CRITICAL ANALYSIS OF FOREIGN DIRECT INVESTMENT IN THE UNITED STATES: A CASE STUDY OF TESCO

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Statement of Authorship

I ………(name), hereby certify that the work presented in this research/dissertation has been performed and interpreted solely by myself.

Sincerely,

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Acknowledgments

I acknowledge the contributions of my supervisor…… for her constructive critique. I am thankful for her guidance and the time she dedicated to make this project a success.

I also express my gratitude to my family for their support, and encouragement in the pursuit of…. (Name of post grad degree).

Abstract

This research focuses on studying Tesco's entry mode into the US, and why the company chose of this entry method. Besides, the dissertation establishes the confluence of the factors that make FDI a success in the US. The research recognizes that the primary factors that prompt investors to consider an external market include a desire to attain higher market capitalization, increase revenue growth, and grow the overall revenue. The research establishes the various market dynamics that define the entry method of the FDI and determine the decision of whether to enter the market. The paper examines the key variables that investors consider when moving into a given industry or a given country. With specific analysis of the US retail market as per Tesco's considerations when making an entry into the market. The paper provides policy views on the US policymakers can influence the movement of FDIs into the US market.

Besides, the dissertation offers recommendations on the key factors that the investors seeking to enter the US market should consider, and how they can increase their chances of success in a new foreign market. Among some of the key recommendations is the need to evaluate the markets in a manner that is consistent with indicators of market performance. These include a consideration of how the market behaves, the market factors that determine success, and how companies that enter the new market should adapt to the new market conditions to attain their goals.

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1.0 Introduction

1.1 Background of The Study

Foreign direct investment (FDI) involves a multinational corporation's direct venture in a foreign country to capitalize on the opportunities presented (Radošević & Yoruk, 2000). Notably, the United States is characterized by substantial market and economic capacities that favor investment from multinational and domestic corporations. Organizations seeking to venture into the market must conduct effective evaluations to establish the prevailing dynamics likely to affect operational prospects. Success in every market has been predisposed to maximizing consumer satisfaction by providing goods and services of the highest quality. Many organizations are characterized by having various FDI policies which favour their operations. Notably, Tesco is often associated with the operational prospects that favor profit maximization in every market (Teli, 2014). According to Teli (2014), Tesco Corporation has established operations globally. Establishing the attributes that favor success in the United States market necessitates conducting a study regarding the operational prospects adopted. The process requires evaluating the organizational culture and investment protocols the host country adopted to maximize productivity metrics.

1.2 Application of FDI Research

The market entry mechanism is an important topic in the field of international business, and is considered quintessential to succeeding in making international trade decisions. The factors that affect FDI entry into a given country serve as important pointers on policy implementation approaches that open up a country to international trade. The essence of studying FDI is, therefore, to advance policy and provide investors with key guidelines on making new market entries.

1.3 The Rationale of the Study

Given that international trade is a complex, yet essential aspect of global economics, it is imperative to study the methods through which it exists, and more so how FDI as one of its tenets operates in transferring capital from one nation to another. There is no shortage of scholarly, business-based, and consultancy-based journals and publications on the key drivers of FDI or the factors to consider in determining how investments move from one country to another. However, the US, and its retail sector as an FDI destination from developed countries has been understudied, which creates a necessity to study the issue.

Tesco presents an opportunity to uncover the FDI driving factors in a practical setting in an existing everyday market – in this case, retailing. While the retail industry comes as an ordinary business which is likely the domain of the local investors and business people, the interest by UK-based Tesco to expand its market by both market share and in geography, is an exciting study on the factors that drive FDI flows into new markets. The market entry strategy which FDI presents is contrary to some of the existing methods – and as such, presents the question of why it is the best entry method in such a market and industry. The scope of factors that make the market attractive and responsive to the new entrant from an analytical perspective is worth examining. As such, by studying Tesco, a pool of new knowledge levels is uncovered and would be useful in informing policymakers on strategies that they can undertake to make the markets attractive to foreign investors, and the operational issues that act as drivers for foreign investors.

1.4 Objectives of the Study

This study was conducted to critically analyze FDI in the United States.

i. To establish the direct impacts of FDI and Tesco in the US

ii. To establish how the United States market setting affects applicable operational prospects of FDI companies, with reference to Tesco.
iii. To establish the impact of consumerism behavior limit influencing desirability of different products and services in the US.

1.5 Scope of the Study

The research shall focus on the market attractiveness of the US to FDI, and why the FDI entry mode is a preferred entry mechanism compared to other entry modes. Besides, the study confines itself to Tesco as the main case study. At the same time, the dissertation explores the general market information that affects economic, social, and cultural dynamics such as the GDP, the state of economic performance, and the market factors that relate to the market performance of an FDI venture.

1.6 Research Questions

The key research questions crucial to this dissertation include:

i. What are the key considerations made before making a FDI entry?
ii. How does the FDI destination market conditions affect the prospects of a FDI entry?
iii. What are the key impacts of FDI inflows into the US market?

1.7 Structure

The structure and flow of the paper is as follows: Chapter offers a comprehensive literature review on the general factors that affect FDI performance. This chapter is significant in understanding the general dynamics that govern FDI and the market entry considerations that investors make before entering a given market. The chapter also discusses the available market entry methods, and the different considerations made when choosing a given entry mode. As such, the literature review lays the general theory upon which the research on Tesco FDI entry, and considerations is based on. The third chapter, the methodology, essentially defines the various methods used in gathering information from secondary sources, and the techniques used in the critical analysis of the information. In this regard, the methodology justifies why a given method is appropriate for this dissertation and its application in the research.

Chapter 4—the analysis and discussion, presents a critical analysis of the findings from secondary sources. The chapter offers a step-by-step critical analysis using the various business and market entry and economic tools to answer the key research questions. Besides, the chapter discusses the findings of the research in an in-depth manner, explaining the results based on the available theories that explain the phenomenon demonstrated from the findings. The significance of this chapter is that it offers the bulwark of the research to such a degree that there is authentication of the outcomes with regard to the theories established in secondary sources. Chapter 5—the recommendations, offers a policy review of the causatives of FDI success in a given market, with key emphasis on the US market, and suggest how policy makers can increase the FDI flows to the US market vis a vis the retail industry. The last part is the conclusion, that provides a comprehensive overview of the state of the Tesco case with regards to FDI and key takeaways, as well as application of the research findings.

1.8 Limitations of the Study

The delimitations of the study are that there is no sufficient information on all the causatives of FDI success in the US in relation to economic and market metrics. This presents a challenge in ascertaining the degree to which a given factor affected the FDI flows and the consequent outcomes. In addition, the state of market expectations from the consumers and investors cannot be fully analyzed, as any post analysis is likely to be with a sense of caution on whether the entry method, and the market approach was appropriate. This leads to lack of objective analysis of the key variables that affect FDI entry in the US, and the unique set of circumstances that converged to influence Tesco's entry into the US in 2005.

On the other hand, while the secondary sources are useful in offering reputable findings, reliance on the secondary data is limiting to the extent of market feedback. This is mainly because the study is done as a post-analysis of a company whose entry in the US, and exit has already happened which could cause hindsight bias among most of the publications. Nevertheless, this can be dispelled by considering the veracity of the market driving factors albeit limited in source as the available publications may have a general market approach.

2.0 Literature Review

Foreign Direct Investment is one of the funding and financing methods that many industries use across the globe (Keller & Levinson, 2000). In the US, FDI occurs in the form of investments from foreign investors buying shares directly in companies, engaging in the stock market, or buying shares through foreign firms. In other cases, it involves a direct investment in the US where a company relocates or sets a branch in the US. This is an aspect of foreign direct investment which is the case of Tesco's move to the US in 2006 (Opiah, 2021).

According to Denisia (2010), a multiplicity of factors necessitated the move such as the internal goals of prospecting growth of the overall revenue share by venturing into a larger market, also establishing brand reach and dominance as well as meeting new profit targets and margins. Opiah (2021) argues that while the performance of Tesco in the US has been a warning for many retail companies that opt to invest in the US, its optimism was based on the favorable FDI factors in the US; and its business failure and eventual market exit can be attributed to its operational mismanagement than to the FDI factors. FDI factors are the key variables that determine the market conditions that mark a given country, and that are used by the given multinational company to consider entry into the new country (Denisia, 2010). Some examples of FDI factors are the exchange rate, tax rates, inflation among others.

The market entry of Tesco into the US market has been of great interest to scholars. This is mainly due to the situation of retail business in the US. For it occurs that when in 2006 Tesco made an entry into the US market, the Guardian termed its decision as radical, calling the US market as "one of the toughest markets in the globe" (Finch & Teather, 2022). The entry of Tesco into the US leveraged on the existence of trade ties between the US and the UK. The foundation of this relationship is notable in the disparate number of American investors and investment firms having in Tesco, and issue which is backed by findings by Kleiner & Ham (2002) in the report on industrial relations. Kleiner & Ham (2002) develop a firm argument on the positive impact of the existing industrial relations between the US and UK. As such, it can be postulated the goodwill that US has for Tesco, as well as the perception of international acceptance as a worthy company at the international stage.

On the other hand, one of the critical factors stemming from having a diverse investment portfolio is the wide capital that necessitates FDI from an internal perspective (Denisia, 2010). This provides a wide pool of resources making the company resource-rich in making market entry decisions into any country. At least about 50% of the company shares is owned by institutional investors whose sole interest in on making profits and scaling the company's revenue reach.

