**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
   1. **Describe the trading country’s economic system, economic information important to your proposed business/ product/ service, the level of foreign investment in that country:**

The United Kingdom uses a mixed economy. A mixed economy combines market economy characteristics with varying levels of government controls. Mixed economies are most often found in developed countries like the United Kingdom. Most decisions are made by the market in the United Kingdom. People “vote with their money” meaning they buy the items they want and that allows the economy to understand what is successful and what is not. The economy in the United Kingdom is very efficient at responding to customer wants and needs which makes it easy for the market to make most decisions. However, the government still makes decisions about education, military spending, hospital construction, etc. Those government controls are used to protect consumers and laborers,

The United Kingdom had a population of 63,1 million in 2013 and it is expected to continue it pattern of growth in the future. A larger population will hopefully bring in a higher number of sales for Restoration Hardware. In the United Kingdom the primary language spoken is English. This is a definite pro for Restoration Hardware because there will not need to be translations on our product. The website, advertisements, and descriptions of products can stay fairly the same. The changes made to Restoration Hardware will be mainly culturally focused, not language based. The unemployment rate in the United Kingdom was 8% in 2012 and 7.2% in 2013. Those numbers mean that the United Kingdom falls into the category of a developed country. Developed countries have unemployment rates between 4-12%. The United Kingdom being a developed country makes Restoration Hardware prices reasonable and affordable. The United Kingdom makes 503 billion dollars in exports and spends 782.5 billion dollars in imports. The United Kingdom imports more than they export which may mean they are more accepting of products from other countries. Restoration Hardware would most likely be accepted quickly into the United Kingdom culture. The United Kingdom is overall a very educated country, The literacy rate for both men and women is 99%. Being located in a highly educated area will allow Restoration Hardware to prosper. This will also allow the product to not seem overly pricy or unnecessary. 16.6% of the population fell below the poverty line in 2014. This small amount of poverty makes for a great place for Restoration Hardware to prosper. There will be very few people who can not afford the prices Restoration Hardware offers. The statistics above work to prove that the United Kingdom is a perfect fit for Restoration Hardware to be located.

The United Kingdom is the 11th largest recipient of direct foreign investment in the world and the 17th largest investor. Direct foreign investment is the purchase of assets in a foreign country by a business. Direct foreign investment can include land, property, or ownership of a foreign company. The United Kingdom being open to foreign investment makes the United Kingdom a strong choice for Restoration Hardware to expand their business.

* 1. **Describe the trading country’s governmental structure and stability, how the government controls trade and private business:**

The United Kingdom is a Constitutional Monarchy and Commonwealth realm. A constitutional Monarchy is where a King or Queen (in this case a queen) acts as the Head of state. However, the ability to pass legislation is with the elected Parliament which means that the Queen is more of a Political Figurehead than an actual leader. The United Kingdom has three different government branches, similar to the United States. These branches include the Executive, Legislative, and Judicial branches. The executive branch includes the chief of State, the Queen, the head of government, the Prime Minister, David Cameron, the cabinet. The chief of State position is an inherited position. The Prime Minister position is electeed by whoever is the leader of the majority party. The legislative branch consists of two Houses, The House of Lords and The House of Commons. The members of the House of Lords are appointed by the Queen by the recommendation of either the Prime Minister or the House of Lords Appointments commission. The Judicial Branch consists of the Supreme court and subordinate courts. The Supreme court includes 12 justices as well as the court president and deputy president.

The United Kingdom is divided into the upper class, middle class, and working class. The upper class consists of people with inherited wealth, and includes some of the oldest families. The families in the upper class will continue to be in the upper class through many generations. The middle class consists of industrialists, professionals, businesspeople, and shop owners. The middle class makes up the majority of the people. The working class people are mainly agricultural, mine, and factory workers.

