

Azure sky tea

Economics



In the model there are four variables to consider when deciding on a business transaction. The model also identifies how a product would fair within a given market and the type of business that would create the most benefit. For example when deciding to export it is important to consider transportation cost. When exporting a product it is important to understand the value to weight ratio. In this aspect I choose microchips to most closely represent the value to weight ratio of Azure Sky Tea products.

According to the model the company can continue to export into Canada. The shipping costs are low enough that it will produce a profit with relative certainty. This is not the case with the other three possible locations due to the distance from the production site in Jackson Hole, Wyoming. The next thing to consider before foreign direct investment is leasing. Leasing is far more cost effective, but it can only work with products that limit needed control by management in pricing and marketing.

Leasing a product to another company can also lead to theft of design or process. Azure Sky's tea products are innovative and it could result in theft of the companies design or tea production process. If leasing is not an option then the company must consider foreign direct investment. I believe investment in Japan would be risky to the local market. The Japanese tea market is huge with sales of Green Tea. If the company were to move into Japan, Azure Sky's herbal black tea may be a hard sell and it could take some time to develop the brand.

It would take an investment in land and marketing strategy that promotes the benefits of drinking black herbal tea. If the transportation costs weren't so high along with the innovative nature of our tea I would suggest that we

export or license it. But because Japan produces so much tea a licensee could steal our product. The same suggestion holds true with China. The Chinese were the first to introduce tea to Japan. They would need the same type of marketing campaign to promote black herbal tea.

The Chinese might also be more of a risk of licensee stealing our product due to the Chinese market growth over the last couple decades. Sweden is the one location where foreign direct investment may work. " The tea market in Sweden increased at a compound annual growth rate of 1. 7% between 2004 and 2009. " I believe the company would most benefit most by buying land and producing in the local market. Azure Sky's tea product should continue to export to Canada.

The value to weight ratio is modest and it would product a profit due to the low shipping costs. I don't believe a venture into the Japanese or Chinese market would do well considering the local market's preference to green tea. If I were to suggest one market for Foreign Direct Investment it would be Sweden. The country has seen growth in tea drinkers over the years and it could be beneficial to produce and sell our product. I also suggest an investment in a retail tea shop to sell our product.