Market entry factors are crucial in the study of FDIs. A study by Zekiri & Angelova (2011) found out that whenever companies are defining their market entry strategies, they are likely to consider a variant environmental factor as these are crucial to determining which entry strategy is useful. As Tesco was presented with various entry strategies, it is useful to know why FDI was the most suitable strategy and how the US market was the perfect fit for the FDI entry strategy over other approaches. In lieu, there is a need to study the literature that supports FDI as an entry strategy in US over licensing, acquisition and partnership. For it occurs that Tesco, being rich in its capital base, had the power to decide on whether to enter as a franchise or to acquire some of the companies in the US. As it is not a software company, licensing would be inapplicable as this applies to software companies. At the same time, Tesco had the option of creating a strategic alliance with some of the major distributors in the US but chose the FDI market entry strategy. This creates an interest in studying the literature that compares the various approaches in the retail sector and their suitability in this context.

2.1 FDI Market Entry Modes

According to Zekiri & Angelova (2011), foreign direct investment includes having a direct business in a foreign country. The FDI approaches in the case of a multinational company involves creating a new branch in a foreign country, with the company's operations running in the given country. Mudambi & Zahra (2018) suggest that the company seeking to use FDI approach opts to compete with the local businesses in the given target market for market dominance as would any other business established in the country. The authors further note that the company that chooses FDI as an entry mode acknowledges that it ought to adapt itself to the prevailing market conditions of the target market, and create leverage in a manner that advances the interests of the founders, achieves company's short-term and long-term goals, to attain a competitive edge. Needful to note, Tesco's decision to enter the US through FDI was influenced by confidence in its ability to compete in the new markets and adapt to the existing culture in the US. The decision was also driven by the understanding of the local FDI market, such as the terms of entry and the business culture (Zekiri & Angelova, 2011).

The other likely option for Tesco, against which FDI is compared in this review is strategic alliance as a market entry strategy. Strategic alliances are contracts in which two companies work together to fulfil a common objective. In a strategic alliance, the new partner works with an already existing market partner to fulfill their goals in the given market (Mudambi & Zahra, 2018). In the case of Tesco, the "Fresh and Easy" approach would be realized through influencing a given existing retail chain in the US to adopt the same strategy. Thus, the Tesco techniques in the market would be applied while utilizing the common resources that the likely party and Tesco would bring together. Thus, if the interest of Tesco would be upsetting the power of the dominant US retail chains such as Walmart, a strategic alliance would be effective in fulfilling this goal. The preference of FDI to a strategic alliance is often the scope of influence that a company has in the market (Zekiri & Angelova, 2011). The acquisition was one of the market entry strategies considered by Tesco before settling for FDI.

Another method of market entry is through acquisitions. The use of acquisition as a market entry strategy is when a business opts to maximize on the established operational structures and existing market of a given company (Zekiri & Angelova, 2011). In this regard, the acquiring entity inherits the premises and business functionalities that have already been put in place. It is one of the market entry strategies applicable when a company wants to minimize on the legal requirements and optimize on reducing competition in the target market. In doing so, the company seeks to inherit the existing customer base of the company it is acquiring while opting to maximize market penetration after making its acquisition through its business strategies.

2.2 Post Analysis of Tesco as a FDI in US and UK

From a post-analysis of the performance of Tesco performance in the US, as per an international market analysis by The Guardian, in 2012, it is notable that the US and UK cultures differ significantly as the “Fresh and Easy” did not auger well with the social conditions of the US market where convenience and options rule the market (Butler, 2012). These same sentiments are echoed by Rosnizam et al., (2020) who stated that the Tesco brand while maintaining an image of being sophisticated as a global brand and a laudable UK brand must have been presumptuous of the likelihood of success in the US market. This was a postulation made from the commonality of shared language. The social studies might have overlooked the social drivers of consumption in the US such as affordability, trendiness and sport-like culture (Rosnizam et al., 2020).

Further, as per Lowe et al. (2012) in a post-mortem analysis of Tesco's performance established that the social dynamics of the US market is the ability to make a choice between different brands. With vast stores such as Walmart winning customer loyalty and assuring the customers of a familiar feeling, Tesco found itself in an extremely competitive spot. With regard to the legal issues surrounding the entry of UK companies, Tesco would have an easy entry and operational approach owing to its capacity to engage the best corporate legal minds in both the US and UK on terms of entry (Lowe et al., 2012). Besides, as the UK has more stringent legal measures for the establishment of business, the US legal market proves to be easy.

2.3 Factors Specific to FDI

A cross-sectional analysis of the most paramount factors that define FDI in the US as established by the publication by Baldwin (1975), Gorbunova (2012), Lim (2001), and Infante & Smirnova (2012) includes the wage rates, labor skills, tax rates, foreign exchange and labor related factors.

2.3.1 Wage Rates

According to research, most of the incentives to do FDI is based on a variety of market factors such as wage rate, labor orientation, and cost of doing business (Mudambi & Zahra, 2018). The significance of looking at the wage rates as a market factor is to establish whether it is viable for business. Often wages and labor rates are a significant indicator of the viability of a labor-intensive business. In the US, the average wage per hour is $15 which is not far removed from the UK market where the wage rate per hour is almost equivalent to that of the US. However, Sethi et al. (2002) argues that if the cost of labor was the only factor to be considered, a venture would be located in a country in the Indian subcontinent where the average wage rate is $1 per hour. Other factors such as the technological and business suitability of the environment such as transport infrastructure and general human development capital is useful in determining where to locate an FDI. Otherwise, Sub-Saharan Africa would attract higher FDI than Europe or the US.

2.3.2 Labour Skills

In addition, Mudambi & Zahra (2018) postulates that the level of skilled labor in a given country is a determinant of the FDI projects to be invested in the given country. The need to consider the specialty of labor is in highly technical industries where the proficiency of the personnel is quintessential to the company's success in the given country. Many firms investing in foreign countries consider the availability of the specialized skills in the given market. The perfect combination is low ages and highly specialized skills which makes for the best market fit. In the scenario of the US, there is an abundance of labor specialties in all sectors. More so, the service sector which is the mainstay of the retail industry or sectors such as Tesco is found on an unlimited scale. The cost of labor is also affordable which makes the US a good destination for retail companies. In comparison to the UK, the US offers an almost similar environment with regard to the socioeconomic environment.

2.3.3 Tax Rates

The tax rate has a significant impact on the rate of FDI flows to the US, or any other given country. Studies show that with lowered corporate taxes, there is a significant increase in the overall outflow from Europe to the US. Europe and US have a liberal corporate tax system which makes it easy for the FDI relations between the EU and US compatible. The US corporate tax is progressive which allows for a favorable FDI destination for many UK firms.

2.3.4 Transport and Infrastructure

Among some of the factors that make the US a favorable destination for European FDI, with a particular interest in the US, is its level of infrastructural development. This permeates various levels from technology to the state of transport infrastructure. The significance of the level of technology and the infrastructure is useful in determining the overall environment for business operations.

2.3.5 Exchange Rate

Cavallari & d'Addona, 2013, argue that the other factor that influences the FDI is the exchange rate between the two countries, in this case the UK and the US. As the UK's pound is a stronger currency and the US dollar is a weaker currency, it is easy to establish a firm in the US than in the UK. Another consideration with regard to FDI is the normativity and volatility of the currencies. The US dollar is quite a stable currency against the Euro and the sterling pound which makes the FDI consideration from an exchange rate perspective worthwhile (Cavallari & d'Addona, 2013).

2.3.6 Clustering Effects

A parallel study by Corcoran & Gillanders (2015) established that whenever companies or firms are considering entering into a given market, they may consider the overall industry as a factor of doing business. These are known as the clustering effects and play a key role in determining a business' entry. In the case of a multinational company, the areas of concern may include insurance, transport, the banking industry and the general adoption of technology in the given country. In so far as the US is concerned as an FDI destination, the prevailing market conditions make for a good cause for FDI as there is a high potentiality for smooth business operations and success (Corcoran & Gillanders, 2015).

2.4 Research Contributions

In order to fully explore the literary scope of the FDI method as a way of entry into the US, there shall be an overview of the factors that influence market entry approaches. There is an intersectionality between FDI performance and the sociocultural conditions of a country, as they determine the ease of doing business in the given country with regard to regulations and the market fit for the products (Chang, 2011). The socio-cultural conditions that favored Tesco's FDI entry into the US market was the genial relations between the US and the UK. The socioeconomic incentive to move to the US in 2006 was deemed from the perspective of a sustainable economy, and a diverse consumer economy. This as such proved to be a major incentive for Tesco to move to the US as some of the favorable economic factors is the preference of the middle class and the upper class to have a sense of experientialism of the foreign and exotic. Tesco falls into the category of English finesse and elite tastes that would be availed to the US market that boasts of adaptability of variant tastes. To this extent, the Tesco FDI in the US occurred to be on a favorable scale.

