

# Expanding the markets report sample

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



## **MODULE 08: BUSINESS DECISION MAKING**

[University]

Appalachian PLC is a renowned company in the manufacture of the fine timber products. The company has established markets in the United Kingdom and Europe. Having in operational for many years, Appalachian PLC has dominated the furniture markets. However, in the last four years the company the company has recorded downward trends losing on its potential markets. This has led the management thinking of establishing new markets in Asia particularly in China. China is a completely new area of doing the business, and it will require careful examination of the factors that can affect how a business can perform. Among the factors the business will keep in consideration are the spending habits, regulatory factors and social status of the Chinese community. These factors will help establish the usefulness and worthiness of the idea of moving out in China. Perhaps one of the issues that can affect business in another region is cultural insights. How culture of the new business behaves have a profound impact on the success of the enterprise, and it would be imperative if the business tries to learn how it is connected before relocating to a new place.

### **Cultural factors and how they determine international markets**

Geert Hofstede is one of the famous authors in the world of international business having pioneered the cultural factors that affect how a new business in a new international market. Hofstede cited various factors that distinguish the countries rather than the individuals. These consist of four

cultural factors that differentiate national societies as each nationality would handle differently. The way a country handle inequality, uncertainty, the gender differences, risk undertaking among other factors that affect consumer behaviour patterns. These factors include power distance, individualism versus collectivism, uncertainty avoidance and masculinity versus feminist.

## **Survey methodology and sampling frame**

Research instrument- Questionnaire

Questionnaires are important for gathering the views and opinions on an of a large number of people about a specific phenomenon. The questionnaire that is attached on the appendix will be used to gain a general picture how the product of Appalachian PLC would fare in the new market. The management has observed that a questionnaire offers considerable advantages in the administration: it presents an even stimulus potential to large numbers of people simultaneously and provides the investigation with an easy accumulation of data. Also, questionnaires give respondents freedom to express their views or opinion and also to make suggestions The questionnaire will start by asking the potential customers if they are aware of the Appalachian PLC and their products. This will be important in determining the market strength the company is expected to receive once it introduces its product in the market. A favorable report will indicate the probability of easy penetration in the market as a potential customer will be aware of the company product. On the other hand, responses that indicate the company is not well known will indicate a strong marketing campaign in the new region so as to establish a name in the market.

What they would like change in the product presented by Appalachian PLC will also form a potential question that will determine what the customers want. For instance, Appalachian PLC product may be good and durable but prices maybe too high for the locals. Similarly, the products maybe affordable but not durable. Such kind of suggestions would help the management improve on the product so as to capture the needs of the new market. The researcher will also ask about the factors that may have prevented the establishment and the success of the Appalachian PLC products. Some of the sampled informants may have a wide knowledge on the business market and may offer insightful information. The information may help the management in establishing of new facts that should be factored in before the roll on the project. It may also identify areas of weakness that may be present in the current management. All these factors would be necessary for opening of new methods of managing the business. The questionnaire will also ask about the management methods they would prefer such as open, online and other specified ways which would enhance the transaction of business to be carried out faster. For instance, with the wave of online technology, people get accustomed to such system, and they would prefer a business to be conducted in such manner. This would assists the management in identifying how to go about the management.

In research that involves respondents the traditional technique of presenting a questionnaire is on a Likert scale. This form of technique sums the value of selected options and creates scores for every respondent. The scores are representative of specific trends in business. The Likert scale would contain questions asking the potential customers if they are aware of the

Appalachian PLC and their products. The relevant answers provided by various customers will be graded on a scale that determines the strength of the product in the market. The technique is equally beneficial in evaluation of the opinions of respondents regarding features in terms of purchasing trend and the satisfaction that the product brings to its customers. The recorded scores may be utilized in the creation a chart that portrays the spread of opinion regarding a product across a geographical location of customers. Further analysis can be carried out by tallying with other relevant contributing factors.

The Likert scale best show the acceptability of a product in the market. The technique is best suited in in scenarios where entrepreneurs need overall measurement regarding opinions, experience or feedback regarding a product in the market. More specifically, the technique measures the satisfactory levels of a new entrant in market.

## **Research methods**

The management will employ a survey kind of market research. This study will use a cross – sectional survey based on a sample of the specified locations. Cross –sectional survey relates to the current state of affairs and strives to provide a snapshot of how issues are at a given time . It will also involve the idea of going out to the field and purposefully seeking the necessary information. It is often characterized by the selection of random samples from large populations to obtain empirical knowledge of a contemporary nature. This method will allow assumptions to be made about characteristics, experiences, attitudes and views the whole population being

investigated. Survey research can collect background data and hard to find data and investigator would influence or motivate respondents “ responses.

### **Analysis of the payback**

Entrepreneur is that endless challenge seeker. Once the business has started, the managers are on the lookout for the growth possibilities.

Expanding business means redrafting the marketing strategies, offering wider range of products and services to bigger geographical markets and building economies of scale. In this regard and with the current downturn in the market size, it is expected the company will lose more market in the future hence the need to expand the markets. The new markets are expected to increase the sales volume and thus improve on financial performance. It would be necessary to weigh the risks and benefits for penetrating the new markets.

### **Capital project investment**

One of the reasons many companies have been faring badly on the issue of capital project is a lack of clear evaluation of the intended projects. Some of the projects initiated may consume much capital for the business but fail to take off the ground; such projects holdup the capital limiting business growth. Other capital projects usually lack the immediate payback to the business. After investing heavily, the rewards should not take long before they are realized. This ensures the business its back on its feet within the shortest period. Therefore, it would be necessary for the business to have the analysis of the payback of the intended project. One of the major tasks the finance directors of the company must be involved in is determining

whether the project is profitable. It is always useful to consider the net current value, rate of returns and the payback period. The three metrics acts as a good indicator of the value of the capital project and how much it is expected to bring to the business. The payback rule is determined by the period the investment is expected to pay the business. That means the cost of establishing the markets in China will have ben catered within that period. To calculate the payback, the business will need to estimate the cost of the project.

