


KARELIA UNIVERSITY OF APPLIED SCIENCES  
Degree Programme in International Business

Linh Mai 1101636

MARKET ENTRY PLAN FOR TRUNG NGUYEN COFFEE COMPANY IN  
FINNISH MARKET

**Thesis**  
8<sup>th</sup> June, 2015

 <b>Karelia</b> UNIVERSITY OF APPLIED SCIENCES	<b>THESIS</b> <b>June 2015</b> <b>International Business Programme</b>  Tikkariinne 9, 80220 JOENSUU FINLAND
<b>Author</b> Linh Mai	
<b>Title</b> Market entry plan for Trung Nguyen Coffee into Finnish Market	
<b>Abstract</b>  <p>Currently, Vietnam is the second biggest coffee exporter in the world after Brazil, and Finland stands out as one of the highest coffee consuming countries in the world. Therefore, market expansion into Finland has much potential and looks promising for Vietnam’s coffee industry exporters. Trung Nguyen Coffee Corporation has been used as a case study in this thesis to reflect the situation.</p>  <p>The aim of this thesis is to explore the opportunities and threats, when the company targets Finnish market. In order to gain this achievement, the study will utilize PEST model, Porter’s Five Forces model, Value Chain model, and Entry modes for overall assessment of the entry into Finish market. Based on the results acquired through the business environment, the study will design a business plan for the entry of the coffee market destination accordingly.</p>  <p>In the end of the research, it is safe to conclude that it is potentially possible for Trung Nguyen Coffee Corporation to enter the Finnish market.</p>	
Language  English	Pages 41
<b>Keywords</b>  Coffee export, Vietnam, Finland, Trung Nguyen Coffee Corporation	

## CONTENTS

<b>1 INTRODUCTION</b> .....	6
<b>1.1 Background</b> .....	6
<b>1.2 Aim of the study</b> .....	7
<b>1.3 Study structure</b> .....	8
<b>1.4 Case company Trung Nguyen</b> .....	8
<b>2 TOOLS FOR DESIGNING EXPORT PLAN</b> .....	9
<b>2.1 Definition of export plan</b> .....	9
<b>2.2 Analysis of Business Environment</b> .....	11
2.2.1 PEST Model.....	11
2.2.2 Porter’s Five Forces.....	12
2.2.3 Entry modes.....	14
<b>3 RESEARCH METHODOLOGY</b> .....	15
<b>3.1 Research questions</b> .....	15
<b>3.2 Research methods</b> .....	16
<b>3.3 Limitation of the study</b> .....	16
<b>4 BUSINESS ENVIRONMENT OF FINNISH COFFEE MARKET</b> .....	17
<b>4.1 Macro environment of coffee market in Finland</b> .....	17
4.1.1 Political analysis.....	17
4.1.2 Economic analysis.....	18
4.1.3 Social analysis.....	20
4.1.4 Technological analysis.....	20
<b>4.2 Porter Five Forces Model</b> .....	21
4.2.1 Bargaining power of buyers.....	21
4.2.2 Bargaining power of suppliers.....	22
4.2.3 Threat of new entrants.....	23
4.2.4 Rivalry among existing competitor.....	23
4.2.5 Threats of substitute products or services.....	24
<b>5 EXPORT PLAN</b> .....	25
<b>5.1 Direct export entry mode</b> .....	25
<b>5.2 Sale strategy</b> .....	25
<b>5.3 Exporting volume</b> .....	26
<b>5.4 Transportation</b> .....	27

<b>5.5 Expenses</b> .....	28
<b>5.6 Taxation &amp; Expenses</b> .....	29
<b>5.7 Operating plan</b> .....	30
<b>5.8 Total costs report</b> .....	31
<b>5.9 Price tactics</b> .....	32
<b>5.10 Profit forecast</b> .....	36
<b>6. CONCLUSIONS</b> .....	37
<b>REFERENCES</b> .....	38

#### List of figures

Figure 1: Total Coffee bags production of Arabica and Robusta	6
Figure 1: PEST Model	11
Figure 2: Porter's Five Forces Model	12
Figure 3: Value Chain Model	14
Figure 5: Finland's GDP in 2000 – 2013 period	18
Figure 6: Finland GDP per capita in 2006 – 2014 periods	19
Figure 7: Finland GDP growth in long term perspective	19
Figure 8: Supplying countries of coffee and coffee products to Finland	22