The key socioeconomic factor that drives consumption in the US market is affordability and ease of access of products (Chang, 2011). Price competitiveness of products is arguably the most significant economic factor in the US market for retail companies. This is driven by the integration of market factors such as t bargaining power of the retailers over the suppliers, and efficient supply chain methods (Doole & Lowe, 2012). The social conditions that facilitated the entry of Tesco to the US were the ease with each the company operates in the country's socio-sphere. The US sociocultural sphere encourages many European companies to locate in the country as there is a competitive workforce and good work ethics. This proves to be useful to a company that is keen on success. With a population that is vastly interested in adapting to the market factors, especially with regard to work, the US market is a favorable destination for multinational companies seeking to have a direct entry.

3. Methodology

3.1 Introduction

The study analyzes the factors that affect FDI performance in the US with reference to the case of Tesco. This chapter includes close aspects of consolidation of data from secondary sources, and critical analysis. Besides, the methodology discusses the techniques and procedures used in collecting, processing, and analyzing data from secondary sources.

3.2 Research Design

The research makes use of descriptive analysis as the nature of information analyzed arises from publications, and theories on factors that determine FDI in the US, and their impact as demonstrated in the case of Tesco. The use of descriptive design is to enable the researcher to make general findings in a space where the sample size is big, and there is a confluence of factors (Aparicio et al., 2016). The appropriate aspect of the descriptive design is that it helps to analyze studies that are theoretical in nature.

3.3 Study Area

The study area is the specific research focus, which includes the institutions studied and or firms involved. In this study, the area of research is the major multinational companies that have entered to US, and specifically how they compare in the performance to Tesco's stint in the US.

3.4 Sampling Design and Procedure

The sampling design that shall be used is systematic, with use of secondary data chosen from select publications. The use of systematic sampling design is to ensure that only targeted firms and organizations that are relevant to the study are included in the study. As such, this shall include Tesco and the retail companies that have made entry in the US market previously.

The sampling procedure that shall be used is a meta-analysis of data from previous publications, and journals. Interviews or recordings of interviews with executives and/ or experts in the US retail industry shall be useful in further authenticating the research findings.

3.5 Sample Size

The sample study shall be at least a collection of 20 articles which shall be used in the meta-analysis to establish the position of Tesco, and the most dominant FDI factors that impact success of FDIs or lack thereof in the US. These shall include items drawn from journals, periodicals, newspaper publications, and other peer-reviewed articles. The choice of this sampling methodology is to ensure that there is a wide base for the arguments and that the studies can be compared based on comparative items of data. This shall ensure that there is a multiplicity of comparative data – as per publications (Aparicio et al., 2016). Thus, while this does not follow the traditional sampling process, it ensures that the sufficient standards of meta-analysis of secondary qualitative data is satisfied.

3.6. Data Collection Methods and Instruments

The data used shall be secondary data, as such the data collection method shall be a comprehensive study of the different secondary publications among them scholarly reviews, journals, company reports, and news sources. The selection of the secondary data shall cut across the various factors, and the contentious issues discussed in the literature review. Thus, the data collection shall be an investigation of whether the findings from publications are consistent with the various items noted as factors that impact FDI in a practical sense. The degree to which they influence the issue shall be mapped on the degree of their occurrence in the given case studies, and evaluated whether they impact FDI in the US positively or negatively. As such, the overall result of the degree of influence shall be a factor of summation between the negatives and positives for a given factor, and as such authoritatively rank the factors on their degree of influence – on a neuter term where negative or positive is ignored, although noted in the final analysis.

3.6.1 Reliability of the Research Instrument

The use of the secondary data and the use of qualitative design is appropriate to the study as the data to be derived or analyzed is from secondary publications. It occurs that obtaining primary data would be ineffectual as it would result in a biased basis where individuals are likely to state the factor, they believe is most consequential based on their perspectives or views on global economic and political issues (Koopmans & Statham, 2010). Besides, the use of secondary data as a research instrument is useful in the analysis of theories of qualitative nature as it affords expertise in the field, and relies on the analysis of already layered or developed fields of knowledge. Also, the choice of secondary data in research is that it is a less expensive method that ensures that the research is diverse, and rich while incurring fewer costs.

3.6.2 Validity of the Research Instrument

Validity refers to the certainty of attaining the same results when one conducts the experiment. Given that the data is derived from secondary sources, and that is already published and a systematic process is followed, it is easy to attain consistency in results. This arises from the consistency of the data set from which the study is done, as the facts published can only be challenged by future research findings. Given that there is a coding methodology used, it is easy to ascertain the results – hence the system is valid.

3.7. Data Collection Procedure

The study will make use of secondary data. This shall be through studying the various secondary sources and identifying how they relate to the FDI factors and factors of entry. The results from the unique sources shall be identified based on what they state about a given factor, and how it impacts FDI performance in the US. Further, the results shall be clustered based on their significance whether they are negative or positive, and thereafter shall be summed up, either as positives or totality of negatives. The cumulative summation shall be useful in determining the strength of the given factor, either as a negative factor or a positive factor.

3.8. Data Analysis and Presentation

The data was analyzed by use of a coding technique which shall show how a given variable is persistent across the studies. The use of the coding technique in qualitative data analysis and study is a useful method in ensuring that the data is well broken down for ease of analysis and comparison. As it occurs the data samples or the studies may be too large to compare. Thus, the coding technique shall be useful in the eventual comparative analysis. Therefore, a ranking technique shall be easily usable in the process, as one can rate the most dominant or significant factors and the less significant ones. Thus, assuming that FDI is the independent variable, a rank order shall be used to establish the variables that are most significant in determining the overall outcomes.

4. Results and Discussion

4.1 Tesco's Choice of the US

The successful entry of other UK retailers into the US informed Tesco's entry into the US retail industry. Tesco had carried out primary research on the dynamics of the US markets, which formed the basis of its confidence to enter the US market as the economy was booming, and any other failures of the UK retailers in the US were attributed to issues arising from administrative misfortunes (Bird & Spector, 2015). Among the issues that Tesco noted when studying the US market was that the retail industry was continuously growing and that the US retailers were failing due to a lack of good management, which provided an opportunity for Tesco to prove its leadership.

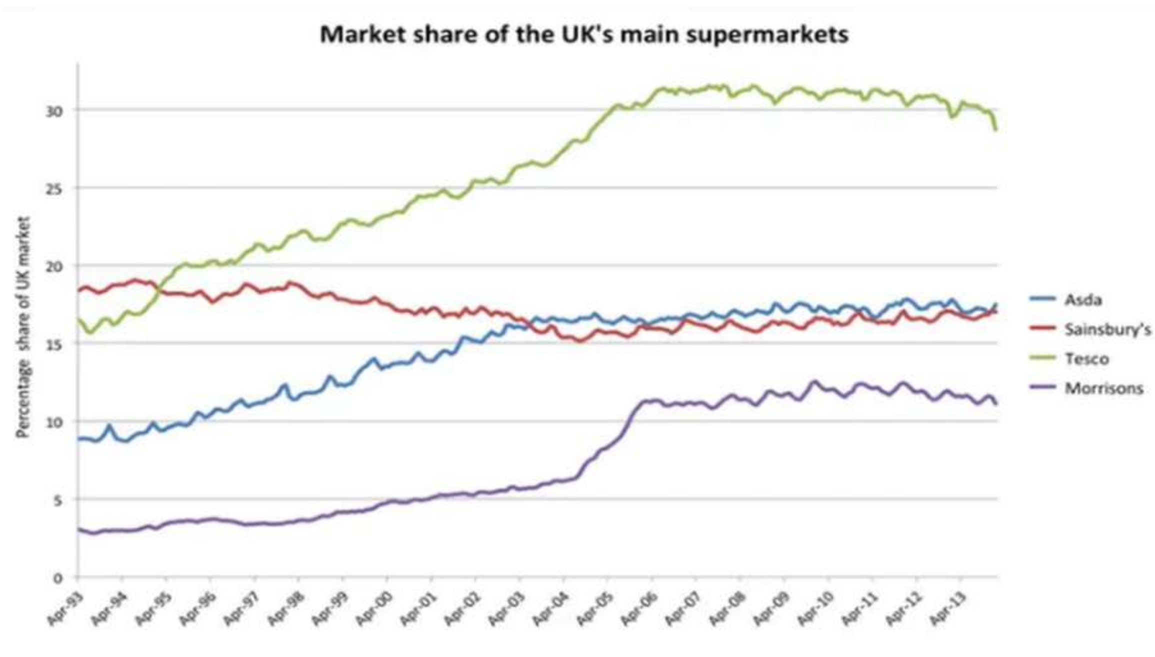

Figure 1: Tesco's performance in the UK over the years (Source: Business Insider; Bird & Spector, 2015)

The graph above shows that in 2005, Tesco attained the highest market share in the UK retail industry. This demonstrates the motivation to enter another well-developed market, and the US proved to be the most promising environment. The early 2000 had seen Tesco attain the highest possible market expansion, which put it in the competitive space with Carrefour, with both competing to become the second largest retailer in the world after Walmart (Bird & Spector, 2015). In retrospect, Tesco's state of financial capacity and performance became the critical motive for market expansion. As Denisia (2010) argues, the internal locus of Tesco's interests in the US was founded on the desire of the company to increase its overall returns on capital.

Thus, it stems from this view that Tesco's motivation to enter the US market was entwined with that of other businesses seeking expansion to the US. Among these is the need to expand the company's business operations, driven by growing the overall revenue and commanding a higher level of profitability. The allure of the US concerning these issues was evident as it stood as the most robust economy and had a vast population. Retailing in the US was inherent in such internal and external factors.

