

Business envirmonet

Business



It's very common in large business to expand abroad; however there are a lot of factors that have to be considered before planning to start business in another country depending on which policies they have or what their background is as well as their stability or whether your product or business will sell over there. In this assignment I'm going to compare the challenges to business activities in two different environments, my two chosen environments are the UK and the Republic of China.

I have chosen China and the UK as my two contrasting countries and my chosen business is KFC which is large global fast food chain, China is the most populated country in the world and is also has the largest economy. The Republic of China is an Asian country which is situated in east of Asia and it comes within the 3rd largest country in the world as well as the second largest economy in the world it also has a population of 1.35 billion people.

The capital city of China is Beijing however the most populated city and a global financial center is Shanghai. My chosen business is KFC (Kentucky fried chicken) it's an American based business which is centered all over the world and it's now moving to China, I will look into the problems they may face in China. The two economic environments that I am going to be describing are recession and growth on the business activities of KFC. Growth occurs when more goods are being produced and bought.

During growth people tend to spend more money on goods and services because they have more money to spend on products and services and also businesses will invest more and hire more staff as because there is an increase in demand for them. Recession however occurs when people running the business become more cautious with their spending so they cut

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their spending and orders as well laying off some of their more disposable employees thus making them redundant.

It is said in the news that China's GDP growth rate has averaged out at 3.1%. In the most recent years, Chinese business has become more efficient and China is now the 1st largest Asian economy, this means that if KFC wanted to expand in China they would face a lot of competition from other successful businesses who offer similar products. KFC is one of the world's leading fast-food chains and their products are food and beverages whereas China is one of the world's top producers of rice and wheat as well as livestock.

This means that if KFC wanted to expand into China and start operating there, it might face challenges where the retailers and customers refuse to buy food from KFC because they've got other Chinese-based fast-food stores which are just as good or they'd rather go to another major fast-food chain e.g. McDonalds. However, China's media industry is very big and their TV networks have more than a billion subscribers or which is nearly triple the size of the UK, this gives KFC a huge advantage because they can advertise their company through the media, this gives KFC a major opportunity to advertise as well as sell their beverages online.

If KFC do decide to expand their business into operating in China, they will be provided with many opportunities, however there are also some issues that their business faces with these issues are; Import taxes high import taxes are a barrier to many businesses, especially businesses like KFC because they have to import some of their products, this costs them a lot of money, this is one of the reasons why it's not responsible for KFC to expand in China,

however they could negotiate with China on exchanging goods for a lower import tax but that's is a high risk to take.

Lack of skills its much cheaper for KFC to hire and local labour, it might not be as effective because the workers may lack appropriate skills such as language skills oreducation. So KFC has to first consider this before they begin to operate in China, because lack of skills will and can affect KFC in a negative way e. g. their profits and sales will decrease or get affected because having good employees is essential for a business it creates less problems and make the business work more efficient .

Growth affects the business activities for KFC because just as economy can change for a business so can the demand for products and both could be associated with each other. During growth you can expect to see a high demand for KFC's good quality products so customers as well as potential customers would buy more during this time because customers are freer and relaxed over money spending compared to when it's in a period of recession.

Mostly you could see KFC looking into recruiting more workers as since product demand can increase a lot during the growthenvironmentthey'll need more workers to spread out the job load for their employees because if they didn't hire more staff To ease the job load and they just overloaded an employee with workload it could de-motivate them as well as make them fee undervalued. I will be looking into these factors which KFC may face when opening up a branch in China Inflation

Recession is when economy slows down, and the level of sales and production orders start to decline Inflation is the prices different of goods or

service may vary they can either increase or decrease over time in the economy. Most businesses in the UK and China, by looking closely at the inflation rate as it could have a big effect on the business and because if the inflation rate increases there could be less sales as the prices of the goods will be high and the customers will spend less on goods and services as the prices will increase.

Looking at the current inflation rate in China the rate has reached to 3.1%. " Prices rose 3.1% during the month, from a year earlier, up from 2.6% in August, the National Bureau of Statistics said. The bureau said that food prices rose 6.1% from a year ago due to the impact of national holidays, as well as droughts and floods in some regions."

Resulting in many Chinese banks such as " the bank of China" to raise their interest rates this will have an effect on as inflation rate goes high this will result on the customers spending less on fast food stores such as KFC and this would mean that the business will not be making enough money or breaking even on their monthly bases to afford many employees and also pay the bills and taxes so they need to lay down staff or close up their business and open up in either a different countries.

In conclusion to this assignment I, in my point of view I don't think it's reasonable for KFC to expand I idea because there are a lot of challenges they may face and it's not worth the risk.