

CASE STUDY: GEOX¹

Abstract

This case study is about a footwear manufacturer whose differentiating factor is technology. Thanks to an innovative product solution, this company went from being a micro enterprise in 1992 (5 employees) to the current turnover of 254.1 million euro with production of over 6.6 million pairs of shoes and a workforce of more than 5,000 directly or indirectly employed worldwide. This case study highlights the main features of European competitive strength in the global scenario: creativity, innovation, quality. On the other hand it demonstrates how a business idea can lead to business and economic success if supported by an innovative management of organisation and production. The de-localisation strategy is also representative for the sector.

Case characteristics	
• Sector focus	Footwear
• Business focus	Large company
• Geographical focus	International
Case objectives	
• Supply chain integration	***
• Product innovation	****
• Internal processes integration	****

* = some relevance for case; **** = high relevance

Background and objectives

The story of the Italian company GEOX is the story of its system (patented less than 10 years ago) whereby rubber soles are perforated and contain a special micro-porous membrane that recreates an ideal microclimate inside the shoe, keeping the feet dry and at the right temperature. On this breakthrough product technology, the company built its developments in world business, with turnover growth rates of 40% per year, reaching a 2003 production level of over 6 million pairs of shoes and operating at present in 68 countries. Product innovation has constantly been supported by innovative organisation solutions and increasing investments in ICT.

¹ This case study was conducted by Databank Consulting, Corso Italia 8, 20122 Milan, Italy.

Activities

Key figures

The consolidated turnover passed from 180 million Euro in 2002 to 254 million Euro in 2003 (compared to 92 million Euro in 2000). The EBITDA (earnings before interest, taxes, depreciation and amortization) rose to 19.8% of the turnover and increased from 31 million Euro in 2002 to 50.3 million in 2003, while the net margin rose in the same period from 19,4 Euro to 30.7 million Euro. Investments went from 15.5 million Euro in 2001 to 29 in 2003.

Research and innovation account for an increasing share of investments, as the life cycle of patents forces the company to continuously innovate. Patents involve products, processes and manufacturing equipment. R&D is carried out in close partnership with research centres and universities, while an internal laboratory for R&D was also established.

In 2002, licences granting accounted for around 201 million Euro; production has in fact been de-localised and Geox buys back products which have been manufactured under licence. The company has also invested in ICT solutions (1 Million Euro in 2002 for the upgrading of the Information System) with the aim of fully integrating the various units and the different production and distribution phases.

Organisation and de-localisation policy

The company's strategy follows three main lines of development:

- focus on product innovation and development. This is increasingly leading to diversification into other complementary markets
- flexibility and reduction of time to market
- development of the distribution network
- expansion in the main international markets.

Although Geox is marketed as an Italian brand, it is in fact manufactured in two main units: one in Romania (with 1,750 employees) and one in Slovakia (with 400 employees). In addition to this, the company owns two units in Italy where R&D, product design activities and prototyping are carried out.

The way production processes are de-localised and centrally managed is a key success factor. De-localisation traditionally poses problems related to know-how transfer. Romania, and particularly the district of Timisoara where Geox has out-sourced production, had a long-standing tradition of footwear production. For this reason, the company could rely on skilled local staff.

The integration with headquarters is very close and includes: purchasing of raw materials (both leather and rubber), accessories, as well as plant equipment, while technical specifications are managed centrally. The strict control of production has the twofold objective of monitoring quality and reducing the risk of counterfeit. This kind of integration and the centrally managed flow of information allow for significant savings in internal work processes. Relations (information, consultancy, exchange of materials) with external business partners (such as suppliers and technical consultants) are all managed centrally.

Logistics play a crucial role both for the complex production organisation and seasonal peaks in production and selling. Integration of information systems between the

headquarters (where R&D and design are carried out), production sites and the distribution network are supported by a Virtual Private Network (VPN²). The company information system is managed by internal IT staff and has been developed in-house using standard technologies. Communication, both internal and external, is managed mainly through the company's websites.

Lessons learned

The success of Geox in the competitive scenario is related to creativity and innovation, but also to efficient management of these intangible assets through the support of technologies and organisation.

Sources and references

- Company's annual financial reports
- Company website and articles
- Information from the company management (May / June 2004)

Contact

- *e-Business Watch*, c/o empirica GmbH, Oxfordstr. 2, 53111 Bonn, Germany
info@ebusiness-watch.org
 - European Commission, Enterprise & Industry Directorate General,
entr-ict-e-commerce@cec.eu.int
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² A VPN is a private data network that makes use of the public telecommunication infrastructure, maintaining privacy through the use of a tunnelling protocol and security procedures