As a rule of the thumb, a good capital project is the one having a shorter payback period. The first step would calculate the annual cash inflow of the intended project and the cost of the investment. In this case, annual cash inflows are estimated to be of over 2.5 million pounds while the outflows are approximated to be two million pounds within the first five years. It means, the business will be able to pay its investment back within a period of five years.

### **Superiority of the payback over net present value (npv)**

Decisions in capital budgeting presents the crucial decisions entrepreneurs need to make. The decisions regarding assets to purchase, products to invest in, the markets to target and the possibility of expansion determine success or failure of a business. Businesses utilize various methods to aid in decision making. Most businesses utilize the payback period method and the net present value method (npv). In the payback period method, businesses estimate the cost of launching a project and the potential revenue a project would generate once operational. Businesses then make calculations on the duration it takes to recover the startup costs. Businesses utilizing this

technique usually choose timelines for which to recover startup costs. A project with a shorter timeline is viable and worth investing in. Following the downward trends in Appalachian PLC, a payback periods analysis ought to be conducted. Many successful ventures combine the net present value method and the payback period method in making decisions regarding capital budgeting. The payback period technique narrows down a business' options, then NPV technique identifies the worth of the remaining venture.

The level of return on investment will cover all the expenditure incurred in the establishment of the new markets. Thereafter, the business will gain the rewards without necessary incurring costs such as licensing and developing logistics. The analysis of the payback shows a positive trend and the management should make the decision of expanding the markets to China. After a major investment in the first five years, the business will be rewarded thereafter. This will translate to increased sales and higher profit margins for the business. It is, therefore, justifiable to argue that the business will have more benefits than the present net value. The owners of Appalachian PLC should utilize a combination of the two techniques as financial tools of reviving the venture.

Payback period is very crucial to establish particularly when the liquidity is a concern to the business. If the company is constrained with the capital, it can only manage to undertake one project at a time. Therefore, the management would want to strive to recover from the previous investments in order to carry out subsequent projects. However, the payback rule may not be overly relied on as it does not factor in the time worth value of money and fail to consider benefits that might accrue after the payback. Despite these



shortcomings, it is still the applicable in determining most of the capital projects investments.

## **Interpretation of results of NPV and IRR**

If the value of NPV turns out to be positive, the project is a viable investment. Consequently, the projects can recover the startup costs whilst earning better returns. NPV is the disparity that occurs between market value of the project and the startup cost. Besides the NPV, another parameter for decision-making is the internal rate of return (IRR). Values of IRR that is greater than discount percentage indicate sustainability of a project. However, many investors utilize the net present value.

## **How quartiles, percentiles and the correlation coefficient affect decision-making**

Quartiles are utilized in the separation of data in two separate quarters (duration). Percentiles are utilized when there exist similar data or data greater than percentile figures. The correlation coefficient is a technique utilized in the interpretation of the linear relationships existing between two business variables.

## **GANTT Chart**

Activities Time 1st Month; 2nd Month, 3rd ..

## **Leasing of the Office**

Undertaking of market research

Finding local supplier of raw materials

Identifying retail partners

Leasing warehouse space

<https://assignbuster.com/expanding-the-markets-report-sample/>

Formalizing business contracts with retail partners

Developing logistics and supply chain

Commencing normal operations

The A Gantt chart shows the project schedules. The chart illustrates the terminal and summary elements of a given project. The summary and terminal element usually consists of work breakdown of the project. In this case, the organization will start with leasing the office and undertaking market research. After the report from the field shows favorable results the business will embark on finding a local supplier and retail partners to act as agent of the company products. The contracts will be formalized, and logistics planned. Finally, normal business operations will commence within a period of six months.

## **Spreadsheet presentation**

Conclusion and Recommendations

The following recommendations are important for the Appalachian PLC Company in their effort to establish the markets in China. First, while conducting market research, it will be important to learn how culture can affect the business. With this regard, it would be necessary to learn Chinese culture and customs. Secondly, the management needs to keep in mind the probability of bias in the data collection, which means the data may not always reflect the situation on the grounds. The management will require exercising some flexibility. Lastly, a good capital project should have relatively shorter payback period. This can be improved by maximizing on the benefits and reducing the capital leakages.

## **BIBLIOGRAPHY**

CARROLL, N. V. (2008). Financial management for pharmacists: a decision-making approach. Baltimore, Lippincott Williams & Wilkins.

KEEGAN, S. (2009). Qualitative research good decision making through understanding people, cultures and markets. London, Kogan Page.

<http://public.ebib.com/choice/publicfullrecord.aspx?p=473913>.

MOWEN, M. M., HANSEN, D. R., & HEITGER, D. L. (2009). Cornerstones of managerial accounting. Australia, South-Western/Cengage Learning.

Appendix

Questionnaire

1. Do you know the company known as Appalachian PLC? 2. Where and which company do you go shopping furniture? 3. What do you like about the Appalachian PLC products and what would you wish changed? 4. Are there any factors that affect how the Appalachian PLC products fare on in the markets? 5. What kind of management would you prefer in the current business? Online. Open officeClosed office.. Others (specify)..
6. if you have been given a chance to buy a product from Appalachian PLC and another from another company having a similar quality which would you buy.?

Likert Scale