

# Foodic

*by* Student Paper

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**Submission date:** 22-Mar-2019 04:18AM (UTC+1300)

**Submission ID:** 1097257728

**File name:** Foodics\_and\_Its\_Readiness\_to\_Internationalize.docx (27.27K)

**Word count:** 2344

**Character count:** 13600

Foodics and Its Readiness to Internationalize

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## Foodics and Its Readiness to Internationalize

### Introduction

International trends such as globalization and migration of people have been instrumental in the development of international trade. SMEs (Small and Medium-sized Enterprises) have had a sizable role to play. SMEs can never be undermined (Cavusgil *et al.*, 2014). The SMEs perceive this as an opportunity to scale their businesses and serve the global market. Considering that the dynamism in firms' internationalization processes, the management has the sole duty to conduct sufficient market research and, in the process, analyzing the market choices and modes of entry (Hamidizadeh & Zargaranyazd, 2015). As such, the dynamism thereof consists of numerous motives and obstacles which compel the research on the "readiness" aspect of a firm to enter the international market and live up to the expected standards.

Explicit constructs exist in defining a firm's readiness. For instance, it is necessary that a firm is in the social media or digital space where it can influence a potential market with ease and fewer expenses. According to Kelly (2015), the relative firm has to place customers as a priority and also take international strategy seriously. Among countries that are showing great potential in the international arena is Saudi Arabia. The country's endowment in natural resources mainly oil has propelled to international recognition. Besides, it has been an excellent habitat to many startups including Foodics. The expansion of Foodics to accommodate the global market hinges on the firm's and management's ability to acquire sufficient market information while analyzing its strengths and competitive advantages.

### **Foodics**

Foodics is an application software, a cloud-based tech that was founded in 2013 by the current Chief Executive Officer Ahmad Al-Zaini. Foodic is a restaurant management system that is incorporated into the Apple iPad. Its primary purpose is to hike revenues for the business and offer a real-time analyses of the internal progress of the business (Foodics, 2017). It has its headquarters in Riyadh. In its status, Foodics is perceived as product, brand, service and an independent company that seeks to improve the management systems of various restaurants. It is a smart and reliable tool for any restaurant across the world and offers its services through its cloud technology. The most profound services Foodics offers include but not limited to managing stocks, increasing table turnaround time, scheduling staff, getting intelligence reports.

The firm has a small number of employees currently at 24 highlighting the minimal overhead costs the service incurs while making astronomical revenues (Owler, 2019). Since its inception, the company has served approximately 4,000 customers with over 1 billion orders (Foodics, 2019). Since it is a private firm, the financial information provided in the research reflects possible approximations from financial analysts. It is estimated that the firm makes less than a million dollars in annual revenues. Its primary competitor is Lavu, a firm that is situated in Albuquerque, New Mexico and generates 500% the income of Foodics. Others include Revel Systems and Toast. The latest move from Foodics was the first round of funding where they raised \$4 million (Foodics, 2019). The leading investors include Raed Ventures, Riyad Taqnia Fund, and 500 Startups Fund.

### **Foodics' Readiness to Internationalize**

Foodics forms a part of the growing digital space that is proving to be more efficient. So far, the firm has been successful in conquering the national borders, and the next logical step is

to test itself in the international market. A company's financial resources are not the only determinants of entry into the international market. An axiom that businesses have to evaluate is the managerial commitments and readiness for this ideal (Sudharatna & Li, 2004). Leaders should not only commit to the idea but also empower their staff in skill acquisition for business growth. A considerable level of concern towards the employees develops their sense of belonging to the firm which is a source of motivation. Even better is that employees are confident of the looming experiment.

Foodics enjoys a significant level of managerial commitment. The results of an analysis of the different CEOs in the industry shows that Ahmad Al-Zaini is an exceptional leader with a 74/100 approval rating. A better perspective to place this concept is in comparison terms. For instance, the Lavu CEO, Mr. Saleem S. Khatri has a CEO score of 49/100 while toast CEO, Chris Comparato ranks at 82/100. Ahmad is sandwiched between the two and is far from the mediocre score levels attained by Lavu CEO. These results insinuate that Ahmad's management principles have been useful in the running of the firm. Also, he has remained in his position since the firm's inception implying that his leadership skills are exceptional. The culminating effect implies that he would still be capable of leading the firm internationally.

Researchers in this field attest to the importance of the internet in the international market. Ali et al. (2015) assert that the use of electronic data in business operations provides satisfaction in individual and organizational goals. According to Kelly (2015), companies that favor the web are more likely to encounter "turbo-charged global growth." These are companies involved in web-based products and services. Fortunately enough, this is the industry that Foodics serve. Foodics has experience in this industry which will play a significant role as they integrate this idea. Moreover, the company has qualified personnel to execute the necessary

procedures in favor of the firm's expansion objectives. The significance of an online market presence can never be taken for granted. Even manufacturing and pharmaceutical companies that have an online platform have grown immensely (Hajli, 2014). The availability of the required infrastructure in the form of the internet and smartphones is a smokescreen to the possibility of this idea succeeding.