## List of tables

Table 1: Estimation of exporting volume	26
Table 2: Cost for exporting roasted coffee	27
Table 3: Lists of extra expenses	28
Table 4: Taxation cost	29
Table 5: Charged rate for cargo traffic	29
Table 6: Cargo traffic cost	30
Table 7: Cost for running representative office	31
Table 8: Total cost for exporting volume	32
Table 9: Coffee prices based on quality and certification products from Paulig and MeiraGroup	33
Table 10: List of “Creative”, “Blend”, “Special”, and “G7 instant” coffee	34
Table 11: Profit calculation	36

# 1 INTRODUCTION

## 1.1 Background

Coffee is ranked as one of the most dynamic and vibrant products in term of production and consumption. From between 2014-2015, global coffee production accounted for 149.8 million, bags with 2.7 million bags reduction due to lower output from key markets such as Brazil, Peru, Indonesia, and Vietnam.

There are two types of global coffee productions: Arabica and Robusta. Arabica production was reported to decline in 2013 and 2014 consecutively, while portion of global Robusta production slightly rose. Currently, global market shares of Arabica and Robusta production are 55% and 45% respectively (United States Department of Agriculture 2014).

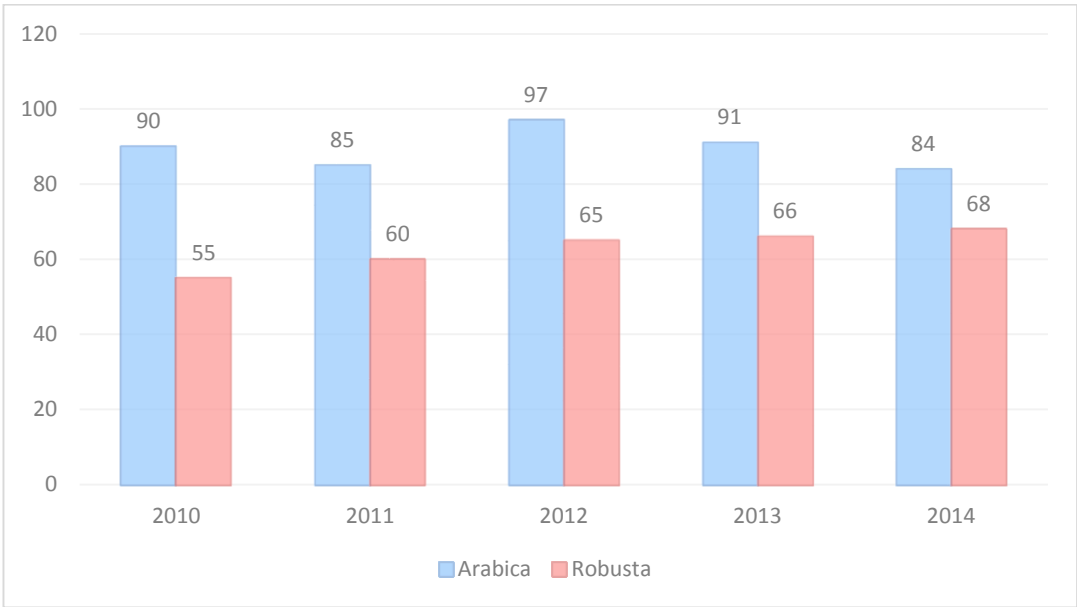


Figure 4: Total Coffee bags production of Arabica and Robusta (Unit: Million bags)

Source: United States Department of Agriculture (2014)

It is reported by the International Coffee Organization – ICO (2014) that total demand of coffee developed gradually and continuously, to more than 145.8 million of bags. Furthermore, there was a short gap between total coffee supply and total coffee demand, which lead to a global coffee shortage (ICO 2014).

