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Task 1

Supreme Imports - Relocation of liquid production to Romania

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Statement

“Only those who will risk going too far can possibly find out how far one can go.” (T.S. Eliot, 1931)

Starting from the quote presented above, in this presentation, I will describe why it is a good idea for Superme PLC to start producing liquids and flavors for electronic cigarettes in Romania and then expand to other countries, to become a global leader. But in contradiction to T.S. Elliot's quote, the necessary conditions for the move will be thoroughly analysed and researched so that there is no risk.

Supreme Imports is well known in the United Kingdom as a manufacturer, owner, and licensee of batteries, lights, fixtures, cosmetic products, e liquids and vaping devices. Supreme Imports is also well known throughout the rest of Europe for its popularity.

Supreme PLC needs to leave the comparatively safe region of the UK and expand in Europe in order to develop the current market and become the global leader in its industry. This year, Supreme PLC completed the acquisition of several high-profile companies, which made it possible for the company to plan an expansion to Europe, specifically Romania, due to a variety of factors, more of which will be discussed in the following paragraphs.

Exploring all the current challenges, such as the post-pandemic global economic instability, the war in Ukraine, Brexit, and other issues, as well as the opportunities offered by Romania, such as the geographical position, the more relaxed tax system, and the social environment that is favourable to UK products, combined with the production capacity and the quality of Supreme products, makes his move a feasible and future plan.

A variety of different tools and specific analysis theories, such as PESTLE, Porter's Diamond, Value Network, Porter's Five forces, and Hofstede, will be used and applied in order to produce the most accurate analysis possible of the factors that are involved in moving the company. This will be done in conjunction with an analysis of the global political and economic situation, with an increasing focus on the situation in Europe and Romania.

Global Economic-Political overview

After a failed 2021 recovery attempt, new worries emerged in 2022. Global GDP fell in the second quarter due to slowdowns in China and Russia, while US consumer spending exceeded forecasts. Worse-than-expected downturn in China because to COVID-19 breakouts and lockdowns; other negative consequences of the war in Ukraine; and higher-than-expected global inflation, especially in the US and key European economies; tighter financial conditions; and so on.

From 6.1% in 2018, growth was predicted to drop to 3.2 % in 2022. The US economy had a correction as a result of slower growth, less consumer spending, and tighter monetary policy. Chinese development slowed as a result of domestic limits and the country's worsening housing crisis, which had global repercussions. Falling prices in Europe can be traced back to the conflict in Ukraine and the region's new, more stringent monetary policy.

Inflation is predicted to rise to 6.6% in developed nations and 9.5% in emerging and developing market economies this year. This is a rise of 0.9% and 0.8%, respectively, and is attributable to higher food and energy prices and ongoing supply-demand imbalances. In 2023, global output will increase by 2.9%.

There are mostly bad hazards involved with the prognosis. Tighter global financial conditions could induce debt crises in emerging markets and developing economies; renewed COVID-19 outbreaks and lockdowns, along with a growing housing crisis, could further slow Chinese growth; and the conflict in Ukraine could halt European gas imports from Russia.

Since inflation is a top priority, price increases should be slowed down. The economy will feel the effects of tighter monetary policy, but those effects will be magnified by the delay. The most disadvantaged can benefit from targeted fiscal support, but the epidemic and the need for disinflationary macroeconomic policies are putting a strain on government funds. As a result, tighter monetary conditions will have an effect on financial stability, necessitating the cautious application of macroprudential tools and the reform of debt resolution mechanisms. Policies should help people who are struggling the hardest with rising energy and food costs without distorting market forces. As the pandemic develops, vaccination rates must rise to provide adequate protection against future strains. Finally, multilateral effort to curb emissions and quicken the ecological transition is urgently needed to help mitigate climate change.

Supreme PLC – History

“From humble beginnings to a global reputation.”

(Supreme PLC, 2022)

In 1975, GS Chadha established the foundation for what would become Supreme. Mr. Chadha's mobile van company, from which he sells toys and watches to beach resorts, brings in £250,000 annually.

Supreme began selling batteries in 1991 after obtaining samples at a convention. The Panasonic distribution agreement has helped the company reach yearly revenues of £2.2m. Through official distribution agreements with Duracell, Eveready, Energizer, Kodak, and Samsung, Supreme has been distributing over 50 million batteries annually in the UK since 1998. Thanks to their efforts, they bring in more than £1 million a year in revenue.

With 100 million batteries sold annually to 2,100 customers, Supreme was a top battery supplier in the United Kingdom in 2001. Through 2005, the firm had delivered over 260 million batteries to 3,600 active accounts in Europe, contributing £28 million to yearly sales. While Supreme's agreement with Eveready allows it to sell more than 50 million bulbs annually, Lazoron PLC and Eurobatteries.com merged in 2009, increasing their combined income to \$12 million.

This growth is especially noteworthy given that the company is rated at number 43 on the Sunday Times International Track 200 list of the UK's fastest growing exporters.