A firm has to address its financial needs to integrate into the international market effectively. The firm has to offer weighty and meaningful consideration to its economic stature because it is a prerequisite in international business. Other researchers argue that a firm has to be listed in foreign equity markets to warrant their survival (Sist, 2014). However, Foodics business model does not necessarily require a large outlay of capital for its international integration because it is during the early stages of the business that the firm is bound to incur massive amounts of capital outlay. The current state of events indicates that Foodics has a positive cash flow of approximately \$ 1 million. A constant flow of income warrants that Foodics can cope with the changing dynamics of the business without many concerns. Moreover, the firm employs a small number of employees which signifies that their overhead costs are significantly low. In the event of the need for additional capital, they can conduct a second round of capital funding. Despite having a robust financial performance, it is no brainer that Foodics will have to upgrade its systems to accommodate the expected rise in clients.

#### **The Suitability of the Firm's Products and Services for Foreign Markets**

It is undeniable the food sector has grown enormously over the years. The growth in international foods chains like Starbucks, Dunkin' n Donuts, and Hilton Hotels is a sign of the importance of the industry that Foodics joins. The aspects that promote the use of this platform hinge on many factors. One primary factor that may influence who uses Foodics is that the all-in-

one restaurant management system is compatible to Apple products only. Apple uses a different operating system from those used by Samsung, Nokia, and Xiaomi among others. The latter group of smartphone manufacturers uses Android system in the production of its smartphones. The difference in the operating systems is a significant disadvantage to the firm's ambitions to promote its dominance in this sector. Research indicates that 81% of smartphone owners are Android users while Apple caters for the rest (Yoffie & Rossano, 2012). This being the situation compels Foodics to place their expansionary programs in Apple-dominated countries. European countries, the United States of America, and China have the largest group of Apple customers. These regions would be the best potential customers for the product. However, the number of Apple users is not the only factor in determining where to position the business as government rules and regulations are crucial.

Government policies and procedures are important factors for consideration when contemplating the geographical regions to exploit. For instance, the American government demands a corporate tax of about 21% which was approximately 39% before Mr. Trump initiated tax reforms (Caplinger, 2018). Although it sends a sigh of relief to investors, there are other countries with a lower tax burden. The Republic of Ireland is a tax haven with enterprises being subjected to 12.5% corporate tax. Hungary falls at 9% (Caplinger, 2018) and Switzerland at 8.5% (Deloitte, 2018). However, Comoros and the UAE (United Arab Emirates) are difficult options as they charge 55% and 50% corporate income tax respectively (Caplinger, 2018). It is worth noting that the fees for foreign firms might increase by a small margin. However, the above figures indicate that some countries are viable options while others may fail to bring a genuine return on investment.

#### **Possible Countries as Target Markets**

Despite having a high corporate tax, the USA citizens have an almost frivolous consumption culture. The country has many restaurants that can use Foodics to advance its supply chain and minimize non-value adding activities. On the other hand, they also possess great entrepreneurial skills as most of the global food chains have originated there. Exploring the US market is a pathway to generating publicity for the product. They have the infrastructure to achieve in regards to the advertising platforms and qualified personnel they can hire. The Silicon Valley comprises of computer geeks where they can utilize some of them to upgrade their systems if necessary. Canada is also in North America and shares almost similar economic traits with the USA. However, they have far more favourable tax rates at 15% (Deloitte, 2018).

On the European continent, Northern Ireland and Hungary attract investments because of its low tax rates. Hungary contributes to the production of iPhones as it produces Wi-Fi chips for the giant firm. This implies that the use of Apple products is predominant in this area. Countries constituting the United Kingdom is a great market because consumers here have the will and ability to make purchases. Finally, in Asia, China is attracting investors due to the explosive nature of their economy. It has become a hub for investors as the number of millionaires and billionaires increase annually. The possibilities for Foodmics are presumably many, and most importantly, these countries have respectable economic freedom and political stability.

### **Market Forecasts**

The incorporation of technology in contemporary society is becoming a lifestyle. The number of users and SMEs is growing exponentially. If Foodnics expands to these countries, they can bring stiff competition to companies like Lavu and Revel Systems. Not to say that they will have similar revenue margins, but they will remain a constant threat to them. Its competitive advantage can arise when they venture into the Asian market with China and India leading the

way. The North American market is quite competitive at the moment. However, the Middle East and Asian markets have received minimal exploitation. Countries are levying higher tax rates for foreign firms which complicates the situation further. Higher tax rates will deter international firms from setting their businesses in these locations. Contrarily, government subsidies will be significant incentives will be an excellent opportunity for the firms in these regions. In this industry, firms that will be successful have to respect the fact that there are Android and iOS users. Thus, the ability to provide services on both platforms will define the progress of the relevant firm. One market potential indicator is the number of firms opening new food business ventures. Food insecurity is on the rise and coupled with the ever-increasing population; food has never been in this high demand before. This sentiment justifies the new entries into the market. A specific barrier to market entry would be exploitative tax rates.

Foodics serves restaurants of all nature; whether small or big, regional or international. It improves the management handling of various elements in the firm including scheduling of staff, listing customer complaints, managing employees' workload among other factors. Its expansion to new territories is subject to its financial strength which is great at the moment, management's commitment to have an international presence, the tax rates of various countries, and the economic and political freedom in the country. At the moment, North American countries, the USA and Canada, Hungary, Ireland, Great Britain, and China are appealing prospects because of their appealing tax rates and presence of Apple products.

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