danger. Skoda got its main creditor banks and entire capital with a result of legal and financial stability Nowadays, Skoda Holding a.s. belongs to one of the most successful and biggest companies in Czech Republic. (Škoda 200-2008, online)

3 MEP POSTŘELMOV, A.S.

MEP, joint-stock company is located in Postřelmov, small village near town called Šumperk, right where I was born. I had an opportunity to spend couple of days in this enterprise while working on my thesis and also getting some experience in the market area. I had an opportunity to speak to the Managing Department several times, what brought me all of the information that I am going to use in my thesis.

On the basis of fundamental information that I have gotten while working in MEP, I would like to introduce the company in next couple of chapters and focus on the main difficulties which I would like to solve out and try to give few recommendations and suggestions.

3.1 Specific Characteristics of MEP

MEP is a Czech company specializing in the manufacture of low voltage resistors, high-speed circuit breakers, electromagnets and other devices. It was established in 1931 and became a joint-stock company in 1994. In 2003 the company established two wholly owned subsidiaries – MEP foundry and MEP galvanization.

MEP is one of the world's few manufactures of braking resistors for traction applications and high-speed DC circuit breakers up to 4.5 kV. These three entities do now collaborate together in a holding-type company. Resistors and circuit breakers are exported to practically all European countries and via the company's partners to the whole world, for example to South America and Australia. Around 60 per cent of the manufacture is exported directly by MEP and between 15 per cent and 20 per cent by other Czech enterprises and sales organizations. One of its major European partners is Alstom Transport, a manufacturer of TGV intercity trains. MEP is a member of Alstom's supplier panel with an A Supplier rating. Other major partners include the Siemens Company, which utilizes MEP's resistors, and the General Electric Company, a customer for its high-speed DC circuit breakers. Moreover, the manufacturer is certified to supply the French Railways and it delivers spare parts to Deutsche Bahn, the German Railways. The trade with its core clients abroad has multiplied in the last five years. It serves the Chinese market through its partner's sales organizations and is now attempting to start negotiations with Japanese giants such as Mitsubishi and Toshiba. The feedback it has received is very promising.

In the Czech Republic the company is a traditional partner to Skoda Holding, the Czech and Slovak Railways and the municipal public transport companies. The domestic market

is very important for the producer because the companies engaging in the traction industry here are expanding their export markets in Russia, the Ukraine and the Baltic countries. It has been able to take advantage of past business contacts and the fact that there are a lot of Czech vehicles still operating today.

In the past the company was an exclusive supplier to Skoda Plzeň, today Skoda Holding and ČKD Praha, manufacturers of locomotives for the Eastern bloc countries. The resistors installed on these locomotives 20 or 30 years ago are still fully operational, for example in Russian Siberia. These two Czech companies still rank among its clients on the domestic market along with ČMKS, another locomotive manufacturer. MEP is competitive with its resistors compared to other European manufacturers, and it is at the top of its league in the segment of high-speed DC circuit breakers up to 4.5kV.

The company takes advantage of its competitively low costs, and clients value its flexibility and excellent communication. In its testing laboratory and prototype office, its in-house experts constantly test its unique know-how. MEP also works together with its partners such as Alstom Transport in the area of technical know-how. Every resistor developed here is an original piece, since every customer's train is unique. At the moment it is working on new types and modifications of electro magnets. It has been manufacturing high-speed DC circuit breakers up to 4.5kV and up to 4000–6000 amps, and is now developing a new range up to 10,000 amps. Furthermore, new types of tram heating systems are currently being tested.

The staff of 460 operates modern technologies for machining and sheet metal treatment, which are CNC controlled, as well as heat treatment, welding and forming technologies. The company holds the ISO 9001:2000 certificate, the AN 729-2 certificate and the German DIN 6700 welding certificates. In 2005 it invested around €2 million into its machining and sheet metal facilities. The plan is to invest the same amount this year and annually into the future. Each of the subsidiaries employs 100 members of staff.

Traction is an industry with a lot of prospects in regard to environmental issues. It is also a fast growing sector. The competition is quite strong but MEP has achieved a very good position since 2000. It has the competitive advantage of being based in a so-called emerging country.

The company takes up 90 per cent of the domestic market in the segment of traction resistors, and about 50 or 60 per cent in the segment of heating systems. There are other competitors

in the manufacture of high-speed circuit breakers, but MEP still occupies 80 per cent of the market. Numerous other companies produce electrical switchboards and the market share in this segment is not easy to quantify. From these percentages we can easily see that the company has a special status on the Czech market, resulting from a unique know-how. The further development of this position at home is one of the management's priorities. In general the Czech market and all of Europe, eastern and western, carry the same significance.

The company was well prepared for joining the EU as it had been working on developing relationships with western European partners long before the accession day. For western businesses EU membership probably meant breaking down another barrier for trading with the domestic entrepreneurs.

The company intends to strengthen its status as a competitive European manufacturer in the years to come and at the same time consolidate its client partnerships, as there are a relatively small number of operators in the industry. The future strategy includes plans for the development and manufacture of new products and increasing sales and the productivity. Turnover will be approximately €16 million this year, and in 2007 the goal is to achieve a 30 per cent rise. The management is focusing on personnel training, and it is planning to embark on a new training program worth about 4 million CZK.

(MEP, online)

3.2 History of the Company

I talked to management of the company and studied some of the company's brochures, I have found out some of the brief information about MEP.

Since its foundation in 1931, when the company was found by J. Vágner from Olomouc, it has produced low-voltage electric devices, electric motor starters, resistors and signal lighting devices for airports and train stations.

From 1939 to 1945 MEP belonged to Metznanauer and Jung Wuppertal Company and the main production was concentrated to special devises for the army in that time.

Till 1947 the company was part of Moravian Energetic Enterprise in Olomouc. National enterprise MEZ was established right afterwards along with Zábřeh plant.

The main fabrication of the company took place during 1950 – 1960 when the other two parts of MEP – Slévárna and Galvanovna were built up.

