

Fdi strategy research paper sample

[Business](#), [Company](#)



Introduction

With globalization, the markets have opened up. Companies are expanding to untapped markets to gain more market share. When companies plan to expand overseas, it is important for them to understand the market, environmental factors, and legal aspects and develop marketing strategies accordingly. For the purpose of the assignment, the US Based MNE that is selected is Red Lobster and the country where the company would be entering through FDI is China. Set up in 1968 by Bill Darden, Red Lobster is now a subsidiary of Darden Restaurants Inc. Based in US the company has its restaurants in Canada as well. It is the largest, casual dining seafood restaurant in the region. The company reported total revenue of \$ 2. 7 billion in 2012 (Official website of Red Lobster, n. d.). The restaurant is known for its wide range of freshly prepared delicious seafood and the ambience and environment of the restaurant by the seaside.

The challenges and advantages of FDI for the company in China

China has been welcoming Foreign direct investment in its economy. Today China is the second largest economy in the world and largest among Asian countries in receiving FDI. Investors are being attracted by the Chinese economy because of its larger markets, huge growth opportunities and high chance of robust economic development (Bose, 2012). The telecommunication and physical infrastructure is also well developed. The Chinese government has also taken step like export promotion development strategy, economic reforms and open-door policies to encourage the FDIs (Bose, 2012). According to the Global Industry Analyst, by 2015 the world

seafood market would be growing over \$370 billion (Nie, 2006). From a study it has been found that China has a potential to be \$ 20 billion import market of seafood, given its present population growth rate and its premium customers' insatiable taste for sea foods (Bjorn, 2005).

Apart from all these advantages the economy also has a few challenges. Even though China looks like a perfect destination for investment, the disadvantages hold's back investors. The country's per capita income is very low. The production capacity of the country has increased but due to the low per capita income the country faces the problem of periodic saturation (Bose, 2012). In such situations the survival for the companies becomes difficult.

The best way for the company to minimize foreign exchange risks

There are financial arrangements which helps the firms to hedge their risks of fluctuations. The two most widely used financial arrangements in these scenarios of fluctuations are the forward market and the options (Engon, 1997). The forward market alternative allows the exporter to exchange the currencies in a future agreed date at an agreed date. This helps to cover the risks of the exporter regarding the fluctuations. In the other alternative, i. e. the option contract, the exporter agrees to buy the foreign currencies on any day at a set period of time. The rate of exchange id set conjointly by the bank. This helps the exporters to cover their risk when they deal with the foreign exchange over a long period of time (Engon, 1997).

Determining how the company could leverage government policies to maximize the profitability of FDI

The economy of China has a lot of positive things which would help the company to make the maximum profitability of the FDI. The government of the country realizes that they are heavily depended on the foreign direct investment on manufacturing and capital expenditure on infrastructure projects. Thus the government would try to boost the other sectors like services and domestic demand. This would eventually result in higher business for the company. Good quality food with proper positioning and correct location may lead to positive media stunt. Foreign direct investment in food business is under tremendous scrutiny for the licensing and other required legal processes. Following them in a planned manner would reduce time and effort for smooth functioning.

Success in the Chinese market would also depend on the product quality and marketing campaigns. Both of these have to be customized according to the local need of the consumers. There are restrictions about the social networking so the marketing campaigns should be tailored as per the rules and regulation of the country specified for the industry. Restaurant can be Wholly Foreign Owned Enterprise (owned by a company or individual) or a Joint Venture (JV) (if partnering up with a Chinese national).

Analysis of the financial management, operations, marketing, and human resources needs resulting from the proposed FDI

The major functional areas of Red Lobster after the FDI would include Financial management, Operations, Human resources and Marketing.

Financial management:

The finance department of Red Lobster would be responsible for paying salaries, paying for purchases, rent and maintaining company's financial books of record, forecasting financial needs, evaluate financial performance of the company etc.

Operations:

The operations department would plan, organize and carry out the food preparation and services of the company. It would ensure the procurement and production is cost effective and quality is maintained.

Marketing:

The marketing department helps the restaurant to reach out to the target customers. It would conduct marketing research and operate with the operations division to ensure that the foods are of a quality, design and price that customers want and it would organize the advertising, promotion and delivery of products and services. The marketing department would attract newer customers and meet the strategic objectives of the company.

Human resources:

The human resources department at Red Lobster would deal with recruiting, selecting and recruiting; terminating employment and negotiate grievance and disciplinary processes.

Strategy for Marketing

Red Lobster would need to adapt the business practice to think globally but act locally. All the efforts of the company would be directed towards establishing its brand through differentiation.

Marketing mix

Product

The menu of the restaurant should have flavors from China and since the Chinese people are voracious seafood lovers, some dishes from Chinese cuisine in addition to the exiting menu of red lobster would be an added advantage and get easy acceptability (Fish and Seafood Industry: Market Research Reports, Statistics and Analysis, n. d.).

Price

As the sector is highly competitive the prices of the products would kept reasonable. The prices would be set considering the prices of similar products offered by the competitors.

Place

Red Lobster would set up its restaurants in different regions of China and especially in the coastal areas. The restaurants would have its signature style and design of the ambience with the food preparation area and a live counter.

Promotion

Conclusion

In summary, the assignment discussed the different aspects of FDI if Red

Lobster chooses to enter China. The assignment analysed the challenges and advantages that the company would face from entering into the new market through FDI. It also identifies the ways to minimize risks related to foreign exchange and how the company can leverage government policies to maximize the profitability. It analyses the different functions of the company after the FDI and develops marketing strategy for the company.

References

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