Supreme joined the e-cigarette and vaping market in 2013 with the introduction of KiK, and again in 2015 with the introduction of 88vape, and they have dominated the market by consistently offering the best products at the lowest possible prices without sacrificing quality. For under one pound per bottle, the 88vape brand has established itself as a leader in the e-cigarette market.

In the years after the introduction of electronic cigarettes in the United Kingdom, the vaping industry has grown at an unprecedented rate. During this time, 88vape had year-over-year expansion.

Supreme is a leading e-liquid producer in the UK thanks to the 2016 opening of the VN Labs Ltd production plant.

VN Labs Ltd uses only the highest quality pharmaceutical grade chemicals, tailors recipes to individual customers, and complies with even the most stringent regulatory compliance rules, all while keeping up with the ever-evolving demands of the market.

VN Labs produces e-liquids for a wide variety of brands, including its own Supreme KiK and 88Vape lines as well as a burgeoning private label business on a global scale.

The 88vape brand of e-liquid is currently sold at major supermarkets and discount stores such ASDA, Iceland, Poundland, Home Bargains, McColl's, and B&M. A group of vape experts create the flavours before each batch is combined and evaluated by the in-house chemist to guarantee the correct ratios of PG, VG, and nicotine. VN Labs presently bottles over 250,000 bottles each day using its nine state-of-the-art bottling lines, with the capacity to enhance production by another 50%. All of their e-liquid bottles are fully bottled, packed, and packaged in accordance with the most recent government requirements.

From 2017 through 2022, while listed on the AIM market of the London Stock Exchange, Supreme continues to expand in each of its five core categories, namely Batteries, Lighting, Vaping, Sports Nutrition, and Homeware.

Supreme's triumph is topped off in 2022 with the acquisition of Cuts Ice, Flavor Core, and Liberty Flights.

Cuts Ice has been around since 2012 and is one of the oldest and best-known vape liquid companies in the UK and Europe.

It is the first company in the UK to get ISO 9001 from BSI, which is an internationally recognised standard for quality management.

The unique "Red Astaire" flavour of Cuts Ice's vape brand "T Juice" is highly valued and sought after in the European markets.

Cuts Ice vertically integrated Flavor Core in 2016 to minimise production costs and develop new flavours. Flavor Core is a flavour specialist that develops and manufactures premium vape flavour concentrates.

In 2009, Liberty Flights was established as a tiny family business; today, it is one of the most trusted and reputable e-cigarette companies in the United Kingdom (UK), and it is expanding rapidly internationally.

As the premier e-liquid brand in the UK and Europe, XO e-liquid is available exclusively through Liberty Flights and is made with only pharmaceutical-grade nicotine and bases.

ROMANIA

General presentation

- Bordering Ukraine to the north, Moldova to the north-east, the Black Sea to the south-east, Bulgaria to the south, Serbia to the south-west, and Hungary to the south-west, Romania is situated at the crossroads of Central, Eastern, and South-Eastern Europe.
- Official language: Romanian
- Population: 19,115,000
- Population per km²: 80.18
- Active civilian population 8.4 million (Labor Force Ledger, 2021)
- Unemployment rate 5.7% (INS, 2022)
- GDP - USD 284.1 billion (2021) (World Bank, 2002)
- EU Member State: from 1 January 2007
- A RON, or Romanian Leu, is the unit of currency in Romania.
- Romania is preparing to become a member of the Schengen area.

Romania is a semi-presidential republic with a prime minister as the country's head of government and a president as the country's head of state. It's worth noting that both the

government and the president hold executive positions. The nation is made up of 41 counties and the Bucharest Municipality.

In 2020, Romania's most important economic sectors were expected to be manufacturing (21.7%), wholesale/retail trade (19.7%), transportation (19.7%), lodging (19.7%), and public administration activities (16.5%).

Seventy-four percent of Romania's exports go to other EU countries (Germany 23 percent, Italy 11 percent, and France 7 percent), while only three percent go to non-EU countries (Turkey and Great Britain). Among the top import countries, the European Union (EU) accounts for 74% (Germany 21%, Italy 9%, and Hungary 7%), followed by China (6%), and Turkey (4%) outside the EU.

PESTLE analysis definitiv despre unelte

Political

The government is the official seat of executive power, and it runs the country and directs its administrative machinery on the basis of a vote of confidence from parliament. The President of Romania chooses the government after receiving confidence from parliament.

The heads of various departments and agencies make up the government. Subject to their respective statutory authorities, the Prime Minister leads the government and coordinates its members' activities. Organizational structures within the government that have been delegated specific responsibilities by executive order include the Prime Minister's Office, the General Secretariat of the Government, and various government departments.

The political system in Romania is going through a period of stability, which is reflected in economic growth; as a member of the European Union, the legislation in Romania must be in accordance with the legislation of the Union.

Legal

As stated in the constitution, the Romanian parliament can pass three different kinds of laws: constitutional laws, organic laws, and ordinary laws. Regulations, emergency ordinances, and orders are all things that can be issued by the government.