After 1989 MEP came through a voucher privatization and MEP POSTŘELMOV, a.s. has come into the existence.

During the second half of 1990s the company dealt with difficulties concerning strong job-cuts (from 2200 to 900) and tried to find some new markets.

After 2000, thanks to the development of the MEP's unique productions, the company got some new customers, especially in the traction segment and including mainly European countries.

Nowadays, MEP is a stable enterprise, based on production with its own know-how. Cooperation with the biggest global companies that deal with the rail transport helps MEP participating long-termed projects and evolves along with them.

(MEP, online)

3.3 Manufacturing Program and Customers Portfolio

I have read some of the MEP's official documents and prospect materials and I have found that the core business is formed by the following devices and products:

- Devices for the Traction Application,
- Electromagnets and Electromagnetic valves,
- Other Devices, Construction of Working Machines, Machining.

3.3.1 Devices for the Traction Applications

These devices are used for trains, metros etc.

3.3.1.1 Braking Resistors

These devices make for braking a vehicle of an engine, locos, tramways, metros, trains and so on.

MEP is a traditional producer for more than 70 years, has a privilege position and belongs to the front five manufacturers in Europe. Appliance is competitive either technically or from the financial point of view.

Due to MEP's progress of the construction of these devices in 1999 and its appreciation, Braking Resistors got an access to the worldwide markets.

General partners are:

- Czech market – MEP is practically the only supplier with the most important producers for many years:
 - ŠKODA holding a.s. Plzeň,

- ŠKODA TRANSPORTATION s.r.o.,
 - ŠKODA ELECTRIC s.r.o.,
 - ČESKÉ DRÁHY,
 - SLOVENSKÉ DRÁHY,
 - ČMKS – holding a.s.,
 - SEGELEC Praha and others
- Foreign Trade – MEP has got a partnership with following companies:
- ALSTOM Transport – located in: Charleroi in Belgium, Rijdekerk in Netherlands, Vallencienes, Arbes and La Rochelle in France, Sesto san Giovanni in Italy and Sattee in China
 - SIEMENS Transport – located in Erlangen, Krefeld and Nuremberg in FRG, Taiwan
 - BOMBARDIER TRANSPORTATION – located in Sweden
 - ELIN EBG Traction – located in Vienna
 - MITSUBISHI ELECTRIC – located in Japan
 - METROVAGOMASH MOSCOW – located in Russia
 - HITACHI LTD Transportation
 - GANZ ŠKODA – located in Hungary
 - SNCF – located in France
 - ESB – located in Ireland
 - MEDCOM – located in Poland and others

I would like to state some of the concrete information concerning main resistors locations for export. (See P I)

3.3.1.2 DC High-speed Circuit Breakers

It is a front-end product with a long tradition, produced just by the couple of companies in the whole World. This product also forms the basis of the company. In 1996 MEP linked cooperation with the biggest international company GENERAL ELECTRIC and became a partner. GE and MEP developed a new high-speed circuit breaker. This breaker is being manufactured by MEP.

Czech partners are:

- ŽS Brno,
- ČD,
- ČND Elektrotechnika, a.s.,
- AŽD Praha and others.

3.3.1.3 Fabrications, Cables

Production of metal sheet fabrications for the traction application has become a separate commodity.

Main customers are:

- ALSTOM Transport,
- CIRMA France,
- ŠKODA Holding , a.s.,
- SIEMENS Transport.

3.3.1.4 Other Appliance of the Traction Applications – Concerning Czech Trade

The main appliances which represent this sort of production are heaters, contactors, valves and so on.

Main customers are:

- SEGELEC Prague,
- DP Brno,
- DP Ostrava,
- ŠKODA Transportation,
- Pragoinvex Prague,
- SOLARIS Poland,
- DAKO Třemošnice.

3.3.2 Electromagnets and Electromagnetic valves

Main customers are:

- KENDRION BINDER MAGNETTE – located in Austria and Netherlands,
- Magnet Works – located in Linz, Austria,
- Hatzdieselagregat – located in Germany,
- MM Technik Remscheid.

3.3.3 Other Devices, Construction of Working Machines, Machining

This section of production deals with machining parts and subassemblies, constructions and production of packing machines.

Main customers are:

- KALLFASS – located in Germany,
- Traktionsysteme – located in Austria.

3.4 Company Distribution

MEP manufactures mainly to customer specifications. The delivery destination is fixed by the customer. As a result of this, product distribution is not influenced by MEP. However the products sent to the customer are mostly paid for by MEP and transported to the destination the destination requested by the customer. MEP uses different carriers to transport goods with varying costs of transport. It is advisable for MEP to enter into a long-term contract with selected carriers to optimize its transport costs, especially with regard to its own long-term deliveries.

Packing and packing costs are also related to distribution. Some of the products are crated using specially heat treated or fumigated wood. MEP has selected suppliers of packing and packing materials but it lacks a long-term contract for some of its products. This again could lead to an unexpected and unforeseen price increase.

3.5 Company Organization

I have taken a look at the MEP's organization chart to see how the whole company is structured. (See P II)

The company's organization chart shows five independent departments, sections and subsections. This organization chart has been applied since 2000 and has shown to be effective in view of production, sales, customer services, and design and in other areas. The company is now being prepared to be certified to IRIS (International Railway Industry standard) and as a result of this and other developments, the company's organization structure will be slightly modified with an emphasis on project management. The certification to IRIS will further enable the company to trade with all international railway companies boosting its capabilities to compete with similar companies.