Currently, there are six coffee consumption areas, known as European Union, Other Europe, North America, Asia, Africa, and Latin America. Latest report from VOLCAFE (2014) indicated that the annual growth rate of global coffee consumption in 2011, 2012, and 2013 are 3.9%, 4.0%, and 4.4% respectively. European Union accounts for the biggest expenditure with more than 41.5 million of bags. Asia is running-up with 33.3 million, following by Latin America and North America with the consumptions of 30.3 million, and 26.4 million of bags accordingly (VOLCAFE 2014).

According to VOLCAFE (2014), the European Union countries consume the most coffee, especially looked from the perspective of consumption per capita. Recent data captured by Chart Bin (2014) shows that Finland is one the top countries in terms of coffee expenditure. The country consumed more than 12 kilograms of coffee in 2014. Norway, Iceland, and Denmark are followed up with coffee consumption of 9.9 kilograms, 9.0 kilograms, and 8.7 kilograms respectively.

## **1.2 Aim of the study**

The aim of the study is to explore the opportunities and threats to the Trung Nguyen Coffee Corporation, if it were to target Finland as a potential market. To achieve the overarching objective, the study applies PEST model, Porter's Five Forces model, Value Chain model, and Entry modes, which will simulate the coffee company's entry into Finland. Based on the exploration of the business environment, the study will come up with a business plan that would assist the company to advance forward after they enter Finland coffee market accordingly.

### **1.3 Study structure**

The research structure is divided into a theoretical and empirical part.

Firstly, in the theoretical part, the study will discuss the necessary tools for an exporting plan. This consists of the definition of export plan and the analysis of the business environment, which include PEST analysis, Porter's Five Forces, Value Chain and Entry modes.

The empirical part contains the applications of PEST analysis, Porter's Five Forces in Finnish business environment; Value Chain analysis in Vietnamese coffee market and the exporting plan.

### **1.4 Case company Trung Nguyen**

Trung Nguyen Coffee Corporation, which was found by Dang Le Nguyen Vu in 1996 in Buon Ma Thuot – the capital of coffee in Vietnam, is the biggest domestic coffee brand in terms of production, processing, and distribution of coffee. Trung Nguyen Coffee is imported by more than 60 countries over the world, including the Asian markets, such as Japan and Singapore.

Trung Nguyen Coffee Corporation is composed of six members: Trung Nguyen Corporation JSC, Trung Nguyen Instant Coffee Company JSC, Trung Nguyen Coffee LLC, G7 Commercial Services Company, Dang Le Tourism Company JSC, Trung Nguyen Franchising Company JSC, and G7 Ministop Joint Venture Company (Trung Nguyen 2015).

Trung Nguyen also selected distribution channel, by opening coffee shops in different cities to spread-out its products. There are currently more than 1000 shops in Vietnam. The first coffee house ever was operated in Ho Chi Minh City in October 1998, and two years later, by which time 100 outlets had already been established, the first one was opened in Hanoi. With the development the years after, Trung Nguyen successfully entered markets in Japan, Thailand, Cambodia, Malaysia, China, Germany, and New York City. The company plans to further



grow and emphasize its international appearance in China, the US, and Europe. (Wikipedia 2015)

Most coffee bean growers in Vietnam are small private farmers, which provide 95% of the total production. Around 85% of those farms own less than 1 hectare. Only 1% of farms have more than 5 hectares. After the coffee is harvested, farmers will sell their crop directly to collectors, who will re-sell to larger coffee processors. The relationship and mutual trust between the growers and the collectors determine how the buying process will go. Usually, collectors will select the coffee beans according to their own criteria, such as smell, moisture level, and appearance. The collectors may process the beans by drying and grading them, to ensure the moisture content and size of the coffees beans are better suited to the standard. (Ipsos Business consulting 2014)

Processors and exporters are the last two stakeholders in this supply chain. Vietnam currently has about 150 registered coffee processors and exporters. They consist of thousands of small local businesses, as well as joint ventures with international companies. Leading processors, exporters in the market are Vinacafe, Nestle and Trung Nguyen. (Ipsos Business consulting 2014)

## **2 TOOLS FOR DESIGNING EXPORT PLAN**

### **2.1 Definition of export plan**

An exporting plan is the focus of export marketing, and many definitions of exporting plans have already been provided by various studies (Shoham 1998). Aaby and Slater (1989) figures out the exporting plan from its structures, which are exporting effectiveness, exporting efficiency, and the importance of firms' management in exporting activities. Shoham (1998)

insists on that an exporting plan is the results of international firms selling their exported products portfolio. Lages et al. (2005) explains exporting plans as the objective evaluation of how the firms or nations succeed in selling domestic products to foreign partner. Lages et al. (2005) also proves that exporting plan can also be measured based on some indicators such as export volume, profits from exports, marketing costs for exports, and the degree of satisfaction on customers or distribution channel by its exports quality.