The Constitution establishes certain spheres of government, and organic laws provide regulations therein (for example, the electoral system; the organisation and functioning of political parties; the general legal status of property and inheritance, etc.). Because they are issued only in response to a specific Act passed by Parliament, orders fall under the category of "subsidiary legislation." Only in areas where no organic laws exist may an ordinance be passed. The government has the ability to issue emergency ordinances in extreme situations.

Government decrees are issued solely to organise the implementation of laws and serve as subsidiary legislation.

The two houses that make up Romania's parliament are the Chamber of Deputies and the Senate. Following constitutional reform in Romania, the Chamber of Deputies is now considered the "first chamber," with primary responsibility for passing legislation pertaining to the ratification of international treaties and the creation of organic laws governing specific areas of law. As the "decision-making chamber," the Senate is where bills are ultimately voted on and passed into law. It is the government, the deputies, and the senators who own the legislative initiative, but any voter can sign on. Right now, there needs to be at least 100,000 people in the country for a constitutional amendment to be considered. Taxation, international relations, amnesty, and pardons are off limits for citizen-initiated legislation. The government's legislative agenda is carried out by presenting bills to the relevant house of parliament for approval.

All members of each House are needed to approve an organic law, while only a simple majority of those present is needed to approve a regular law.

When the parliament passes a law, it is sent to the president for formal approval.

The European Union's (EU) Tobacco Products Directive (TPD) has been met in Romania (2014). In accordance with Law no. 201/2016 (Monitorul Oficial, 2016), electronic cigarettes are subject to the same regulations as tobacco products. Public transportation is the only area where vaping is not permitted, and advertising of any

kind is strictly regulated. It is against the law to transport e-liquids across international borders. An additional tax of €0.11 per ml is placed on e-liquids.

Romania follows the European Union's (EU) Tobacco Products Directive (TPD) (2014). Tobacco products, including electronic cigarettes, fall under the purview of Law no. 201/2016 (Monitorul Oficial, 2016). Public transportation is the only place where vaping is not allowed. Commercialism is almost completely prohibited. The distribution of e-liquids across international borders is restricted. E-liquids incur a tax of €0.11 per ml.

- **Romanian legislation is in line with EU legislation, but there are many deficiencies that generate corruption.**
- **The regulations in the financial system are more relaxed than in the UK**

Economy

Economic growth in Romania exceeded projections in the first half of 2022, expanding by 5.8 percent. Growth was supported by strong private consumption (up 7.5% year-on-year) in response to the phasing out of restrictions of COVID-19, higher and lower salaries. unemployment. Investments showed signs of recovery (2.2 percent more than last year), boosted by new construction. The trade gap widened due to brisk nongovernment consumption and a trade shock. The information and communications technology industry (up 23.9% year over year) drove supply side expansion, which benefited businesses adopting new digital technologies.

Costs associated with providing heat and light at home increased by 36.3% in August 2022, contributing to a rise in overall inflation to 15.3%. To combat rising prices, the National Bank of Romania increased its policy rate to 5.5 percent at the beginning of August 2022. Low-income and vulnerable households suffer the most from rising food and energy prices, despite the fact that gas and electricity prices are capped until September 2023.

The budget deficit fell to 2.4 percent of GDP in the first eight months of 2022, but fiscal pressure remains high as recurrent spending and energy subsidies could push the deficit higher this year.

Romania's GDP in 2023 may be impacted by a global slowdown and a potential recession of major trading partners. The new COVID-19 crises, the dynamics of inflation, especially related to energy and food prices, and the war in Ukraine and its impact on the European economy, in which Romania is strongly integrated, are all factors that could dampen growth expectations. For a long-term, environmentally responsible, and socially inclusive revival in Romania, the country's capacity to absorb EU funds is crucial. As the economy improves, poverty rates are expected to fall. By 2024, poverty rates are predicted to return to pre-crisis levels. Conflict in Ukraine has the potential to severely slow economic growth and increase poverty levels in the short term.

In the medium term, budget deficits will remain high. Budgetary strains brought on by the war and the rising cost of energy and food should be eased in part by substantial EU funds. It is still crucial to make reforms to improve revenue mobilisation and spending efficiency as part of ongoing fiscal consolidation efforts in order to reduce the massive structural deficit.

➤ Many vaping product distribution companies interested in UK products.

Social

- In the social environment in Romania there is a pro-vaping current, mainly due to the lower costs when vaping.**
 - All Romanian vapers prefer European and USA products, especially those from the UK and USA due to their quality and special flavor.**
- According to ANOFM data, the most vacancies at the national level were unqualified workers, who can be retrained.**

Technological

- **Competitive and skilled workforce in technology, engineering and chemistry required for the production and development of vaping products.**

Easy access to all vaping technologies and researches from Europe and the world.

Environment

- **Romania is one of the cleanest countries in the European Union, in terms of greenhouse gas emissions.**
- **It is rich in natural resources and human knowledge on how-to live-in harmony with nature.**

The infrastructure is not good, but progress is being made with the help of European funds

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