3.6 Economic Result of the Company for 2006 and 2007

As I was interested how the company was successful in the previous years, I had an opportunity to see the profits and loss statistics. I took a look at this document just to have a brief summary about the enterprise. (See P III)

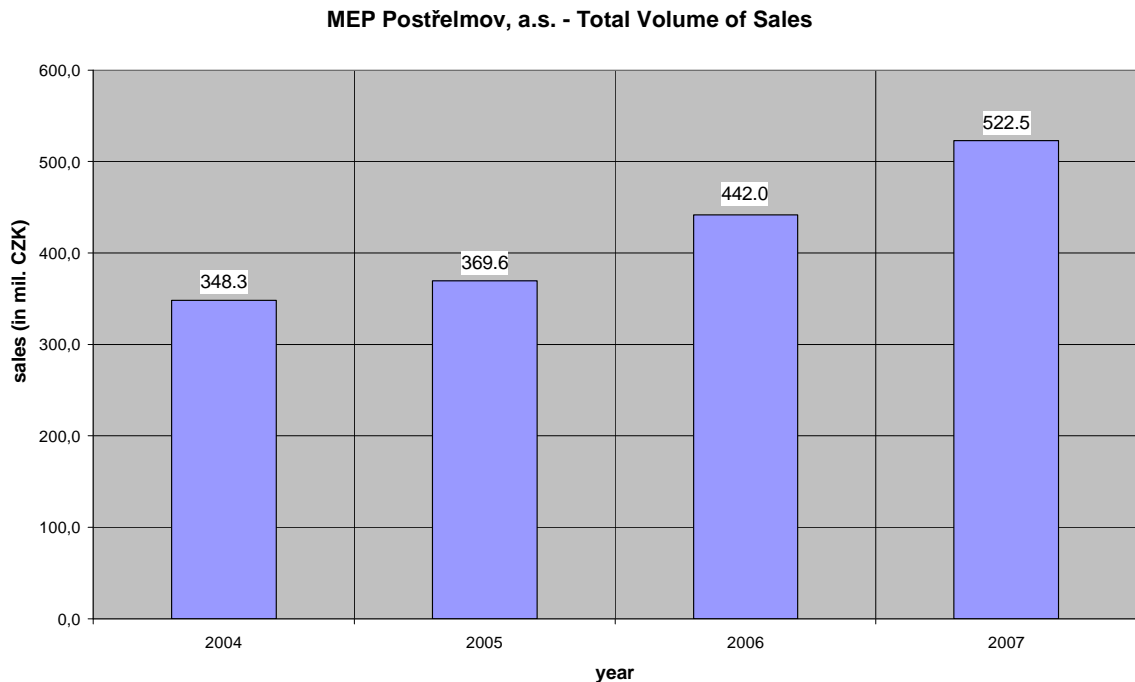


Figure 1 MEP Postřelmov, a.s. – Total Volume of Sales
(MEP Postřelmov, a.s. 2004-2008. Internal Documents of MEP Postřelmov, a.s.)

According to this chart, the sales reached 522.5 mil. CZK raised by 15.4% as compared to the previous year. Revenues from export reached the volume of 228.5 mil. CZK which means 56% of the total income volume.

3.7 Company Strategy

First of all, Company's strategy is to further develop of MEP's products and emphasize in the increase of supplies to its strategic partners.

The major competitive risk to all Czech companies in general and to MEP in particular has always been a shortage of leading-edge technologies. For many years, especially after the transition from socialism to capitalism manufacturers like MEP have been subject to a constant barrage as to which of the latest and greatest manufacturing techniques methodologies or philosophies are best for them. Being a new-comer to the capitalist world

has made the competition in the western world very hard for MEP, especially in the early nineties.

The company is fully aware of this fact and to maintain competitiveness, it has been upgrading technologies for advanced manufacturing processes mainly in the areas of machining, welding and sheet metal work and is adding design capabilities to its manufacturing strengths.

MEP is strong in contract manufacturing of products like sheet metal fabrications for traction applications but has also original products like braking resistors, oil starters, electromagnets for its customers. Its main goal is satisfying the functional need of a customer.

The main strategies of the company are:

- Invest in new technology and train competent manpower,
- Increase revenues by at least 15 to 20 % annually by gaining a significant competitive edge and ultimately by increasing market share,
- Build the product on or as close to the customer request date as possible,
- Continuous quality improvement,
- Build products within the order cycle time,
- Be able respond quickly to changing customer demand,
- Meet or exceed customers' expectations by keeping promises it made,
- Produce profitably and deliver a product of highest quality,
- Re-design of processes to eliminate waste and no value-added activities,
- Development of a method to efficiently and effectively sequence customer's demand into production, using knowledge gained during the selection process along with knowledge about the production process to identify the optimum production date that will fulfill the customer's request.

4 COMPANY KNOW-HOW AND ITS ADVANTAGE IN THE MARKET

“In the context of 'industrial property', know-how is an important component in the transfer of technology in national and international environments, co-existing with or separate from other intellectual property rights such as patents, trademarks and copyright and is an economic asset.” (Wikipedia 2008, online)

On the basis of my research in MEP and speaking to the managing department, the know-how which I focus here is that held in the minds of the engineers of MEP who develop its products and develop and operate its processes.

MEP owns a unique know-how especially in the manufacturing of braking resistors and high-speed circuit breakers which is shared only by a few other companies in Europe and worldwide. This fact has helped the company to sell its products almost as a monopoly supplier especially in the Czech and Slovak Republics. However, this unique advantage now seems to be endangered as foreign companies like Microelletrica, Tellema and other power resistor manufacturers located in Europe are striving to get hold of the Czech and Slovak markets as well.

MEP should thus invest in new more efficient facilities and optimize its production to maintain its local and historical advantages.

The company should also train new professionals and skilled workers to replace the aging manpower so to maintain its advantage in the field mentioned above.

The know-how development efforts I have observed in MEP are however much less ambitious consisting mainly of maintaining the existing technology and less on developing it further by investing in technology, manpower training and others.

On the other hand, there is a tangible proof that the direct competitors of MEP have been doing more towards investment and constant production upgrading. This fact could pose a potential risk to MEP unless measures are taken immediately to tackle this problem.

II. ANALYSIS

5 MARKETING AND PRODUCT PROMOTION

Analyzing the market environment means searching for fundamental issues that influence profit levels within the market as a whole.