Jensen and Davis (1998) consider an export marketing strategy as the way the firms would like to conduct, in order to overcome the export barriers. Export barriers, therefore, could be divided into financial and market risk barriers (Katsikeas 1994). Some other researchers nominated other barrier factors in exporting plan such as transporting costs or the competition between firms and other local or foreign competitors (Dichtl et al. 1990; Naidu and Rao 1993). The relationship between an exporting plan and an export marketing strategy was cleared through the choice of firms with different export marketing strategies (Jensen and Davis 1998). According to Katsikeas and Leonidou (1996), export marketing strategies are categorized into two types respectively, as concentrating and spreading. Concentrating export marketing strategy is the case of a firm means carrying out its exporting activities in a particular or a single market. Spreading export market strategy, therefore, is regarded as the firm exports in more than one market. DaRocha et al. (1990) also notes that spreading export marketing strategy was often used by firms of larger scale, higher expert knowledge, and export engagements, than concentrating export marketing strategy. Furthermore, Jensen and Davis (1998) also indicates that the firms of spreading export marketing strategy, often experienced an increase in their exporting revenues, while concentrating export marketing strategy give an importance on mastering the market share in particular market. In addition, Piercy (1981) identifies that the spreading exporting marketing strategy would work better than the concentrating exporting marketing strategy, especially in the case that the target market carried out many import restriction, which prevents the firms from entering, expanding, and mastering the market. In this case, spreading export marketing strategy can play as an alternative solution for them in order to reduce the risks.

## 2.2 Analysis of Business Environment

### 2.2.1 PEST Model

PEST model is considered as the most important strategic toolbox, which is used by both of academic researchers and companies, according to Koumparoulis (2013). PEST model is based on the requirement of which the company needs to understand the company's market environment in order to obtain successful business results.

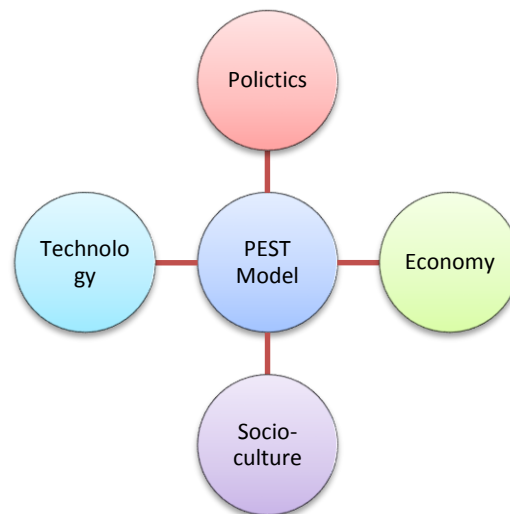


Figure 5: PEST Model

According to Johnson and Scholes (1993), PEST model takes into consideration of four macro factors, namely political, economy, society, and technology (Figure 2). Bryars (1991) asserts that the company which utilizes PEST model can reduce the threats from external markets as well as gaining the opportunities. Abdullah and Shamsher (2011) indicate that the application of PEST model returns the business back-up plans so that the company can quickly resolve the difficulties in its business accordingly. Furthermore, Kotler (1997) strongly argues that when the company understands clearly the political, economic, social, and technological

environments, the company can align its business strategies and business operation to the appropriate with market's patterns.

According to Thompson (2002), the business performance of the company is highly depended on the external factors and the performance and patterns of political, economic, social, and technological environments will highly affect to the capital availability, operating costs, and customers' demands. Koumparoulis (2013) identifies that when the company does its business in less favorable environment, the company will find difficulties in maintaining business profits, as well as business successes. For example, when the customers have high demand on particular functions of products or services, the company can quickly inject its capital into setting up production chains to meet the customers' demands. On the other hand, if the external market is favorable to the company, the company can utilizes the favorable conditions in order to leverage the business profits accordingly.

