

CASE SEVEN

Apex-Pal Expands Its Sakae Sushi Empire

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Case Objectives

- To identify the major trend that influenced global market
- To identify the key factors that shaped foreign marketing efforts
- To explore the entry and expansion strategies into foreign markets

Case Synopsis

- As a Japanese Frenzy, the CEO of Apex-Pal International, Douglas Foo opened a sushi restaurants-Sakae Sushi and dreamt to bring Sakae Sushi as a global brand. Now he owns 83 restaurants over Asia and USA, and plans to open more than 200 new outlets overseas.
- Sakae Sushi is one of Singapore's leading kaiten sushi chains. Foo opened the first outlet in New York , albeit at slightly higher prices than local competition and aims to open more to target health-conscious New Yorkers. Besides, Foo has also been exploring the Vietnam, Middle East and European Markets, and receiving enquires from South Africa and even India.
- In its 10 years of existence, Sake Sushi has been through the major crisis and facing more hurdles ahead. While Sakae Sushi utilize their resources more efficiently and adjusting prices to cope with the rising food prices problem. Apex-Pal reported a significant increase in revenue but slightly decrease in net profit due to the failed takeover bid of Thai Village Holdings.

Case Questions and Answers

Question 1

Why do companies like Sakae Sushi go into foreign markets? What key factors and considerations should be taken into account when going into overseas markets?

- Companies go into foreign markets because there are gradual decline of economic protectionism by individual countries, formal economic integration and free trade among nations, global competition among global companies for global customers and

development of networked global marketplace. Due to the major trends in world trade, companies like Sakae Sushi are easier to expand their business and sustain their growth by operating in foreign markets.

- Companies go into foreign markets because local market may become saturated (push reasons) and foreign markets present attractive opportunities (pull reasons).
- When going into overseas markets, companies need to consider cultural diversity; economic situation in foreign market such as economic infrastructure, consumer income and currency exchange rate; and political-regulatory climate, like political stability and trade regulations.

Question 2

What foreign market entry strategies are available to Sakae Sushi? What factors influence its decisions on the modes of entries for various country markets? What have been the success of Sakae Sushi in its use of specific modes of entries in foreign markets? What are the possible reasons for its performance in this area?

- To enter the foreign market, licensing or franchising, joint venture and direct investment strategies are available to Sakae Sushi.
- Under licensing or franchising strategy, Sakae Sushi can set up an operation to provide products or services under the company's established brand name. Like its effort to get into Indonesia market, Sakae Sushi can follow this strategy like McDonald to build its sushi chain empire. The quality of franchisee will influence the decision on this mode.
- Under direct investment strategy, Sakae Sushi can entail a domestic firm actually investing in and owning a foreign subsidiary or division. But the financial commitments and risks involved in direct investment need to be considered.
- Under joint-venture strategy, Sakae Sushi can create a local business with local firm. For example, Sakae Sushi can add value to Thai Village Holdings, which operates a chain of high-end Chinese restaurants in Singapore, China and Indonesia. The local policy is a factor influence the decision on this mode.
- Sakae Sushi has been succeed in its use of direct investment and franchisee. The success in direct investment because the right strategy applied in local market, like appropriate pricing, better understanding of the local market condition, as Foo

captured the trend that people prefer healthier food. Franchisee succeed in some countries because of its more and more well-known brand name.

Question 3

What factors facilitate Sakae Sushi's expansion into foreign markets? What factors pose as challenges?

- The decline barrier in economic protectionism, global trade and the development of networked global market space facilitate Sakae Sushi' expansion into foreign markets. Besides, the overall global trend in healthy food also boosts the sushi business of Sakae Sushi.
- The cultural diversity, different economic situation and political-regulatory stability pose as challenges to Sakae Sushi. Besides, as in the food industry, Sakae Sushi need to extend and adapt their dishes to meet different tastes in foreign market.