The main reason for undertaking this analysis is to gain an understanding of customers, their motivations and their needs. This includes an identification of the largest and most profitable customers and their characteristics. Factors that affect customer motivation are price and quality sensitivity.

While being in MEP and spending some time by searching for the most important information concerning this topic, I have found out that MEP has managed to gain some very important customers in Europe and worldwide especially in the areas of braking resistors, looms and sheet metal fabrications for traction applications. These customers include ALSTOM Transport, Siemens, Bombardier, General Electric, SNCF and others. However there is still a wide room for improvement of marketing activities. Marketing is done by sales agents who are also doing the day to day routine sales works and the company lacks a special marketing or product promotion department and qualified people for this purpose.

Marketing Department in MEP is not a part of the official organization chart, Sales Department owns 12 employees (the real market is accomplished by 9 of them).

Marketing is not enough ensured by the main management (Managing Director and Sales Manager). (Charles 2007, 45-47)

Currently marketing and product in MEP is conducted in the following ways:

- Company Website,
- Catalogues and Brochures,
- Company Presentations,
- Trade Fairs,
- Product,
- Pricing.

5.1 Company Website

The Web allows for a cheap way of promoting products. It is a great tool because it allows the target customers to educate themselves about the product by reading about it, and therefore serve as the company's distribution channel.

By providing a Web page, the company is moving the target market through the communication cycle from unawareness to purchase.

Customers are actively searching for better ways to meet their needs. The Web is a natural place for them to go to look for the product.

The company website www.mep.cz has been posted since 1998 and is serving as an internet marketing tool. It is in Czech, English and German languages. However this website needs periodical information and product updating. The company should make sure that there are keywords in the web.

In my point of view, this concrete web site for MEP is not representative enough and needs updating, because it doesn't equate to the current conception and possibilities.

5.2 Catalogues and Brochures

The Company issues catalogues and brochures to present the company and its products. This also needs constant updating. It should include, among others, new product parameters, updated information on the company and updated customer reference list.

5.3 Company Presentations

The Company presentation is conducted to local and foreign customers using web presentations burnt on CDs.

For indirect exports, the company uses an intermediary located in Great Britain to arrange export agreements mainly for export contracts it does not manage by itself. The major advantage of such an indirect export is the access to a foreign market, while using a minimum of company resources. The disadvantages are less control and over distribution in comparison to direct export and the inability to gain direct international experience.

The company management should have a clear marketing strategy. An optimal marketing strategy and plan should be able to maximize profit over the planning period.

The marketing strategy should take the following factors into consideration.

5.4 Trade Fairs

MEP participates annually in these exhibitions and trade fairs:

- Czech Raildays Ostrava,
- AMPER Praha,
- Innotrans Berlin – the biggest worldwide exhibition for traction transportation systems.

5.5 Product

Aspects like product reliability, price, quality, in time delivery and language skills are determining factors to enter foreign markets. Day to day contact with the customer and customer service should be analyzed and improved periodically. Direct export requires highly skilled and well oriented salespersons, if the company relies wholly on itself to control marketing and sales. (Charles 2006-2007, 46)

5.6 Pricing

To create an optimal pricing strategy for international market is always very difficult, because of uncertainty on the competitiveness about own prices, demand and completion in the target market over the strategic planning period. Currently, MEP is facing pricing problems mainly due to the effects of exchange rate (CZK against EURO) volatility - this will be dealt with as a special topic in the next chapter. The pricing for MEP should be based on low cost pricing while remaining profitable as low prices give competitive advantage.

The company should improve the existing pricing and offering methods. MEP mostly provides offers to customer specifications. The average time to provide an offer, for example, for a standard R9-type braking resistor is three to four weeks. There is a computerized flow chart system established in the company to control inquires and offers, including pricing.

Many customers want their price fixed for the next two or three years or even longer. This makes the price formation even more complicated. The company is trying to solve this problem by entering into a long-term contract with its own suppliers with a fixed price or by securing other long-term resources.

One of the success stories of MEP in the areas of marketing and product promotion is the research, development and successful marketing a series of heaters for tractions vehicles. This product is now being sold in the Czech Republic, Poland, Ukraine and Latvia.

The company needs to develop such own products to be more profitable in the future. (Charles 2006-2007, 46-47)

6 GLOBALIZATION AND ITS IMPACT ON THE COMPANY

Globalization is a term used frequently in the economic debate nowadays, and it would be difficult to find an area of economic research that is “globalization-free”. However, its meaning is so broad, that when globalization is referred to in a discussion, various people understand various things. For this very reason, a discussion on globalization and the monetary policy should commence with an attempt to define the term. One of the definitions of globalization is provided by the International Monetary Fund (IMF), where it is construed as “the growing interdependence (integration) of national economies, in particular as a result of the growing international trade and financial flows. The impact of globalization on modern democracies is usually debated under the name “crisis of the state”: “Globalization increases the potential mobility of financial capital, real investments, goods and services, and to a more limited extent, highly skilled labor. Consequently, mobile economic actors are better able to avoid undesirable state regulations, or to profit from ones that are more advantageous. (Rybiński 2006, online)

As I had couple of appointments with the Managing Department and head manager of MEP, I found out some interesting facts to what measures is MEP’s influenced by globalization.

MEP has benefited from globalization and entry into the European Union in 2004 by expanding its trade mainly to the member countries. A range of the MEP products is small; the company has got a lot of new foreign contacts just thanks to the globalization. On the other hand globalization does not always create a win-win situation and has its own disadvantages. For example, MEP has been the sole manufacturer of braking resistors in the Czech Republic and this monopoly and well-established domestic market might be in danger for the following reasons:

- Many of the previously state owned and established MEP customers inside the Czech Republic are being owned by foreign international companies like Siemens. These companies are usually profit motivated and are looking for relatively cheaper suppliers while demanding the same product quality. The company is then forced into a fierce competition with companies mainly from Asian countries.
- The other risk connected to globalization is the migration of highly skilled manpower to the more developed western countries thereby creating lack of qualified manpower in the Czech Republic. Increased international migration of workforce changes the situation on local labor markets. When the workforce

outflows, the wage pressures increase. The company now faces an acute shortage of foreign language speaking employees, lathe operators, qualified mechanics and shop floor workers.