### 2.2.2 Porter's Five Forces

Porter's Five Forces is a model that helps the market analyzers to understand the industry in detail.

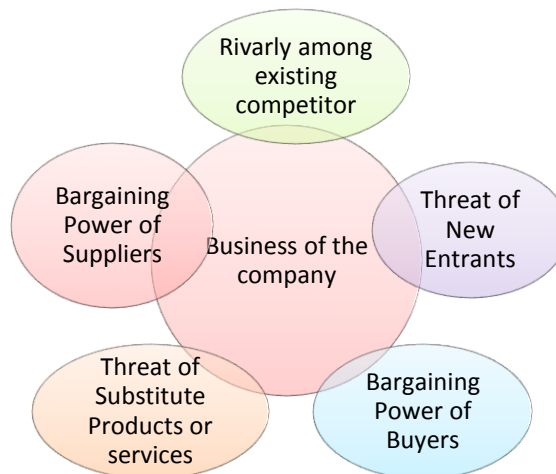


Figure 6: Porter's Five Forces Model

The rivalry among existing competitors within an industry is reflected through competitions between players through the breakthrough of new products, marketing campaign, and service quality (Porter 2008). According to Hubbard and Beamish (2011), the impact of this component to the industry is through growth rate, number of players, operating costs, differentiation between products or services of different companies, and how a player can exist or enter this industry.

The second component in Porter's Five Forces Model is threat of new entrants or barrier entry. This reflects how easy or difficult it is to enter an industry (Porter 1979). According to Johnson et al. (2008), intense competition between existing players in the industry will reduce the number of new entrants. Also, Dalken (2014) affirms that the number of new entrants to the industry is consistent with the level of profitability that the companies can earn from.

Bargaining power of suppliers is considered a threat from suppliers, in which they can increase the prices of raw materials or transportation costs, leading to higher operating cost for the company (Porter 1979, 2008). The bargaining power of suppliers is high when there are a few suppliers in the industry or the availability of alternative customers (Slater and Olsen 2002). Moreover, the bargaining power of supplier is also depended on the size of suppliers and the industry is dominated by a few companies (Dalken 2014).

Bargaining power of customers is defined as how the customers influencing on businesses of companies in the industry (Porter 2008). If the customers gain more bargaining power, they can require the companies to further improve service quality, reduce the prices, and increase selling networks. At the same time, the level of bargaining power of customers will reduce the profitability level accordingly (Dalken 2014). According to Slater and Olson (2002), bargaining power of customers is high when the customer base is enormous, or there are many substitutes in the industry that allow the customers to switch easily.

Finally, the company in particular industry is also under the impact of substitute products or services. Porter (1979) identifies that the existence of substitutes will limit profitability of the companies as it creates fair comparison in terms of products or service prices. Dalken (2014) also highlights the characteristics of substitutes, whether they have the same functions and utilizations to main product or service. Hubbard and Beamish (2011) indicate that the threat level of substitutes depends on switching costs and the customers' loyalty and addictions.

### 2.2.3 Entry modes

Currently, when a company participates in international trade with other countries, there are different entry modes that the company can apply. The entry modes are illustrated in Uppsala Model as in the figure 5.