From an analysis of Tesco as a global company, its profile in the British and global market shows that it has the power and capacity to extend its reach to the US. An overview of the company indicates that as of 2007, the company had over 7,500 stores globally, with India and Malaysia commanding a significant market share of its global market. In 2007, Tesco's market share in the UK stood at 39.2%, a considerable market share. From this analysis on whether Tesco could enter the US market, it occurs that it was economically capable of operating in the US. When Tesco entered the US, its capacity was demonstrated by having 190 stores dubbed Fresh and Easy in the US. The major cities of Tesco stores included Arizona, California, and Nevada.

***Table 4**: A Timeline of the Tesco activities in the US*

Year	Activity
2006	Opening of stores, over 150 stores opened by the end of the year with the presence of Tesco in California, and Nevada
2008	The great recession happened, which led to a general crashing of the markets and generally affected the retail sector.
2009	The cumulative losses of the company amounted to over $200 million
2011	The cumulative losses soared to over $220 million
2012	There is a closure of at least 12 stores in Nevada, California, and Arizona. This was as a result of the dire economic situation in these states. In the same year, the company's CEO considered the losses and started considering the available market diversification or exit options for "Fresh and Easy."
2013	Tesco management considers some of its options; having had a cumulative and total loss amounting to over $2 billion, the company considered exiting the US.

4.2 Strategic Analysis

Because Tesco is a multinational company that has utilized a Greenfield approach to launch the Fresh and Easy stores, some reasons informed this market entry choice. Therefore, strategic analysis is useful in informing why this was the most important entry decision or strategy and how it applies in the case of the retail industry. Tesco's approach to the US was based on the greenfield strategy whereby the company's physical presence is established in a new market. The greenfield approach notes that when a new entrant to a new market chooses a location, two choices are presented: renting or purchasing the property. The choice of location is important as it determines the customer inflow and the overall expansion rate. In this regard, Tesco's direct entry mechanism of Fresh and Easy stores focused on renting as this would allow the company to have ease of expansion and flexibility (Silverstone, 2016). This is also a choice that seems to be embedded in the choice of direct entry into the retail sector as there is a recognition that the physical locations can be hired and further developed to suit the organization's or retailer's needs.

Further, based on the Ansoff Matrix, which helps to analyze growth strategies, Tesco established that its growth was in tandem with the US market, which blended with Tesco's business model. An evaluation of the factors that Tesco considered based on the Ansoff Matrix included:

(i) An existing market

(ii) Potential for market penetration

(iii) Room for new products

(iv) Room for diversification

Based on the four growth factors when dealing with a new market, it was established that retailing was not a new concept in the US market, as there were other retail stores in existence that provided ease of entry and operations as per the existence of a business model. The other factor is the potential for market penetration. The statistics or data showed that the US market is open to the growth of new entrants in the retail sector. The retail sector has an ever-expanding market whose desires have not been fully satiated as they are recurring. There is no permanence of customer loyalty to a given retail store. The volatile retail factor is whether the existing needs can be fulfilled at a reasonable price and to the convenience of the consumers. The next factor on whether there is room for new products, the question provided for product innovation which birthed the Fresh and Easy product campaign. Thus, the market's needs or desire for fresh products and an easy method of shopping was a positive factor that postulated a positive market outlook.

***Figure 2**: Tesco's Ansoff Matrix*

4.3 External Analysis

The primary research focused on external analysis to establish whether the US was a perfect fit for the company. The external analysis considers the business environment, the overall factors or macroeconomic factors that determine the success of a business or its failure. Tesco borrowed from the practices in assessing the usefulness of a new market and the overall cumulative factors by deploying the market analysis indicators ranging from government to market-specific factors of performance based on the Demand Side and Supply Side approach and Porter's Five Forces. The following is an overview of the results that emerged from research on the external factors as per the Demand Side and Supply Side Approach;

4.3.1 Demand Side

The key macroeconomic factors that are specific to FDI is the political situation and the market economy situations. The state of supply and demand, including the labour and consumer markets are useful indicators of whether a given company's operations are suitable in a given country. The two nations' economies have proven to be stable over the years and resilient. In 2006, the US economy was stable and booming, with the case of recession or its occurrence being unforeseeable – only two years later. However, in hindsight, the economic situation in the US was good, with a vast consumer market led by a prosperous and expanding Middle Class. The economy provided the perfect scenario for the entry of multinationals, and Tesco being aware of the favorable economic factors in the US, sought to ride on the wave of its recent success in the UK and enter the US. Regarding the economic situation, there occurred a major variance between the two nations regarding economic segmentation. In 2006, the US, just like the UK, had a vast Middle Class, which provided the right market scenario for Tesco's Fresh and Easy market entry campaign, which targeted the stable middle-class population (Coe & Wrigley, 2007). As such, Tesco's pricing model was compatible with the purchasing power of the target market. In this regard, the US population possessed the potential of being an increasingly growing customer base.

The demand-side situation is useful in determining the overall state of market reaction. Thus, an evaluation of the social situation toward the retail industry was a key determinant in assessing the macro-environment, that is, the US socio-sphere. The significance of the socio-sphere as a factor of demand, as earlier noted, is that it is the foundational block that determines the product or business success in a given country, region, or nation. In the demographic composition of the US population in 2006, at least 39% of all households earned over $50,000, which is an indicator of the ability to purchase and afford a low to upper-middle-class status (United States Census Bureau, 2006). In 2006, the average wage per hour in the US was around $7-9, while the minimum wage per hour was $5.5, which is within the range of the UK minimum wage rate which is at £5.35 (Chalabi, 2014). The labour availability and cost variability was within the manageable employment expectations. The US culture promotes work, and therefore Tesco would not find it a challenge to find workers or raise the wage rates given the prevailing socioeconomic conditions that had set the minimum wage at an almost equal rate with the UK. The key factors that Tesco considered in evaluating the socio-economic environment as a macro-environmental issue included the US retail subculture, the convenience of the stores, price compatibility, and the overall state of the demand side market.

4.3.2 Supply Side

The US supply side is driven by the connectivity of the supply chain, the policy approaches aimed at improving the ease of doing business, compliance laws, and sustainability measures. Thus, Tesco's decision to move to the US was based on a stable political environment where the business would thrive based on the conservative tax policy regime, which promoted the expansion of big businesses through a favorable tax policy. Thus, Tesco had confidence that the general political factors were useful for the company's success in the US. Besides, the overall US policy in the world was based on genial relations. Also, the UK and the US were on good political terms, which paved the way for genial relations for FDI flows into the US. The general terms of entry into the US market for UK multinational companies were lax as there was continued anticipation of mutual benefit between the two nations. Thus, Tesco's board of management had an easy decision in choosing the US as one of the developed countries with the potential of being a global winner.

The US and UK relations were also being embedded or strengthened through trade liberation between the two nations under EU-US trade agreements that saw the development of new trade policies. Among the major trade policies developed during this period included removing trade barriers (Young & Paterson, 2006). Besides, greater political lobbying was developed to support certain initiatives. The support led to greater cooperation between Europe and the US, with multilateral agreements coming in handy to further the trade relations between the US and the EU nations (Young & Paterson, 2006). Notable, the UK was a key player in the EU before the possibility of Brexit was less probable.

The US has one of the most advanced supply chain efficiencies in the world with a tech-savvy population and a fast rate of technological innovation. In the retail sector, as of 2006, the pace of technological disruption in retail industry can be traced to the early attempts at e-commerce market penetration, with Amazon Inc. being the key leader in retail innovation which liberalized the supply chain. Nevertheless, the opportunity to integrate stores with e-commerce proved that the US was the right destination for a large retail chain that focuses on advancing the convenience of the consumers. Similarly, despite the fast rate of innovation and technological disruption, some norms in the US retail behavior remain true, among them is the consistency with which the consumer market relates to the physical stores. Thus, inadvertently, the main concern was the overall ease of in-store shopping. As such, the major focus was on issues with floor space design and the overall layout of the stores. These are issues that the US retail market prioritizes, and the Tesco team took cognizance of and, as such, desired to replicate similar standards of operations that Tesco had adapted in the UK. Among these issues was self-service, using several cashier counters to reduce the length of queues, and adapting the home delivery system. This was notable long before the e-commerce sector became deeply engrained in the overall retail experience.

The FDI-specific compliance issues were the legal requirements that defined the US market, as would be of Tesco's interest during the time of entry or decision making to enter the US market, including both the structural and the operational laws. The structural laws and regulations included the level of taxation, the issuance of the certificate of operation, and the necessary business permits (Kopczuk & Slemrod, 2006). In regard to this, the UK could enjoy the deed of contractual agreements between the US and the European Union (Johnston, 2005). Among these were the multilateral agreements, which have been developed over the years and have become legally binding on terms of entry and operation. The operational laws include the compliance laws that specifically address the relations between consumers and businesses. The operational requirements include safety standards for the sale of consumer products and a fair pricing mechanism according to the common pricing indices in the markets (Johnston, 2005). Therefore, the Tesco management, having considered these issues, found it worthy of operating in the US as there was a level of compatibility in the operational model and requirements similar to the UK.