- The company should tackle this problem of job transfer by implementing effective human resources management system.

MEP has also been practically the only manufacturer of braking resistors in all Eastern European countries during the communist era. Thousands of its products are still running in Russia and other previous COMECON countries. Though the trade relationships have been ceased after the changes, the company has still a big chance of regaining this market provided it increases its efforts by conducting an intensive marketing and product promotion activities in these countries. The post-communist era also deprived MEP another monopoly market in the areas of electromagnets for military vehicles. These items with a significant volume were traded throughout Eastern Europe.

7 RISKS AND METHODS OF RISK MITIGATION CONCERNING EXPORT

Some of the main risks in relation to the target country are:

- Cost of non quality performance,
- The Effects of Exchange Rate Volatility,
- Economic stability and payment capability of target country,
- Geographical distance,
- Target country environmental factors,
- Economic structure of the target country,
- Cultural differences.

7.1 Cost of non quality performance

The company is certified to ISO 2001 and is going to be certified to a new special rail way standard called IRIS. In spite of this fact there is always the human error factor and mistakes are being made at all levels. Such mistakes sometimes lead to significant costs.

Costs related to non quality performance are:

- Penalties and liquidated damages,
- Warranty,
- Reject rework costs,
- Excessive inventory,
- Expediting costs,
- Customer productivity costs,
- Lost opportunity,
- Lost sales,
- Overtime costs, etc.

The company should assess the reasons of such costs and establishes an effective measure to avoid or mitigate such occurrences. Measures to be taken are detailed in ISO 2001 and internal company quality guidelines.

7.2 The Effects of Exchange Rate Volatility

Currently about 60% of the revenues of Czech companies come from direct export activities.

Current exchange rate volatility is described on the following chart. As we can see, the main decrease of EUR vs. CZK has started since 1st July 2007, “catastrophic fall” of EUR for Czech companies started in October 2007:

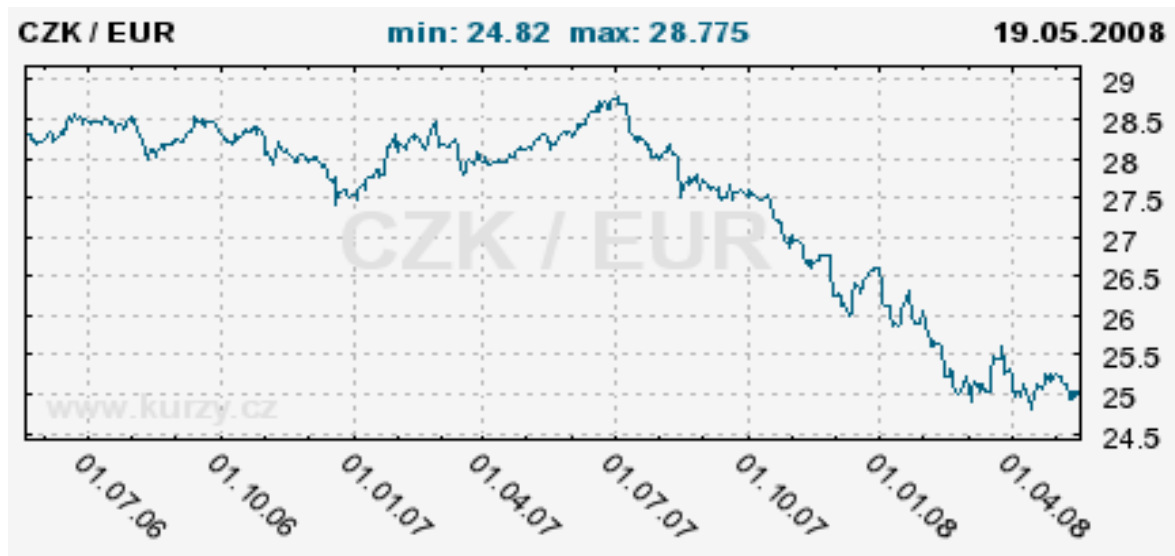


Figure 2. Actual Exchange Rate Volatility

(Kurzy.cz, spol. s.r.o., "Kurzy.cz." May 19, 2008.<http://www.kurzy.cz/kurzy-men/grafy/CZK-EURaUSD/> (accessed May 19, 2008))

MEP owns a rate of the export of 60%, practically just with the EUR countries.

Fluctuant rate-exchange of CZK vs. EUR (USD) which in some way represents a real approximation for Czech economics to richer countries and in reality decreases a competitiveness of Czech companies is a significant risk for MEP and the company has to take it into consideration with every single contract.

	01	02	03	04	TOTAL (in CZK)
MEP	-2 431	-3 079	-3 377	-3 518	-12 405

Figure 3. Loss on Sales Caused by the Euro Volatility

(MEP Postřelmov, a.s. 2008. Internal Documents of MEP Postřelmov, a.s.)

This loss could be offset by a purchase of the material in the countries of the European Union. Purchasing for EURO from Czech companies could be just a conversion of the current price in the purchasing period. This could be profitable especially in case of long-termed contracts.

MEP doesn't use any tools to secure risks connected with exchange differences. One of the most used methods for this difficulty could be "Monetary Forward". This expression marks a time purchase when a bank and its client deal in advance on the currency exchange rate. This purchase or sale is realized later on.

(Komerční Banka 2006, online)

7.3 Economic stability and payment capability of target country

This risk is mitigated by adjusting the payment condition to the situation in the target country.

The modes of payment for such target countries are:

1. Advance payment of at least 50% of the total payment before delivery and the next 50 % after the consignment is ready for shipment.
2. Irrevocable letter of credit.
3. Bank guarantee.

The above payment terms have shown to be effective and the company have had no payment problems when trading with, for example, developing countries.

