

Ruth Chris case essay



Case Where Have You Been is an exercise to assess one's exposure to the rest of the world's people. To meet Wall Street's expectations for revenue growth, Ruth's Chris must expand. The logically chosen model was Market Development Model, which dictated the entry of Ruth's Chris into new market with same product. The critical issues facing Ruth's Chris are:

- 1) Which market should Ruth's Chris enter first?
- 2) Should franchising continue to be the exclusive international mode of entry?
- 3) Were there opportunities for joint ventures or company-owned stores in certain markets?
- 4) How could new potential franchisees be identified and evaluated?
- 5) Was there an opportunity to find a global partner?

II.

Analysis There are three basic modes for entry into a new market - Export Entry Mode, Contractual Entry Mode, and Investment Entry Mode. Since the market entry mode for international expansion of restaurant business is not conducive for entry by export mode, Ruth's Chris international expansion was limited to transferring of knowledge and enterprise to local resources. In other words, Ruth's Chris entry strategy into any foreign market has to be the Contractual Entry Mode, where franchising to local entrepreneurs made most sense. Also, the current franchises in Taiwan and Mexico are doing well, proven the Contractual Entry Mode as the correct one. Company-owned restaurants might be explored at a later date, but for the initial entry into Japan, Ruth's Chris should be the exclusive mode. Which will be the next viable international market? The basic selection criteria consisted of the following factors:

- a) The potential country must have high beef consumption per capita.

b)It must be legal to import US beef. c)It must be in densely populated areas to provide the customer pool. d)It must have high disposable income and its citizens must enjoy dining out. e)It must be US brand friendly. From Data Table 4 (see Appendix), notable countries with the highest beef consumption per capita, 90 kg/capita, after the United States are Bahamas, Spain, Ireland, France, Hungary, Argentina, Israel, Portugal, and Italy.

A research found U. S. Department of Agriculture, Foreign Agricultural Services' published information, the top 20 beef export from the United States to other countries in 2006 were: Sorting by per capita GDP, Japan became the country with highest income, \$61, 500 per capita.

Coincidentally, Japan is also the highest importer of USDA fresh chilled beef: Japan was also one of the countries with highest population, at 127 millions, and a higher than average urbanization rate, at 65%.

Although Japan was not ranked very high in beef consumption per capita, its population and high income per capita would make up the difference because a small percentage of this population could still provide a significant pool of customers. Based on the quantitative criteria, Japan appeared to be the most attractive foreign market for Ruth's Chris to enter. As a side note, Ruth's Chris already has franchises in Taiwan and Hong Kong, and it would also make logistical sense to consider an expansion to Japan since there is already a products support network in place. Politically, Japan is a pro-U. S. country, and with both countries enjoying relatively free trading atmosphere, it appeared to be a perfect match.

Culturally, Japan's business and marketing meetings are typically conducted over dinner, and fine dining restaurants such as Ruth's Chris would fit this scenario very well indeed. With the market entry mode being contractual type, or franchising, a potential problem is the strict financial criteria of a liquid net worth of 1 million US dollars. Also, the upfront cost of US\$100, 000 for franchise fee plus a total of 7% gross sales royalty and advertising fees are not small for an upstart restaurant. However, it is possible that an existing and successful franchisee of Ruth's Chris restaurants would be a better fit for the Japan market entry since he would bring valid operational expertise to the new location.

When expanding into a new market using franchising entry mode, the company's initial investment would be minimal thus would preserve its financial position. The only potential draw back would be a reevaluation of its share value if the new market does not do well against the local establishments. Next in line were Germany, United Kingdom, France, and Italy. All four of these western European countries are fairly populated, high urbanization rate, and good income per capita. All four were also "beef-eater" countries with very high beef consumption per capita. Far down the list of potential markets, Singapore was noted for having 100% urbanization rate and a significant importer of USDA beef.

This would be a potential secondary market to consider after Japan. The current value of the U. S. Dollar is not very strong against the Euro, and it might be beneficial to a market entry by Ruth's Chris. Again, Contractual Entry Mode is probably the most effective for starting a new Ruth's Chris restaurant in Europe.

Out of the four western European countries listed, U. K probably has the highest potential for American-style cuisine to succeed because of the English palate is similar to American's. A weak U. S. Dollar might also be beneficial.

In summary, Japan should be the next market for Ruth's Chris to enter since it has all the quantitative properties such as high population, high urbanization rate, and high income per capita. Contractual Entry Mode would be the most viable for a restaurant business to enter a foreign market and should remain as the exclusive entry mode. Also, the existing franchisee in Taiwan should be considered for expansion into the Japanese market since it would bring relevant experience to a new market. Appendix Table 4 - Data Sources: <http://www.fas.usda.gov/dlp/tradecurrent.html> http://findarticles.com/p/articles/mi_m3190/is_n20_v27/ai_13860091

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