* 1. **Describe laws and/or government agencies that affect your business/product/service:**

The United Kingdom is a part of European Union, OECD, AllB, and World Trade Organization. The European Union is a politico-economic union that operates through a system of supranational institutions and intergovernmental-negotiated decisions by the member states. The European Union helps the United Kingdom to create a strong economy. The European Union developed a single market through laws that apply to all member states. This has help to keep the United Kingdom's economy in check. The OECD (Organisation for Economic Cooperation and Development) is a group of countries describing themselves as committed to democracy. This provides a way for the United Kingdom to compare policy experiences, discover answers to problems, identify good practices, and coordinate domestic and international policies of its members. AllB (Asian Infrastructure Investment Bank) is a proposed international financial institution which is focused in supporting infrastructure construction in the Asian-Pacific region. The World Trade Organization is an intergovernmental organization which regulates international trade. These organizations all contribute to the strong economy in the United Kingdom. The United Kingdom is a strong place for Restoration Hardware to expand into with a great economy due to all these organizations.

The United Kingdom there are multiple labor laws that need to be followed by Restoration Hardware. Adults often are required to work 48 hours a week maximum. All employees are required to have 5.6 weeks paid vacation time. There is absolutely no discrimination against age, disability, gender reassignment, marriage and civil partnership, pregnancy and mternity, race, religion, and sextual orientation. All employees are entitled to 26 weeks of maternity leave. Restoration Hardware will follow all labor laws as needed.

1. **Trade area and cultural analysis:**
   1. **Geographic and demographic information, important customs and traditions, other pertinent cultural information, competitive advantages and disadvantages of the proposed product and/or service:**

The United kingdom is an island across the Atlantic Ocean and many areas, London in particular, are densely populated. What this means for our company is that we will have to accommodate for overseas shipping as well as produce smaller furniture for the market in the United Kingdom as most people live in apartments and do not have as much room as we do here in the United States.

The predominant religion in the United Kingdom is Christianity at 59% followed by Islam at 4.4% and Hinduism at 1.3%. What religion does to a country is that is shapes a code of morals and values. Since Christianity is the dominant religion it is not surprising that one important value of the United Kingdom is that nobody is above the law despite social or financial status. That is important to note because many people in the United States have the perception that if you have enough money or power that you are above the law.

While the United Kingdom seems to have a similar culture to the United States, there are several communicational factors to consider when doing business to the United Kingdom. One important gesture to take note of is that it is highly inappropriate for an individual to touch a member of the opposite sex, especially in formal settings. Also, staring for too long and talking too loudly as we often do in the United States without realizing is perceived as a sign of aggression.

The United Kingdom is a low context culture meaning that they are more fact oriented than emotion oriented. This can be indicated with the hofstede model which shows that the United Kingdom has a 35 point uncertainty avoidance which means that they are open to new ideas and change. The United Kingdom also has a hofstede score of 51 which is a fairly high score for long term orientation. This means that the culture is open to change. Although the United Kingdom is a low context culture you should avoid asking personal or intimate questions.

For business negotiations there are several things to consider so that you are not perceived as rude or impolite. First, the typical greeting is a “how do you do” accompanied by a handshake. Remember to take of hats, say “excuse me”, say please and thank you, and cover your mouth when yawning. While smiling for a second or two is considered polite, smiling for more than a few seconds and staring may make someone feel uncomfortable and may be seen as aggressive. One of the most common things we do in American business negotiations is talking loudly to emphasize a point, this is a huge no in the United Kingdom as it is seen as aggressive and will greatly diminish your chances of getting a deal.

* 1. **Market segment analysis target market (age, income level, population estimate, other specific demographic and economic information) customer buying behavior related to the proposed product and/or service:**

The United Kingdom is made up of majority middle class people. This is very important to Restoration Hardware because the furniture is fairly expensive. These middle class people will be interested in high quality product which Restoration Hardware can provide. Our estimated age is people in their late twenties and early thirties to people in their mid fifties. These people would be most likely to be buying homes. People in their late twenties and early thirties will be out of college and trying to start a family. They will need a new home and lots of furniture to fill it. People in their mid fifties will most likely have already sent their kids to college and be looking for a smaller home to retire in. Restoration Hardware furniture will most likely sell to citizens of the United Kingdom who are native to the land. The furniture goes with their rustic style and culture.

* 1. **Analysis of the potential location- importance and requirements of each trade document required by the U.S.A. and/or Canada and the country of choice:**

Restoration Hardware is looking to build in London. London had a population size of 8.5 million in 2014. A large percentage of thd=at 8.5 million would be able to afford Restoration Hardware’s furniture. London has a marine west coast climate that is mild with no dry season and warm summers. Heavy precipitation occurs during mild winters.