

# Home or abroad essay sample



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It could be argued that it would be beneficial for Coffee Delight plc. to further their expansion in the UK. On the other hand, it could be argued that it would be more profitable for them to expand abroad in Romania. I believe that Coffee Delight should expand by opening outlets in Romania then expanding further in UK. One reason for my decision is that the market growth in the UK for a coffee shop has been predicted to drop significantly from 6.2% to 3.9% by 2010. This is highly influential for Coffee Delight as they would be put at a disadvantage as their growth may also decrease.

As a result the remaining coffee shops will be in high competition and this will result in Coffee Delight needing to compete for customers, this may lead the business having to reduce prices. In order to reduce prices Coffee Delight then may need to reduce costs which could lead to a decrease in the quality of coffee produced; this could lead to unsatisfied customers. Consequently these customers then would look for substitute shops to purchase their coffee from. On the other hand, the market growth in retail sales in 2005 for Romania is 25%.

This means there is a potential for Coffee Delight to increase sales as the market is stronger in Romania whereas the London market is saturated.

Another reason for my decision is that the Romanian government is offering businesses which are expanding in Romania the chance to get some financial support as the EU is giving 17000million pounds over the next seven years. This would give Coffee Delight more of an incentive to expand in Romania as the financial support would be beneficial as London is not offering any.

Although, it could be argued that the financial support alone would not be enough of a reason for the expansion, Romania currently has limited competition. This would be ideal for Coffee Delight as they will be able to promote their products and brand early, resulting in the business gaining a high reputation quickly. On the other hand, Coffee Delight expanding further in the UK could also be beneficial for the business. Firstly, the cost expansion is less in the UK at 8. 1million where it is 10. 6million for Romania.

It could be argued that Coffee Delight may not even get any financial support from Romania if they do decide to expand there. The money saved from not expanding abroad could be used efficiently elsewhere such as reinvesting. Coffee Delight could reinvest and conduct market research in order to increase sales as the market share in the UK is falling. As Coffee Delight already know their customers well it could be argued that it is more safer for the business to conduct market development rather than diversification as there will be less risk involved.

The internet usage at home in Romania is 29. % which is low. As Coffee Delight have a USP of having internet access available in their outlets, this would not be beneficial for Coffee Delight as the business would not stand out amongst competition as internet access isn't a big deal in Romania. To overcome this, Coffee Delight may need to reconsider another USP; this would mean conducting further market research in Romania. As a result, this would lead to costs also increasing. The tax rate is less in the UK than in Romania, in the long term Coffee Delight may not be able to keep up with the tax rate in Romania as their costs may already be high.

The money saved from tax could be used to reinvest and train employees further to ensure that a better customer service is provided. This could result in the current 6% market share of the UK market to increase significantly. The labour turnover for UK has increased from 11% to 19% which shows that the employees are working effectively. Overall, in the future the business has the potential to increase their labour turnover whilst remaining in the UK, resulting in the business being more efficient.

In conclusion, I believe that Coffee Delight should expand into Romania as although the forecast for costs of expansion is higher, the expected net returns are also higher. It is predicted that Coffee Delight will make 7.99 million in year four from the expansion in Romania, whereas it will make 3.45 million in year four if it was to remain in the UK. Although this is just a prediction, there is more potential for the business to grow in Romania resulting in higher returns.