The key sustainability concerns that were alive at the time of Tesco's entry into the US were a reduction of carbon emissions, reduction in greenhouse gases, and the overall adherence to sustainability practices, including sustainable water usage and energy use. The Tesco management had already put measures of sustainability practices in the UK retail stores and its overall supply chain. Among some of the practices the management considered to be compatible with those of the US included fresh sourcing from farmers for groceries to promote the fresh and healthy theme of the company. Also, the company ensured that the key suppliers to the company adhered to the sustainability practices, among them the observance of environmental sustainability laws, as well as a keen concern for the health and safety of workers. These are issues that, per the daily practices in the UK commerce and retail industry, were emphasized and, therefore, would be compatible with the US environmental sustainability requirements and laws.

4.4. SWOT Analysis

In determining whether its entry to the US would be a success, as per the market factors, Tesco had to conduct industry analysis to take stock of the company's strengths, weaknesses, opportunities, and threats. The necessity for a SWOT analysis by Tesco as a determinant of entry to the US market was informed by the common standards of market evaluation, given that it is an already existing market, and other competitors determine the level of competition and consequent level of market success for new entrants.

The following SWOT Analysis offers Tesco's position:

4.4.1 Strengths

Tesco was an internationally recognized brand with a good reputation in the UK, which became a benchmark for its US entry operations. Among the most plausible attributes of Tesco as a brand is its market dominance in the UK which shows its competitiveness in the retail industry. Thus, its credibility was unassailable. The second attribute the Tesco company has is its reputation as a fresh, healthy, and nutritious product retailer. This made Tesco become the perfect grocery store choice in the market.

4.4.2 Weaknesses

The major weaknesses that present Tesco operations in the US include its high pricing model, which makes the cost of goods comparatively high. With the significantly high cost of goods, it is difficult to convince most buyers to prioritize Tesco over their grocery stores and convenience stores. The price ranges would indeterminately define the markets, with the upper and middle classes being the most enthusiastic customers of Tesco's Fresh and Easy stores. On the other hand, a significant chunk of the market would be excluded, which is a major challenge for a retail store that seeks to experience market growth. Given the price competitiveness of the US retail markets, with the likes of Walmart leading in competitive price pricing, Tesco would certainly have a key challenge. From a strategic market segmentation point of view, Tesco aimed at segmenting the market or engaging in targeted marketing with the middle class and the upper class as the primary customer target base.

4.4.3 Opportunities

The key opportunity laid in the US market is the desire by consumers to have fresh and nutritious products. This was mainly a result of the pro-health consumption movement, which led to the prioritization of healthy foods by consumers. With a high preference for healthy products, the US market presented the perfect operational opportunity for Tesco. The Fresh and Easy theme was perfectly aligned with the US retail market needs. Among the main considerations or issues that the US market presented is the consumer eagerness to have a store that prioritizes health standards and diet needs.

Another key opportunity that presented itself in Tesco operations in the US is the need by consumers to have higher levels of convenience in their shopping experience. Among these is the desire to have stores close to their residential areas and the ease of shopping through drive-throughs. With vast populations of conscious consumers in California, and Nevada, the stakes for the success of Tesco were rife.

With a hike in the oil prices, as the great recession would lead to, Tesco's operational prospects increased with the ordinary consumers keen to seek alternatives that removed the necessity to drive over long distances for shopping as this was costly due to higher consumption of fuel. In effect, Tesco would have the advantage of replacing some local players, such as Kroger, SuperValue, and Safeway, which had served as convenience stores (Bird & Spector, 2015). With a bigger brand, and more market domination both geographically and in market share, Tesco proved to be better positioned to edge out its competition.

4.4.4 Threats

Among the key threats that Tesco faced in her operations in the US include the competition from well-established retail chains, such as Walmart. There is also the threat of taking a longer period before creating a consistent customer base. This is mainly caused by the US market being used by domestic or homegrown retail stores, such as Walmart, Amazon, and The Home Depot (Buttler, 2012). The impact of the dominance of the homegrown retail stores is that they are likely to edge out Tesco, which they perceive as an outsider, through competitive pricing models. The backdrop of this threat is borne out of the allayed fears in the US retail industry over the threats of "the British are coming" as a way of taking over the failed retail stores through acquisitions (Buttler, 2012). Tesco presented a different challenge, the possibility of a British-based retail chain establishing dominance through direct entry. As per Tesco's competitive approach, the possible response to such threats is by offering superior services and products. The biggest challenge remains on the price competitiveness as this is an edge that the other retail chains in the US have established.

Besides, as it exists, Walmart has edged out Tesco from an operational standpoint as it rolled out convenience stores with similar designs as Tesco in the same region. The impact of this move is that Tesco's uniqueness was offset or diluted as customers would experience the same services as in Tesco stores in Walmart convenience stores. The aspect increases the paradigm of choice for consumers. This invasion of the primary domain of Tesco's operation upsets the general paradigm of Tesco's allure to the customers. The consequence is that Tesco must work harder and develop other competitive methods to remain relevant in the same space as Wal-Mart. The condition came at a time when Walmart experienced higher price competitiveness due to the competitive nature of its pricing.

Figure 3*: Summary of Tesco's SWOT Analysis (Source: Business Insider)*

According to the SWOT Analysis, it occurs the measures that the company should make use of its Strengths to optimize the available Opportunities, maximize on its Strengths to offset its Weaknesses, and use the available Opportunities to eliminate Threats. In this respect, the key strength which are the power of having new products and having a sustained market expansion should offer a competitive edge to Tesco to attain remarkable growth in the US market. The key weakness that Tesco may face in the new market is the cultural difference and how to navigate it, which can be solved by exploring the opportunity presented by the multicultural dynamism that the US presents. Besides, the retail industry is flexible in both form and growth prospects which allows for alteration in the general market practices by new entrants. On the issue of market threats that arise from competitive prices from the competitors, Tesco can aim at making low profits while following a growth pattern that is based on market penetration. That way, the Tesco company can attain similitude with the rest of the US retail industry market competition.

4.5 Porter's Diamond Model

The Porter's Diamond Model was useful in evaluating whether the US market had the requisite factors that make it attractive to international investors and could, as such, lead to FDI inflows. These factors can be described as the attractiveness and competitiveness index key to making a given national market more preferable to another. Among the Porter's Diamond factors include the following:

4.5.1 Industry-specific Factors

The key retail industry-specific factors in the US are the level of competition in the country and the overall impact of the industry in both revenue and the number of employees in the industry. In 2006, the retail industry had a growth rate of approximately 3.5% to 4%. This growth rate is indicative of a vibrant industry and offers prospects for growth which is a positive indicator of the state of the retail industry in the US.

4.5.2 Demand

The US retail industry had a great year in 2006, with the Financial Times calling 2006 the "Christmas of Retail." A great demand for goods buoyed the period during the holidays. The consequent consumer spending culminated in a significant overall demand for goods. The overall product demand is indicative of positive retail success.

4.5.3 Related and Supporting Industries

The rise of the wholesale or retail industry is interconnected with the overall supply chain dynamics. Among these include a vast and interconnected logistics chain that ensures the flow of goods. Also, there was sufficient development in the transport sector, which offered interconnectivity. The overall state of the retail sector in the US plays a significant role in the success of the retail sector entrants such as Tesco.

4.5.4 Firm Strategy and Competition

The US retail industry is highly competitive, offering growth opportunities and free trade structures. This is mainly due to the openness of the market for entry and exit. It is, however, not a perfect market as big companies enjoy some form of monopolistic competition, such as Walmart, which has exercised price dominance in the US markets, end successfully edged the new entrants. From this point, Tesco had a major challenge of maintaining a competitive edge in such a market with big market movers. On the other hand, the market dynamics had a well-established structure, providing efficiency and operational ease. Among some of the notable structures which made it easy for new entrants to operate is the presence of logistic companies that acted as third-party support and help connected the retailers with the suppliers. Also, the robustness of the US workforce made it easy for new entrants to merge into the markets without experiencing the lethargy that may come with hiring new employees. The aspect occurred because US workers were likely to have had previous experiences working at supermarkets or grocery stores, which made it easy for them to fit in a convenience store. With other forms of professionals, Tesco's operations in the US, even when assuming a direct entry, were assured of ease as it could depend on the local market factors for both market and labour factors. The figure below shows the Porter's Diamond Model and the interaction of factors that investors consider before entering a new market.