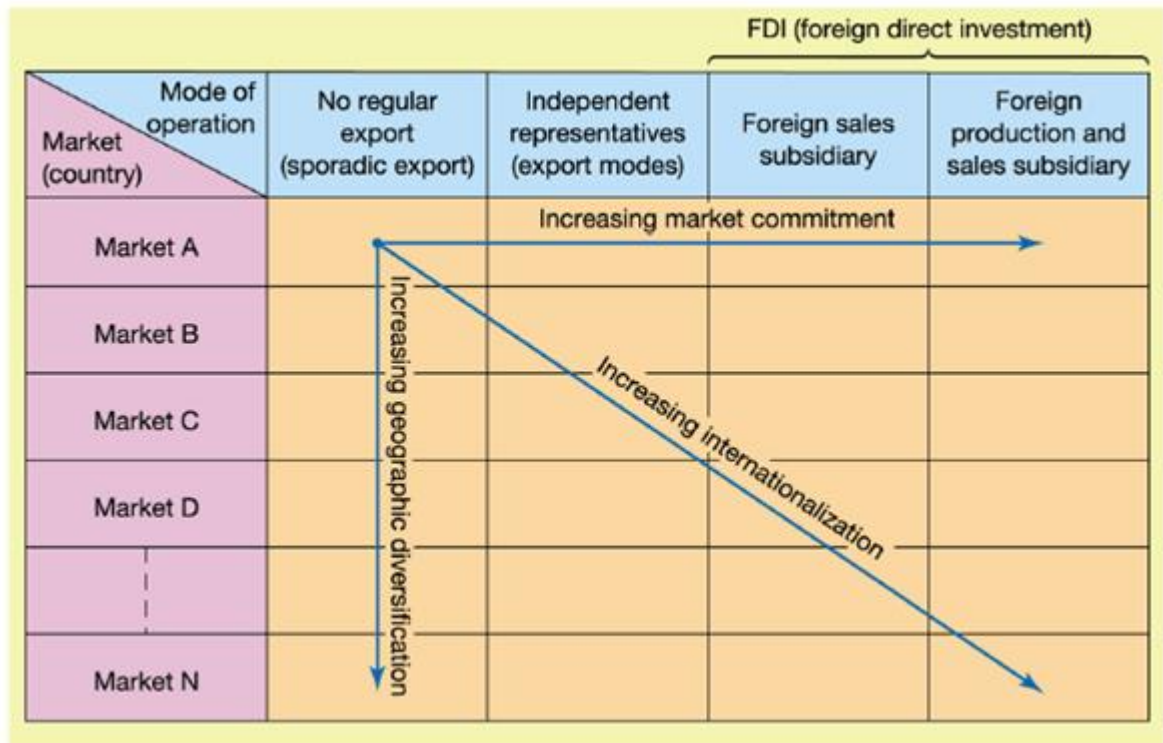


Figure 4: Entry Modes

Source: Zohari (2012)

The Uppsala model is a theory that explains how the company gradually intensifies its activities in foreign markets. The key features of this model are the following:

- i. The company will gain experiences from the domestic market before it move to foreign markets.
- ii. The company will begin its operations from countries in which close with the home country in culture and geographic then the company will spread out to distant countries.

iii. The company will start its international operations by using traditional exports and gradually move to using more intensive and demanding types of business such as subsidiaries, joint ventures or franchises.

The process evolves in interplay between the development of knowledge about the foreign markets and operations, and an increasing commitment of resources to those markets (Johanson & Vahlne 1990).

### **3 RESEARCH METHODOLOGY**

#### **3.1 Research questions**

The objective of the study is to design the business plan for Trung Nguyen Coffee Company in Finland market. In this context, the main research questions are:

- What is the business environment of Finnish coffee market in term of political, economic, social, and technological perspectives?
- What is the current situation and future trends of coffee industry in Finland in terms of Porter Five Forces Model?
- What is relevant export plan of Trung Nguyen Coffee Company when the company wants to enter in Finnish coffee market?

### **3.2 Research methods**

The data is collected from public sources, known as secondary data, such as reports about Finnish coffee market. Furthermore, the study focuses on collecting reports of the Trung Nguyen Coffee Company. This will help to further determine the internal strengths and weaknesses that the company might face when it makes an entry into Finnish coffee market.

### **3.3 Limitation of the study**

The study consists of a few limitations as listed:

First of all, the study does not include interview with authorized employee from Trung Nguyen Coffee Corporation, thus some of assumptions might not reflect objectively the situation.

Secondly, the lack of deep understanding about Finnish consumer behavior may lead to inadequate validation of the business plan.

Thirdly, the lack of information about logistic and distribution channel might affect the financial calculation, which may cause of wrong assumptions.



