

Internationalisation strategy of Luminar plc

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Sabrina Hoffstauml; dte : Internationalisation strategy of Luminar plc before purchasing it in order to gauge whether or not it would be worth my time, and all praised Internationalisation strategy of Luminar plc:

Essay from the year 2007 in the subject Business economics - Investment and Finance, grade: 1,0, Northumbria University, 20 entries in the bibliography, language: English, abstract: Luminar plc is owner, developer and operator of themed bars, nightclubs and restaurants. Today the firm is UK's largest operator of licensed late-night venues. For the fiscal year ending March 2006, the company announced a turnover of pound;338 million, a decrease of 10% against the previous year. Due to a general downturn, and over-capacity of the market sector, Luminar experiences a

hard time to realize further growth in the home market. (Datamonitor 2005, Luminar Annual Report 2006). Consequently, the firm is looking for ways to expand its business by evaluating possibilities for growth such as exporting the successful concept to markets outside the UK. One strategic option Luminar is evaluating regarding entry mode into foreign markets is cross-border MA. The author will discuss this method with regard to reasons, success factors and failure rates, and possible difficulties. The author concludes that Luminar should be conscientious in implementing this method as it may have negative effects on shareholder wealth. It is observed that many managers seek to maximize size of the firm rather than shareholder value through MA (Walker 2000). Figure 1 in the appendix exhibits some major motives for international MA activities. Other objectives are economies of scale, risk spreading, market power increase, diversification, and the ability to move quickly at comparably low cost (Schuler et al. 2001, Walker 2000). It should be one of the main objectives of a firm to increase the wealth of its shareholders (Bruner 2002). Shareholder wealth, or sooner the correlating term shareholder value, is here defined as "the present value of expected future cash flows discounted at a rate that appropriately reflects the relevant risk" (McCarthy 2004:11). In general, shareholders aim for growth in profits (MacDonald 2005). Besides other options, shareholder value is created when a firm's management makes incremental investments which yield rates of return higher than the invested cost of capital (McCarthy 2004). Managers then have to make a decision whether to grow internally by starting their own business which is very time- and resource-intensive, or by purchasing of or merging with a company in the same or related branches of business and thus saving time and strength (Picot 2002).