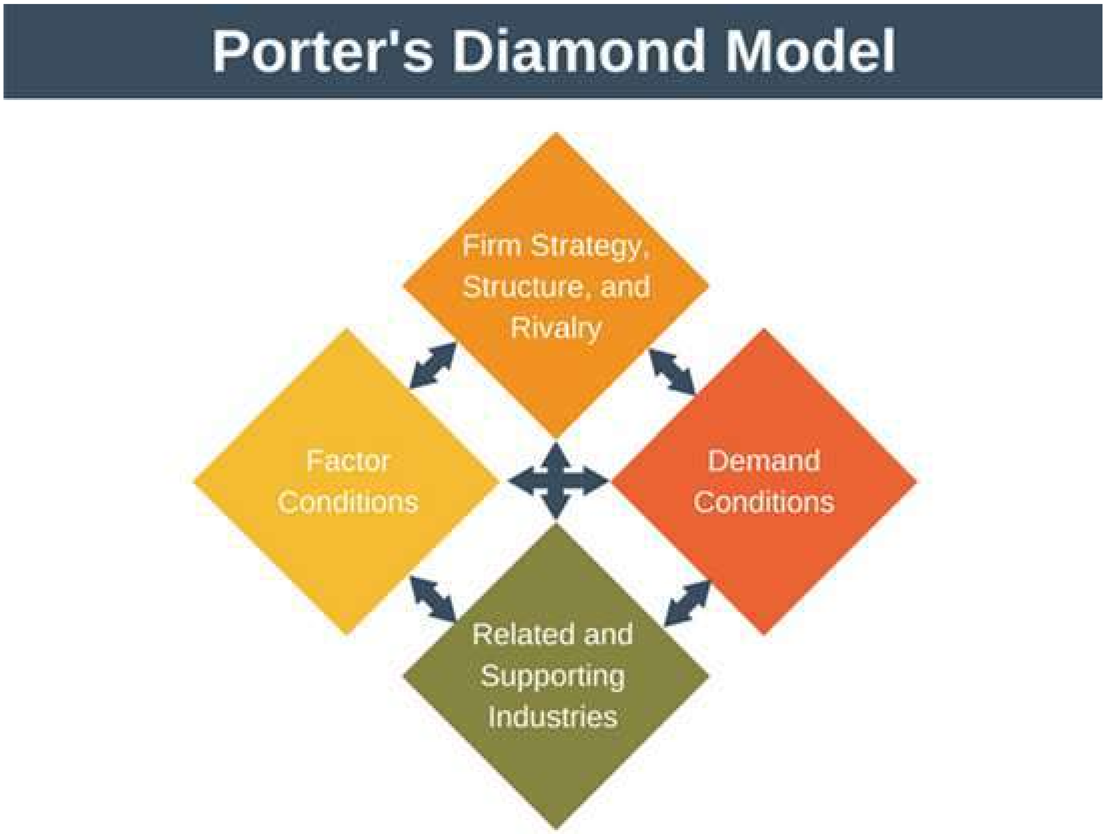

***Figure 4**: Porter's Diamond Model*

4.6. Tesco's Choice of Market Entry

To understand the entry strategy that Tesco chose, the table below analyzes the suitability criteria of market entry strategy into the US from the prisms of ease, brand identity, market suitability, and long-term plans for growth.

***Table 5**: Suitability Criteria for Market Entry Strategy*

Market Entry Strategy	**Ease of Entry**	**Long-term Plans for Growth**	**Market suitability**	**Brand Identity**	**Overall Overview**
Acquisition	Lengthy process	Tied to that of the other company, and hence the	Often suitable for companies that have shared values	In case of an acquisition, the company's name may be	Negative

		long-term prospects are limited		retained, so the new brand is suppressed.	
Mergers	They require a review of the state of financial positions, which may be tedious given that US markets are based on the New York Stock Exchange, with the SEC playing a dominant role.	The prospects for long-term growth are based on the agreement by the parties who are partners in the merger.	For a merger to be successful in a new market, there is a need to make concessions for both parties on the way forward. The Tesco methodology may have to be compromised to contain aspects of US retail approaches.	Tesco's general brand identity would be premised on the ambition of the other party. The brand may be diminished if a new company is to be formed. As such, Tesco as a brand would hang in the balance.	The assessment shows a mild state in this market entry strategy.
Foreign Direct Investment (FDI)	Lengthy but easy as there is total ownership of the entry process by the company. In the case of Tesco, the FDI entry took an average of one year.	There is no limit to the extent of growth as long as the company has the capacity. In the first two years of Tesco's entry into the US market, there were over 150 stores which was a significant number.	The market suitability of FDI from hindsight depends on the company's ability to adapt to the local competitive space. Therefore, there is no finite prediction of how the markets would react.	With the company seeking to entrench its global brand identity, FDI is a bold entry mechanism.	The overall assessment of FDI as an entry mechanism is positive and practical in the case of retail market entry.

Mergers and acquisitions are unsuitable as they affect the overall shareholder value and, when abandoned, may lead to colossal market share value. Thus, Tesco did not consider this option out of the fear of market failure and a consequent overall decline in the shareholder value. Therefore, using mergers and acquisitions was not suitable from a technical perspective. Besides, a merger depends on the availability of a suitable partner, which was not the case. As a large company, Tesco could not lower itself by acquiring small stores, which could be of no significant value.

From the assessment of the market entry strategies, direct entry as per FDI was the better alternative among the three major market entry strategies. Notably, the direct entry had a positive impact on Tesco's key goals or vision-specific goals. The assessment shows that direct market entry is the most plausible method for a retail company seeking to enter a new market – in this case, the US market. The significance of the FDI as an entry mechanism is that it affords the markets an opportunity to further develop an own culture and have an original product feel. It is often the delight of investors to use the FDI approach as a way of attaining an originalist entrepreneurial exploration of the markets, and fashioning them to their wishes. In the case of Tesco, the FDI approach afforded the company to reshape the retail industry in the US, and while at it create a new convention of retail service model. Therefore, Tesco contributed to the US retail market by introducing the experience of convenience stores.

4.7 FDI-specific Factors

A meta-analysis of the various journals, both business and academic, was used in establishing why the choice of FDI was useful. Below is a key analysis of why FDI is the preferred entry mechanism for companies, especially multinationals, and the key concerns for each. Further, a ranking approach is used in establishing the most predominant factors that are useful in FDI considerations, from among the key ones highlighted in the literature review. In this regard, a meta-analysis of the factors, as per their occurrence in the various sources is noted, and as such used to note the most predominant ones. The ranking approach offers one point for each level of occurrence, either as a positive or as a negative, and therefore the cumulative points acquired show the most important ones. This provides a sense of the order of preference – and as such informs the most important factors that policymakers should consider in making the US an FDI destination. The FDI market-specific factors to consider include Wage Rates, Labour Skills, Tax Rates, Transport and Infrastructure, and Clustering Market Factors.

Table 6: *US FDI market-specific factors (meta-analysis)*

Source	**Inference**	**Positive (+), or Negative (-)**	**FDI-specific factors featured**
1. Kornecki, L., & Ekanayake, E. M. (2013). Factors Affecting Inward FDI Employment in the US Economy: An Empirical Evidence. *China-USA Business Review*, *12*(1).	General factors impacting FDI entry in the US, and the comparative example of FDI entry from China to US, from 1997 to 2007. - General market factors of FDI entry to US	+	real wages, infrastructure, manufacturing density
2. Bailey, N. (2018). Exploring the relationship between institutional factors and FDI attractiveness: A meta-analytic review. *International Business Review*, *27*(1), 139-148.	The paper notes that there is a positive relationship between institutional factors, such as political stability, and rule of law and thus have a positive impact. Tax policies and corruption deter the entry of FDI. On the other hand, the competitiveness of the industry and level of development have varying significance.	+ -	Market competitiveness Tax policies
3. Tocar, S. (2018). Determinants of foreign direct investment: A review. *Review of Economic and Business Studies*, *11*(1), 165-196.	The study notes that wages and salaries have a negative impact on the FDI, while liquidity and agglomeration have a positive impact.	- +	Wages and salaries (labor specific) Liquidity and agglomeration

	Infrastructure and technology are noted to have no significant impact.		(clustering market factors)
4. Dellis, K., Sondermann, D., & Vansteenkiste, I. (2017). Determinants of FDI inflows in advanced economies: Does the quality of economic structures matter?	The study is on the impact of economic structures and FDI inflows. The study shows that there is a positive relationship between the level of development in economic structures and the level of FDI inflow.	+	Labor skills, tax rates, transport and infrastructure
5. Mistura, F., & Roulet, C. (2019). The determinants of Foreign Direct Investment: Do statutory restrictions matter?	The study is on the FDI restrictive indices or factors in OECD countries and notes that there is a positive relationship between open relationships such as statutory advancements that promote trade and reduce corruption.	+	Tax policies (free trade area), Clustering market factors
6. Canh, N. P., Binh, N. T., Thanh, S. D., & Schinckus, C. (2020). Determinants of foreign direct investment inflows: The role of economic policy uncertainty. *International Economics*, *161*, 159-172.	The overall economic uncertainty in the global FDI affects the overall levels or rates of investments. Thus, with higher levels of uncertainty, it is likely that there shall be reduced FDI inflows.	-	Wage Rates, Labour Skills, Tax Rates, and Clustering Market Factors
7. Chanegriha, M., Stewart, C., & Tsoukis, C. (2017). Identifying the robust economic, geographical and political determinants of FDI: an Extreme Bounds Analysis. *Empirical Economics*, *52*(2), 759-776.	There are varying determinants of FDI inflows, even though the economic based factors such as the GDP growth rate and the overall state of corporate tax policies, as well as resource endowment are key determinants of FDI inflow.	+ +	Clustering Market Factors Corporate Tax Policy
8. Lucke, N., & Eichler, S. (2016). Foreign direct	Foreign investors are often attracted by	-	Corporate tax

investment: the role of institutional and cultural determinants. *Applied Economics*, *48*(11), 935-956.	markets that are similar to their own, even though they may invest in countries with stable institutions but with more corruption and political instability than their own.	-	Clustering market factors
9. Kurul, Z. (2017). Nonlinear relationship between institutional factors and FDI flows: Dynamic panel threshold analysis. *International Review of Economics & Finance*, *48*, 148-160.	The level of development in the global indices that show the state of market development, and economic advancement including risk, and institutional development.	+	Labor market, tax regime and clustering market factors
10. Erdogan, M., & Unver, M. (2015). Determinants of foreign direct investments: Dynamic panel data evidence. *International Journal of Economics and Finance*, *7*(5), 82.	A nation with an aging population, i.e., 65 years and a fast rate of urbanization is less attractive to FDI, while a country with positive growth of the economy as indicated by GDP, GDP per capita, the growth in labor markets, and inflation rate, low unemployment rate is attractive to FDI, and high market capitalization is FDI attractive.	+ + + + +	Wage Rates Labor Skills Tax Rates Transport and Infrastructure Clustering Market Factors

Based on the sample representative of the FDI market factors, it occurs that the following are the key determinants of FDI attractiveness, with order of priority as ranked.