## **4 BUSINESS ENVIRONMENT OF FINNISH COFFEE MARKET**

### **4.1 Macro environment of coffee market in Finland**

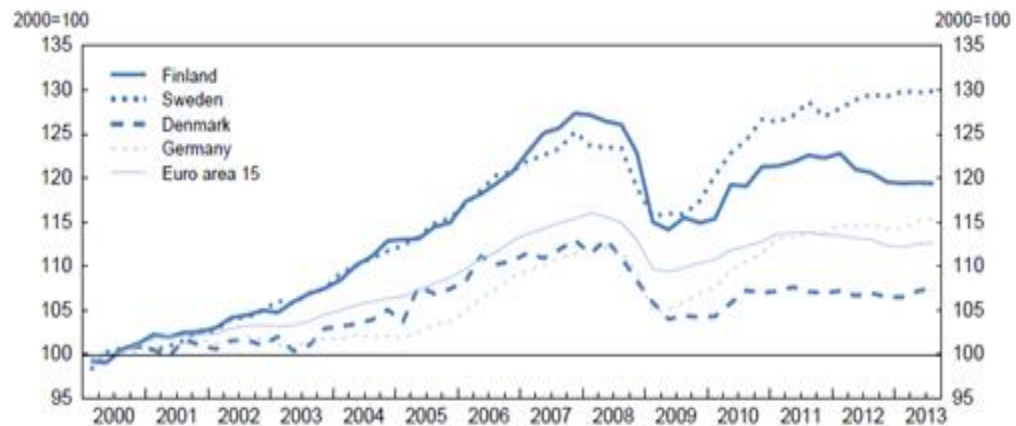
PEST analysis is conducted to further address the impacts of macro factors to the business entrance of Trung Nguyen Coffee Company into Finland market. The author will highlight the impacts of them to the business of the company, when they set to export coffee products to Finland.

#### **4.1.1 Political analysis**

Finland is ranked as one of the most stable countries in the world, in term of politics. According to the study of Blomberg (2008), government allows the foreign companies to make entrant to the country in order to start up their businesses. Moreover, Blomberg (2008) also addresses that the attitude of policy makers in Finland is very positive and it supports growing private companies to expand businesses accordingly. Also, legal system of Finland is good and updated with the new challenges in term of global businesses and economic integration. In addition, the lack of corruption is a key factor to run the government smoothly and effectively.

#### 4.1.2 Economic analysis

In terms of economic analysis, it is asserted that Finland is one of the countries that regain big recovery after the global financial crisis happened in 2008. The real GDP of Finland is illustrated in the figure 5.



Source: OECD Economic Outlook database.

Figure 5: Finland's real GDP in 2000 – 2013 period

The figure above shows the impact of 2008 global financial crisis to Finland's economy, representing remarkable decrease of real GDP from mid-2008 to late 2009. Realizing the effects of global financial crisis, the finish government has implemented many initiatives and policies in order to transform the state economics into one of the world most competitive and to ensure living standard for people.