7.4 Geographical distance

Geographical distance the target country could be a risk factor especially when providing customer service during the guarantee period free of charge. This risk is usually mitigated by entering into a contract taking this factor into consideration and by having enough financial reserve.

7.5 Target country environmental factors

The main product of the company is usually mounted on a roof or at the bottom of the vehicle. Environment thus plays an important factor mainly in relation risk of corrosion of the sheet metal covers, equipment failure due to excessive contamination, etc. This risk is mitigated by carefully studying the target environment and by designing the product so that it is able to operate under such conditions without any failure.

7.6 Economic structure of the target country

Economic factors can impact the risk factor. There is a huge difference when dealing with a country with well established market economy and a country with centrally planned economy, like for example China where the government regulates the market. The company had to withdraw from one such contract with China for the delivery of about 300 medium sized braking resistors over a period of four years mainly because of risky terms and conditions from the side of the customer. Such risks included partial localization of the product in the target country, unfavorable delivery and payment conditions, etc. On the other hand countries like China are potential huge markets for the company and a means should therefore be found to mitigate such risks and safely enter such markets.

7.7 Cultural differences

This is a difference in culture in the home country and the target country like social structure, language, bureaucracy and even corruption. It is advisable for the company to study such factors carefully before entering into a contract with such countries. According to the experience of the company, language problems have been obstacles when trading with South American countries as very few people communicate in English and the company does not have any Spanish speaking employee.

(Charles 2007, 24-27)

8 SUGGESTIONS AND RECOMMENDATIONS FOR EXPORT DEVELOPMENT

In this part of my research, I would like to try to find out some of the suggestions for the increase of the export for Czech Companies, particularly for MEP.

Besides general recommendations to increase volume of business, to realize cost saving measures, to invest into more productive technology etc., partial suggestions and recommendations are given in each section of this research and I recommend evaluating possibilities as indicated in following chapters.

8.1 Marketing and Sales

In my experience while spending couple of months in the United States of America and Mexico I would like to mention that Czech publicity concerning Czech companies is still not developed enough as compared to the foreign countries with high-rated export.

What would be the good suggestion how to solve this problem and help Czech enterprise like MEP functioning as a high-rated enterprise?

Due to my studies and observations, the weakest point of the company is marketing and product promotion. Enough qualified people are not allocated for this purpose. About 60% of the revenue of the company comes from export activities. This volume could be increased further, if the marketing section is actively supported by the company management. The number of people actively speaking foreign languages should be increased and such people should be trained for better communication with the customer.

My proposals are these:

- New Websites,
- “Promo Version” of MEP Presentation,
- Other Electronic promo tools,
- Exhibitions and Trade Fairs.

8.1.1 New Websites

I have strongly recommended to create new web pages on the current technical level (current web sites are at least ten years old and could indicate very poor level skills of the company’s abilities). In my point of view, websites of the particular company evidences about the enterprise’s skills and abilities, financial resources and many other things which

could influence client's first impression and decision whether to be interested and start contacting the company.

8.1.2 "Promo Version" of MEP Presentation

Bigger companies such as MEP simply need a promo presentation to persuade a client, or at least to give some basic facts and information about the enterprise. For this case, I have proposed this presentation which is intended for short core business promotions in case of new business contacts, promotions, exhibitions etc.

8.1.3 Other Electronic promo tools

As we can take a look on the internet, there is large number of different kinds of promotion websites or other tools where certain company can present merits of its products, advantages and many others.

One of those could be a Facebook, what is a public portal, not only for the people but for the companies who would like to find some other contracts with the domestic and foreign companies as well. Certain company can put some basic information, pictures of products, discussion forum and many others useful help.

Just for my interest, I have taken a look at the Facebook to see, if I can find some of the MEP's partners. I have searched for Alstom which I have mentioned here and I have found five links referencing to this company. This could be one of the reasons, why MEP should also register on the Facebook.

Since the Facebook is not that really well-known in Czech Republic, I would recommend putting a link on the MEP's websites that this portal exists so single interested person, or rather potential customer would have a clue.

8.1.4 Exhibitions and Trade Fairs

I recommended evaluating possibilities of exhibiting products in the exhibitions and trade fairs mentioned in chapter NO. 5 and participate on trade fairs in former COMECON countries, especially in former countries of Soviet Union to try to refresh previous business contacts and foreign trade activities.

8.2 Purchasing Department

To eliminate EUR impact and to reduce costs of purchased material it is necessary increase volume of material bought in countries with EUR, especially at this moment.

Another weakness in the company is the purchasing section. Many items are bought outside the Czech Republic but there are very few people with foreign language skills. Buyers do not have the time and the skill to conduct the necessary audit at the premises of the suppliers and evaluate them accordingly. Such audits are mostly conducted by sending out forms to suppliers mostly without direct observance and examination. I have been told that the company management is aware of these problems and measures will be taken to better this situation.

8.3 Production and project planning

The process required to ensure individual steps of the project should be better coordinated. On time delivery is still a major challenge for MEP. Planning should be based on work breakdown structure more and should incorporate the analysis of task interdependencies.

The identical critical paths and milestones are fundamental tools for every product life and should incorporate all risk mitigation activities, should display internal and customer milestones.

Product quality and production processes should be better managed to mitigate risks and unnecessary costs. Quality problems are poorly communicated between individual sections of the company. A better communication or quality reporting system should be in place.

Risk management should be measured and tracked, should be more action oriented and should start at the tender phase.

The company seems to be more plan oriented and less customers oriented and this should change and be balanced. Customer requirements should be dealt with at all levels.

The company should invest more to improve the production process of its key products.

8.4 EURO Volatility

I have mentioned some of my suggestions in the chapter NO. 7.2 - risks of the rate violation influence the volume of company's incomes if we take in consideration that the company has a higher number of exports.

I would recommend re-evaluating possibilities of using monetary forward to eliminate influence of EUR exchange rate volatility.