FDI Factor	**Attractiveness as marked by (+)**	**Key observations with relation to the US retail market**
Wage Rates	0, has no significance	The wage rates in the retail industry have no significance in the US retail industry as they are generally low.
Labour Skills	2, has significance	The labour skills are significant in determining the FDI inflows. The US retail industry has a wide scope of

		workers skilled in customer service and logistics support.
Tax Rates	4, the tax regime or corporate tax is a significant FDI factor	At the time of the UK entry into the US, the Republican administration had a positive corporate tax regime which was favorable to foreign investments.
Transport and Infrastructure	2, the overall state of transport and infrastructure is significant in FDI inflows	The US is a developed country with good transport and general infrastructure that can support a highly developed company such as Tesco in its Fresh & Easy campaign.
Clustering Market Factors	5, the clustering market factors play the most significant role in determining FDI flows.	The key clustering market factors specific to the US include the industry development, the overall level of retail competitiveness, the Exchange Rate, the overall GPD growth rate and GDP per capita. These factors were favorable during Tesco's entry in 2006 and seem to have played a key role in its entry to the US. Besides, this conclusion supports the Demand side and Supply Side theoretical analysis of the US market for FDI.

From the analysis of the FDI factors, their influence, and significance to the investors, it occurs that the investors are less concerned about wages and salaries. This was a surprising revelation, and it arguably stems from the understanding that the overall market factors which influence the demand and supply of goods shall offset the rate of wages and salaries. There is moderate consideration of the tax regime or the corporate tax which is likely to determine the overall deductions of the revenues, and consequently, impact the net profits that the company gains. Similarly, there is a moderate concern of the overall labour skills with the assumption that the developed world has developed labour systems that ensure that there are no gaps. Nevertheless, it is a significant factor as an aging population that may be labour deficient is less attractive to investors. The state of transport and infrastructure play a moderate role in the determination of whether to enter a given market. In the case of the retail industry, the state of infrastructure is useful in logistics operability (Bennett, 2019).

The most important facet is the clustering of market factors which is the intersectionality between the economic performance between the demand and supply side, with demand-side factors being the level of GDP per capita as this defines the consumer power. On the other hand, the supply side factors such as the level of competition play an essential role in determining the level of ease of doing business. Among the key clustering market factors is the availability of complimentary services, the availability of liquidity or capital in the market, and other commerce-enabling factors (Corcoran & Gillanders, 2015; Tomaskovic-Devey & Lin, 2011). These factors seem to be true in defining the US markets and play an integral role in the state of attractiveness in the retail markets. For without these, Tesco's decision to enter the US market would have been less viable as the overall projections of doing business or as termed ease of doing business would have been low.

Besides, as noted there are various market conditions that can affect the considerations for FDI at a given time. For instance, taking into consideration the eventual exit of Tesco from the US market, two factors can be considered in hindsight: the financial crisis of 2008, had it happened in 2005, Tesco would not have moved to the US, and second, had there been a market failure of some of the Tesco stores through an indirect entry such as through exports to the US, Tesco would not have made a direct entry. Taken in hindsight, it occurs that Tesco's market entry decision was made out of an initial entry perspective with the market analysis unexplored, as it occurs with first-hand experience or a case of market disruption (Dinu, 2018). Thus, it can be considered that Tesco's entry to the US as with any other FDI was made in a perfect market scenario where the assumptions are untested.

In addition, the overall global dynamics such as the consideration of which markets are more likely to succeed is a key consideration of whether to enter a given country. This gives consideration to the performance of the country as per its GDP and its currency competitiveness on a global scale. Post analysis of the state of the US dollar in 2006 is indicative of the choice of the US as a competitive market with unlikely cases of currency devaluation which may lead to significant losses with regard to inflation-based measures. Nevertheless, the advantage that the UK pound had over the US dollar been its high value, which made it easy for Tesco to make entry to the US as the UK had a currency denomination valuation advantage over the US (The New York Times, 2006). In return, the UK would benefit more from the market entry at this time than any other time. The New York Times (2006) reported that the British pound was at its highest since Black Wednesday in 1992. This is indicative of the comparative advantage that the UK investors gleaned from a timely market entry when the currency pairs favored them to attain the optimal value (Hill, 2008).

5. Recommendations and Conclusion

5.1 Recommendations

The factors that necessitated the move of the FDI to the US, from the UK, by Tesco were determined by the market factors that indicated positive growth. A crux of the factors that define the entry of retail FDIs in the US is based on the market factors and in this case the demand and supply forces. A study of the supply and demand forces and their roles in FDI is therefore an important facet in the research process as this offers policy directions on how to create favorable forces for the two. The market demand, from the entry side, can be understood from an analysis of four issues: There are four steps in any total-market forecast: the nature of the market, the total industry demand and its main components, the drivers of demand and their dynamism, and an understanding of the baseline assumptions (Barnett, 1988). These four issue guides help to have a specific view of the market – for example, the nature of the retail market is consumer driven with the fluctuations in the consumer income and spending affecting total consumption. On the second issue, the overall industry demand is useful in knowing whether the market is fully saturated or there are market gaps in existence (Barnett, 1988). The components that may lead to opportunity or niche is based on whether the market is flexible or inflexible. The retail industry market is flexible, with opportunities for substitutes and complementary products to the existing ones. Regarding the state of dynamism, the retail market in the US is dependent on consumer purchasing power, as well as lifestyle changes. Among the main indicators of shifts is the customer service preferences – with an increase in convenience being appropriate for convenient stores, and home deliveries leading to the rise of e-commerce retailing.

While making these market analysis approaches, it is equally important to critique the baseline assumptions as they may favor FDI entry in a given market or when dispelled can lead to contrary decisions. Among some of the key assumptions that are likely to be in the formulation of the decision to enter the US include that the market is stable and that there is a readiness to receive new retailers. This assumption overrides the denominative aspect that customers tend to form or have loyalties toward certain companies or certain products (Barnett, 1988). This assumption may be disapproved by the customers or the demand side being unreactive to the entry of a new player. Also, the other assumption is that the market players are static and that they shall continue operating as their norm. However, this can be challenged by the existing markets adapting to new trends and as such mounting new spheres of competition. Besides, another common assumption is that the competition may use general or existing competitive methods (Barnett, 1988). This can be upset by the existing market players forming either duopolies or oligopolies to exercise market power. The resulting type of competition may be as such referred to as monopolistic competition with the use of price wars as a competitive strategy to gain an edge in the market.

In applying the demand analysis model in the case of Tesco, it occurs that the four-factor issues are demonstrated, and seem to form a skewed opinion that the markets are good for entry at least from the demand side. On the nature of markets, the 2006 retail market in the US was robust, and the main market-dominant player was Walmart. Therefore, the retail market in the US was highly competitive, with the markets being highly elastic. This is a positive factor if the market demand is to be judged on the prisms of its ability to grow and accommodate more players. The US retail industry was on a growth trajectory which laid the grounds for any entrants into the markets. From Tesco's perspective, this is one of the independent perspectives of deciding to enter the US market.

Besides, the rate of change in the retail industry was not outrightly demonstrable even though the consumer needs such as the demand for convenient shopping were a common desire in customer surveys (Reimers & Clulow, 2009). This as such shows that Tesco was in order to make entry into the US market there is need to make appropriate measures to increase the degree of success in the given market. This includes a survey of the performance of other companies that have made entry into the given market. This calls for the need for the FDI entrants to adapt to the new forces that define the markets rather than being strict to their traditional standards of practice.

A study of the supply side issues, from the FDI perspective, shows the state of a country's conditions that promote market success. Among the key supply-side issues to consider in order to achieve optimal FDI flow is developing policies that advance the overall state of economies in a given sector. Some of the supply side factors that may liberate the overall state of retail market include deregulation of the industry, as well as the introduction of tax holidays to increase the overall terms of market entry. Market liberation is a useful concept in increasing the ease of entry in the market. The key market liberation methods that can be used in making the retail sector include making the supply chain open to all, and lowering the overall costs of practice (Braunerhjelm, 2022). The costs of practice in the supply chain include logistics fees, and the requirements of operation or entry. While the market liberation campaigns are more prominent in developing economies, the application of similar practices in the context of the US can be useful in encouraging more FDI inflows as the supply side aspect is streamlined.

