

RSSWorks Inc. - An Early Stage Investment

Purpose
 The purpose of this report is to analyze the investment opportunity in RSSWorks Inc. and to provide a recommendation on whether to invest in the company. The report will also discuss the risks and opportunities associated with this investment.

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Nature of Product

- High income elasticity of demand
- Labor Saving

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Initial Location: U.S.

- High Income
- Access to R&D
- High technology R&D in the product
- High income elasticity of demand

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Product Introduction

- Highly variable
- Constant communication with market
- Product better and fresher
- High R&D spend relative to revenue

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Developing nations: factors

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- Product requires high labor input - difficult to locate
- High price elasticity of demand - easy to sell in these markets
- High technological know-how - easy to copy
- Low transportation costs

Other factors:

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- Rapid rate of technological change in the product
- High income elasticity of demand - easy to sell in these markets
- High technological know-how - easy to copy
- Low transportation costs



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Guiding Principles

- They are based on the following principles:
- Trade flows and their patterns
- Investment flows
- Income and investment

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Standardization

- Beginning of standardization
- Cost - Reduction
- Expansion of scale - High
- U.S. market saturation

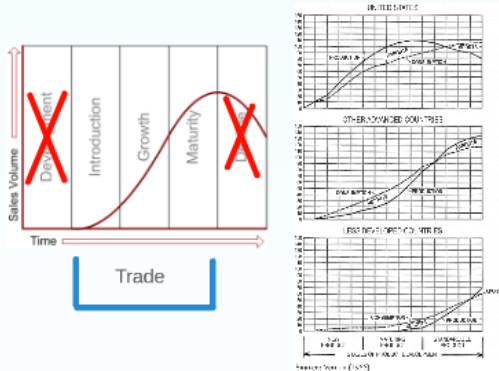
- Product is highly labor intensive in U.S. exports
- Expansion of scale - High
- U.S. market saturation
- High income elasticity of demand - easy to sell in these markets
- High technological know-how - easy to copy
- Low transportation costs

Demand Shift

- Market change (labor abundant location)
- High income elasticity of demand - easy to sell in these markets
- High technological know-how - easy to copy
- Low transportation costs

FDI Decision

- They are based on the following principles:
- Trade flows and their patterns
- Investment flows
- Income and investment



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International Investment and International Trade in the Product Cycle

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Purpose

To understand international trade and investment patterns by tracing the life cycle of key products

To account for the discrepancies simplified by Ricardo's and Heckscher-Ohlin's comparative cost advantage theories.

To answer Leontief's Paradox.

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Guiding Principles

Timing of innovation and standardization

Production location and import substitution

Economies of scale

Ignorance and uncertainty

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Product introduction

Highly variable

Constant communication with market

Flexible input and location

Note: NOT general industrial innovation

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Initial Location: U.S.

- Highest income
- Access to tech
- Entrepreneurship to link tech to product
- Entrepreneurs close to high income market

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Nature of Product

- High income elasticity of demand
- Labor Saving

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Developing nations: factors

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Product requires high labor input - shift to cut costs

High price elasticity of demand - necessary to sell cheaper

Highly standardized - remote buying/selling

Low transportation costs

Other factors:

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Issues with external economies should be bypassed via vertical integration (alleviate foreign reliance)

Interest rates and capital markets - not major factors

STANDARDIZATION