CONCLUSION

MEP is one of the most important manufacturing areas in Šumperk region employing more than 600 people. Taking into consideration its well established know-how, skilled manpower and its position in the world market, I can conclude that it has a potential to grow and employ even more people. In my opinion, the company is going in the right direction though it is still has its shortcomings which have to be dealt with. Czech Republic needs such manufacturing companies with their own know-how which create working possibilities.

Generally, I can say that I have been impressed by changes in the enterprise and by the successes achieved by the company.

I think MEP is in reality a factory, which will manufacture anything within its manufacturing capabilities.

However it does have one particular area of expertise, which is internationally recognized on global scale resistors.

MEP has only one specialist niche on the Market with only a handful of competitors and that is in providing control resistors medium to large.

It does operate in other areas, which are specialist, and up to a point niche. But it is in direct competition with several hundred competitors within Europe, possibly more on a global scale. For example the magnet and valve companies in the most European countries have their own engineers at home but manufacture in India and China – the product and volumes allow for such manufacture to take place in such developing countries.

The only truly expanding “profitable business” MEP can market are Resistors. I say “expanding” because MEP is now only just starting to get involved with, for example, Neutral Grounding resistors or NER’s, there are further untapped Markets to sell resistors into. The company management is already aware of this.

Profitable expansion possibilities lie within resistors, the market is very specialized. The people and equipment needed to run such a business are all specialized, and few and far between. The competition albeit tough is small in numbers.

Selling and Marketing resistors is relatively straightforward once you have a Sales and Marketing strategy in place.

As I have mentioned in the previous chapters, MEP presently does not have a very good strategy.

The competitors have definite strategies in place – The strategy of the Italians is to simply buy the competition, which they have done creating a virtual monopoly. This makes life a bit difficult for MEP.

The strategy I have proposed in this thesis should not take too long to put into place. Unless a good strategy is adopted and the Sales and Marketing of resistors and other products is enhanced MEP might lose its valuable potentials.

In my thesis I have indicated the main points of business to be solved in details by MEP.

I am convinced that my proposals can enhance business relationship with current customers and to find new contacts to development business to allow the company, higher competitiveness and continues growth in all areas of its activities.

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LIST OF ABBREVIATIONS

a.s.	Akciová společnost
COMECON	An economic organization of communist states and a kind of Eastern Bloc equivalent
CZK	Czech Crowns
€	Euro
EUR	Euro
MEP	Moravské elektrotechnické podniky
NER	Neutral Earthing Resistors
s.r.o.	Společnost s ručením omezeným

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Figure 3. Loss on Sales Caused by the Euro Volatility.....	35

APPENDICES

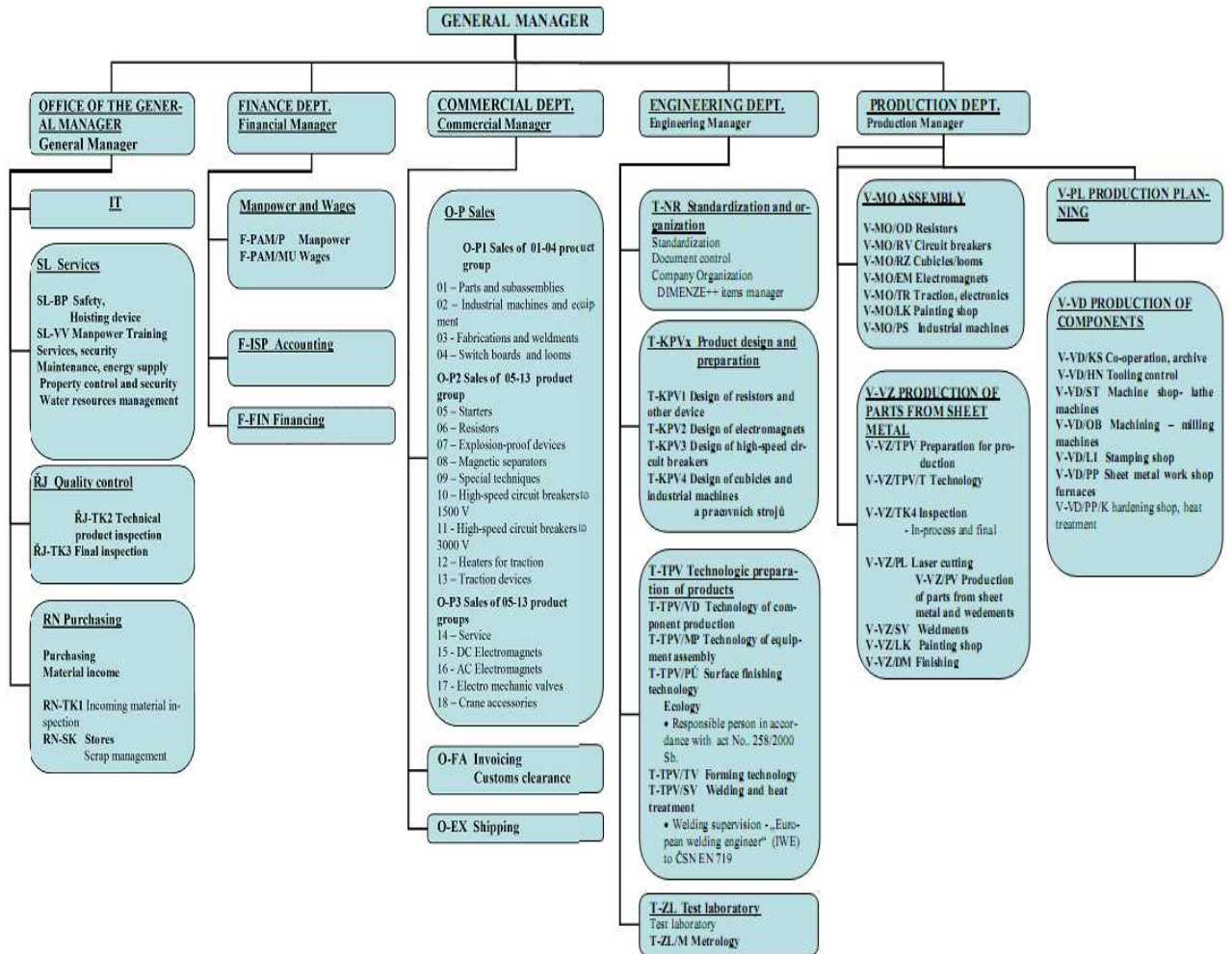
- P I REFERENCE LIST FOR RESISTORS
- P II MEP – ORGANIZATION CHART OF THE COMPANY
- P III PROFITS/LOSS OF THE COMPANY