With a focus on the supply side as a key determinant of market success from a forecasting approach, it occurs that labor and wages are crucial in determining FDI considerations. Thus, the two important issues that countries such as the US, seeking to advance their overall level of FDI inflows have to leave the wage rates to be determined by the market forces. In this respect, they should consider avoiding instances of legislated mandatory unionization as this discourages many investors who may consider unions as hostile to compliance to market economy determinants of labor costs. Given that labor cost is a product of the interaction between the demand for labor, and the available labor in the market it is easier to establish manageable costs of labor (Braunerhjelm, 2022). Otherwise, fixed or inflexible wages per hour for labor regardless of the state of the market make it hard for businesses to thrive as they have to meet a certain minimum wage. The establishment of the mandatory minimum wage in the US has the implication of protecting the workers, even though it has the negative ramification of creating inflexible demands especially when employees in a given industry belong to unions. In such situations, the best aspect or step that shows the government is pro-market liberation. It is ironic that some of the most developed economies, the US included struggle with making their markets liberal enough to encourage FDI inflows (Ciftci & Durusu-Ciftci, 2022). Comparatively, China, which has adopted doctrinaire liberation and active pro-liberation measures has attained significant levels of FDI inflows across the globe being the designated destination for manufacturers and producers.

The other roles that the policy makers, even in the US, can do to make the markets attractive to FDI is to formulate policies that empower the supply side functionalities. The supply side functionalities include the availability of auxiliary services such as liquidity sources and options for businesses and enterprises, as well as a robust insurance industry (Ciftci & Durusu-Ciftci, 2022; Tomaskovic-Devey & Lin, 2011). The service sector in the financial sector serves a primal role in making a country FDI-friendly as the investors want to be assured or at least have the general sense of being assured of their investments. With the competitive nature of international trade and new age competitive edging, it is necessary for the US to adopt more finance based competitive approaches to endear investors to its market.

Further, in the case of setting a supply side effective market that is suitable for FDI it is imperative for a nation that seeks to attract foreign inflows in its core industries to invest in infrastructure that advances the industry. The prospects of a given industry can be judged from the level of investment that the government has allocated. Given that industries grow from a compounding effect, the strength of the retail industry in the US can be attributed to both road infrastructure and the continuous development of market-based systems that guarantee the efficiency of the retail supply chain (Adedoyin et al., 2020). Thus, the market entry of Tesco and other UK-based companies is based on the faith of an already existing system.

There is an acknowledgment that the FDI flows often come when the domestic markets have enjoyed the cumulative reforms and developments that strengthen the overall outlook of the industry. For instance, companies such as Walmart which are the peer-leaders of the US retail market have been useful in creating a strong industry that is attractive to FDIs such as Tesco. Otherwise, if the industry domain was underdeveloped, some of the opportunities would be invisible – and the costs of doing business would be enormous and thus scare some of the potential entrants. This observation is a truism when other industries and the FDIs in those industries are considered, among these being the financial industry which has attracted significant investments and FDIs from the UK and other European financial service companies. In lieu, the state of the retail industry in the US, and its FDI suitability is cumulative of the existence of logistical systems, efficient market relations between suppliers and producers, and a friendly business environment (Adedoyin et al., 2020).

As to the direct impacts of FDI and Tesco in the US, it can be noted that they have a direct impact on the overall state of the economy and market economics. Among some of the common benefits or impacts that are associated with the FDIs is the introduction of new products and services which helps to advance the local industry. The FDI is useful in creating more investment opportunities, and stimulate the overall state of stock market performance.

FDI entry has positive contribution to the economy as there is creation of new job opportunities in both direct and indirect employment. The direct employment opportunities include those of persons who are gainfully employed in the retail industry as a result of Tesco's entry in the US ran into the thousands. Those who were indirectly employed from the entry of Tesco in the US market gained employment in the logistics as drivers, packaging specialists, and more production laborers. In addition, the FDI impact in the US economy is the injection of more tax revenue in the economy.

As to the consumerism behavioral patterns, it occurs that the limits of the desirability of products are those which are tied to the ability of the company to adapt to the fast-paced competitive space. The US market is quite competitive which offers a direct threat to new entrants. From a post-analysis or review of what went wrong in the case of Tesco operations. The results indicate that Tesco could not compete with Walmart which has deeply embedded logistic systems that lowered the costs of production or would afford to make losses while doing market capitalization to attain large-scale revenue base. Thus, rather than having or striving to have huge profit margins, Walmart chose a price competitive approach which made it easy to create leverage in the markets. This created a market polarization approach where one can either be a Walmart customer or suffer the consequence of facing higher prices in Tesco convenient stores.

For the new entrants to survive the competitive space, there is a need to go beyond the initial novelty of their service offering to respond to market forces. By adopting this technique, the FDIs can compete in a manner that is pragmatic to the markets rather than sticking to the original assumptions. It is likely that there are variations that arise from the first-year losses or costs that are not easily broken off due to the initial operational costs that lead to high costs of operation. In the case of a large FDI company such as Tesco which seeks to scale at an unprecedented rate as a way of establishing market dominance, it is likely that there is a block back when the markets change or do not respond as anticipated. Thus, rather than assuming that the markets shall respond as anticipated in their business plans, the companies seeking to make initial entry should take a cautionary path where each store's performance is evaluated on its merit rather than creating a generalized investment approach. In retrospect, it is likely that Tesco did not fully evaluate the performance of each convenience store as a unit worthy of evaluation and considerable in attaining organic growth in the industry.

A key lesson that emerges is that rather than FDIs pumping money to attain market capitalization through scale and shows of might, a progressive growth system based on performance can prevent mass losses. Hence, while being different from the existing companies or competitors, the market growth curve is likely to follow a similar approach to those of initial local businesses. This serves as a cautionary tale that the new entrants have to consider the culture and nature of the markets, and consequently take steps that seek to gain market share over time rather than assuming an existing market gap that will automatically swing in favor of the entrant.

5. 2 Conclusion

From the analysis of Tesco, it occurs that the FDI entry to the US via the direct approach was the right call under the given market conditions, and the prevailing international market factors. The coinciding confluence of the market factors including the available opportunities for growth as well as a post-EU market performance analysis influenced Tesco's entry to the US. On markets, the case of Tesco reveals that the clustering market factors is the most significant issue in FDI consideration. The clustering market factors such as the taxes, the state of related market issues, and overall performance of the market is useful in determining whether the market is viable for investment. The choice of Tesco to make an entry to the US is a vote of confidence to the state of economic diversity in the US that yields a robust and competitive market for which new entrants can compete. However, the main challenge that arises from the review of the overall Tesco journey reveals that there are external economic factors that may crush or even sink the fortunes of even the most competitive company. Among these is inability to cope with market competition, being rigid in the approach to the markets, and fluctuations in global economic indices with the great recession of 2008 acting as a catalyst of the economic downturn that swept the once promising Tesco under the rudder.

Also, it is notable that the investors should task the management with a growth plan to consider their approach to a given market, despite the overall market capitalization of the company. It is not the financial strength that a company yields that affects its scalability but rather its organic growth plan. In the case of Tesco, the market growth was inhibited by rigidity in the internal approach to the US market, among these creating a massive entry to the market without careful analysis of how each individual store or state by state market performs. This is arguably the biggest challenge that the large multinational companies have to deal with especially when entering markets that are fluid in nature, and the presence of alternatives is quite high. In the case of Tesco, Walmart happens to the biggest competition that outcompeted Tesco by developing similar innovations which offset the comparative advantage created by Tesco through the convenience stores. Thus, there is need for an entrant into a new market to approach the market with readiness to continuously innovate as the key comparative advantage can be edged off by the competitors.

While the direct entry used by Tesco was appropriate in the market, it occurs that the company after making entry has to engage in other market driving activities such as intensive marketing and customer acquisition campaigns. This is majorly drawn to the understanding of the sociocultural orientation of the market with regard to tastes and customs that define the given market. For instance, in the case of the US market, novelty, ease and a casual approach is effective in downtown stores rather than a classy and rigid approach to retail industry. This is notable as some of the actions that a new entrant may exercise may unconsciously lead to market segmentation which seems to have been the flaw in Tesco's case. After all, the biggest beneficiaries of the convenience stores seem to be the middle class.

Onto the general impact of FDIs in a country, it is important to note that the general growth of the US economy has been driven by its openness to global businesses and investments. The FDI entry of global brands ranging from retail, manufacturing to service sector industry has opened the US economy and industries to competition as well as variability of investment flows. This has made the US economy to be resilient in all sectors, as FDIs contribute in a multifaceted manner to economic growth and development (Tomaskovic-Devey & Lin, 2011). Notable, the economic infrastructure is one of the beneficiaries of FDI as the government consistently invests in infrastructural projects that are aimed at creating a competitive edge in making the country a

FDI, global business and investment destination. The labor markets are likely to benefit from the cumulative effects of diversified labor skills and specializations.

For the US to continue encouraging FDI entry, and other forms of investments, it is crucial to consider policies that open the markets, and are friendly for enterprise and commercial ventures. This is done by adapting a FDI friendly policy that does not isolate the markets from the global economy, but advance the ease of doing business in the country. This is useful in offsetting the investor cautionary approach that is likely to follow Tesco's uneventful failure and exit. To offset these negative associations that the US market may be associated with, such as a tough competitive market, the campaigns should focus on the dynamics that the country presents to new opportunities. As such, the US market should encourage FDIs that are different from the local market, or that which can already be readily replicated by local markets. On the other hand, the US should seek to offer security to FDIs by advancing the supportive industries such as the insurance sector and increasing the overall financial liquidity to accelerate organic growth for new investments.

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