APPENDIX P I: REFERENCE LIST FOR RESISTORS

No	Project name	Customer	Delivered Qty	Type of resistor	Operating location	Remark
1	WCML – West Coast Main Line	Alstom Preston	160	R7P06B105	UK	Naturally cooled
2	Barcelona	Alstom Preston	52	2xR9P03B34	Barcelona Spain	Naturally cooled
3	Amsterdam	Alstom Ridderkerk	93	R9V05B94	Amsterdam Holland	Naturally cooled braking resistor also used for heating
4	Moscow	Alstom Preston	45	R9V09B102	Moscow	Forced cooled brake resistor
5	Moscow	Metrowag onmash Moscow	132	R9V09B177	Moscow	Forced cooled brake resistor, 101 pcs to be delivered in 2006.
6	Silicio	Alstom Preston	56	R9P04B74	Silicio Portugal	Naturally cooled braking resistor
7	Melbourne	Alstom Preston	174	R7P01Z151	Melbourne Australia	Discharging resistor
8	Shanghai Line	Alstom Satee Shanghai Alstom Preston	477	R7P01Z122	Shanghai China	Charging resistor
9	BARI	Alstom Charleroi	21	2xR9P08B114	BARI, Italy	Braking resistor
10	CQE	Alstom Charleroi	7	2xR9P01B107	Charleroi Belgium	Loading resistor
11	X60 – Transito	Alstom Charleroi	91	R7P01Z239	Italy	Crowbar resistor
12	Trento	Alstom Charleroi	24	R9P02B211	Trento Italy	Braking resistor
13	Merval	Alstom Charleroi	55	R9P12B165	Merval Chile	Braking resistor
14	BEMU	Alstom Charleroi	4	R7 resistor	Charleroi	Load resistor
15	Washington Metro	Alstom Preston	1	R7 resistor	Washington	Load resistor
16	Alicante	Alstom Charleroi	32	R9 resistor	Alicante Spain	Braking resistor

17	Cercanias	Alstom Charleroi	70	2xR9P12B239	Spain	Braking resistor
18	Tenerife	Alstom Tarbes	44	R9P04B246	Tenerife Spain	Braking resistor
19	RENFE CIVIA UC 200	Siemens	56	2xR9P06B105	Spain	Braking resistor
20	RU200	Siemens Taiwan	216	R9 resistor	Taiwan	Braking resistor
21	Metro Sevilla	ELIN	42	R9 resistor	Sevilla Spain	Braking resistor
22	City runner	ELIN	20	R9P04B17	Austria	Braking resistor
23	Arihant Electricals	Arihant, India	8	R9 resistors and accessories	India	
24	Resistive spirals	SNCF	660		SNCF France	
25	Resistor banks and spare parts	WIDAP	Over 1700		In different European countries	
26	SOLARIS	Cegelec	54	R9P04B125	Switzerland Latvia	Braking resistor
27	SOLARIS	Cegelec	28	R9V07B163	Switzerland Latvia	Braking resistor
28	SOLARIS	Cegelec	13	R9P10B228	Latvia	Braking resistor
29	SOLARIS	Cegelec	6	R9V07B91 and R9V07B217		Braking resistor
30	Litan	Cegelec	19	R9V06B174	Latvia	Braking resistor
31	Metro Kazan	Škoda Electric	16	R9V10B173	Moscow, Russia	Braking resistor
32	Resistor grids	Jovy Atlas	Over 6000			Grid resistors
33	Monterrey Mexico	Bombardier		R9P12B389	Mexico	Forced cooled Braking resistor
34	Vancouver	Mitsubishi	41	R9P06B353	Canada	Naturally cooled Braking resistor
35	Budapest Metro	GANZ Škoda	32	R9V06B371	Poland	Forced cooled Braking resistor
36	Tram Prague	Škoda Transportation	96		Prague	Naturally cooled Braking resistor
37	Jerusalem	Alstom La Rochelle	74			

APPENDIX P II: MEP – ORGANIZATION CHART OF THE COMPANY



APPENDIX P III: PROFITS/LOSS OF THE COMPANY

	Year 2007	Year 2006	Year 2005
Revenues from sales of goods	562 000	491 793	412 518
out of which: Reven. from own products, services and goods	522 492	441 985	369 630
Change in invent. of own products	23 798	9 568	5 326
Capitalisation	290	137	75
Production consumption and expenses on sold goods	358 175	272 985	237 760
Added value	228 820	218 808	174 758
Personnel expenses	182 454	157 216	131 706
Depreciation of tangible & intangible assets	25 628	25 349	21 823
Accounting for reserves and accruals/deferr. of operat. Revenues	1 064	-13 066	-6 350
Other operating revenues	10 042	13 048	8 409
Other operating expenses	12 038	42 518	13 746
Operating profit/loss	17 678	19 839	22 242
Accounting for reserves & accruals / deferrals of financial revenues	0	0	0
Other financial revenues	2 711	1366	8 135
Other financial expenses	6 078	3633	8 854
Profit/loss from financial operations incl. income tax on ordinary income	-3 367	-2 267	- 719
Tax deferred	269	4 321	656
Due tax	2 552	768	1 467
Profit/loss from current operation	11 490	12 483	19 400
Extraordinary revenues	0	0	0
Extraordinary expenses	0	0	0
EXTRAORDINARY PROFIT OR LOSS	0	0	0
PROFIT OR LOSS of accounting period	11 490	12 483	19 400