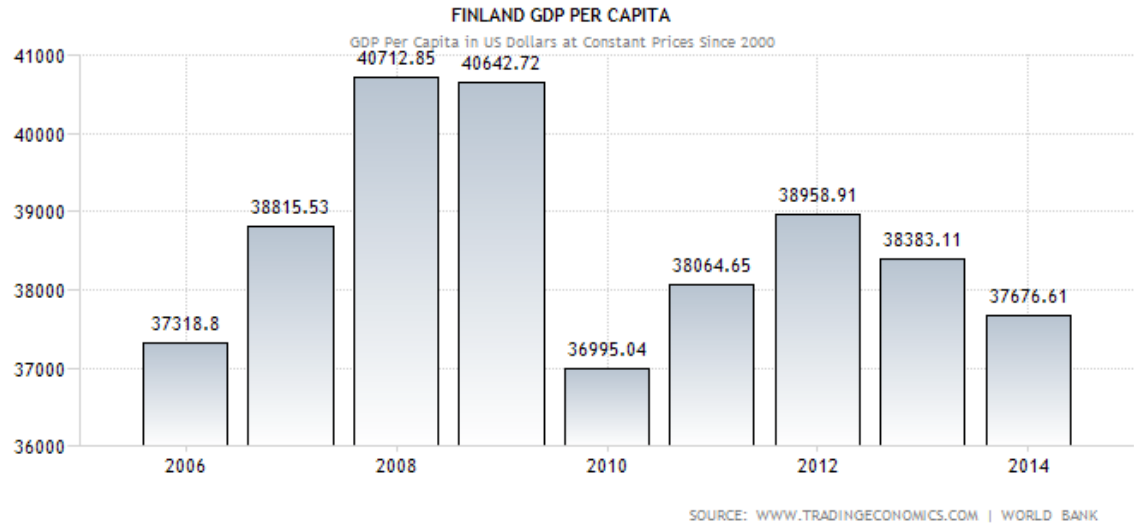


Figure 6: Finland GDP per capita in 2006 – 2014 periods

However, there is a trend of decreasing incomes since 2012 as can be seen in figure 6. This is critical to companies and firms when they try to sell products and services in Finland. Generally, lowering GDP per capita means lower purchasing power or lower consumption rate of the people; therefore the companies have to sell their products and services at lower prices (offering discounts) to capture the actual demand of the customers.

	2013-20	2021-30	2013-30
<b>Growth and productivity (% change; annual av)</b>			
Growth of real GDP per head	0.9	2.4	1.8
Growth of real GDP	1.2	2.6	2.0
Labour productivity growth	1.3	2.8	2.1

Figure 7: Finland GDP growth in long term perspective

Source: The Economist 2013

According to Figure 7, the growth of real GDP is estimated at level of 1.2% from 2013-2020; 2.6% from 2021-2030, and averagely increases at level of 2% in the whole period 2013-2030. The economics of Finland shows gradually promising development, which is considered a good sign for company to enter Finnish market.

#### 4.1.3 Social analysis

Finland is located in North Europe, with a total population of the country is around 5.4 million people and with a density of about 17 inhabitants per square kilometers. The fact is that more than 60% of the population is now living in urban area, mostly in southern areas. The study of Ahvenniemi and Tuominen (2011) also address the fact that 66% of Finland's population now belongs to the working age group, but it is expected to decrease in coming years due to more and more people are going into retirement.

It is undeniable that Finnish people are coffee drinkers. Coffee consumption slightly decreased compared to last year; however Finland, has been, and is still now among the world leaders in term of coffee consumption per capita, as the expenditure averages yearly between 10-12 kilograms. In other measurement, it is calculated to be around 158 liters of coffee, 1265 cups of coffee per capita. (Grönholm 2015)

Almost all family in Finland possesses one special set of coffee cups and dishes, at least, to be served during some exceptional events, for instance when friends or family members visit.

#### 4.1.4 Technological analysis

Finland is a developed nation in term of technology in the world, as the government has been spending much money and efforts in R&D in order to improve competitiveness and to

encourage companies to develop new products. Internet, which is used nowadays by all companies, is developing fast as 3G and 4G have been installed to help people execute the business everywhere. In addition, companies now also utilize internet not just a way of marketing and developing their products, but also receiving complaints and taking care of customers.

Recently, Reaktor Company has successfully installed at their customer's office a coffee button, which allow employees to slam it alerting everyone that the freshly brewed and steaming hot coffee is about to serve. (Arcticstartup 2015)

## **4.2 Porter Five Forces Model**

### **4.2.1 Bargaining power of buyers**

Finland's market is developing in term of gourmet coffee consumption, while it is already ranked highest in consuming coffee per capita with 10-12 kg a year. Finnish coffee expenditure is averagely higher by 5 kg than EU countries, and accounts for 2.7% of the total EU market in 2009. (Nguyen 2012)

Finnish coffee expenditure did not change much after the global economics crisis. In addition, coffee shops and take-away coffee opportunities happen to increase in numbers, of which lead to a developing of away-from-home coffee in Nordic countries. (Nguyen 2012)

Finnish people do really prefer the light taste coffee over the heavy one; therefore it is understandable that Arabica coffee is sold popularly among all distribution channels, such as supermarkets, coffee shops, cafeterias, etc...However, there are not so many options for substitutions for consumers, thus the buyer power stays at an average level.

#### 4.2.2 Bargaining power of suppliers

The amount of imported Vietnamese coffee to Finland is relatively really small, due to tough competition from Brazil, Colombia, and Africa, as they strongly dominate the market share. Hence it is difficult to adjust price of the raw material.

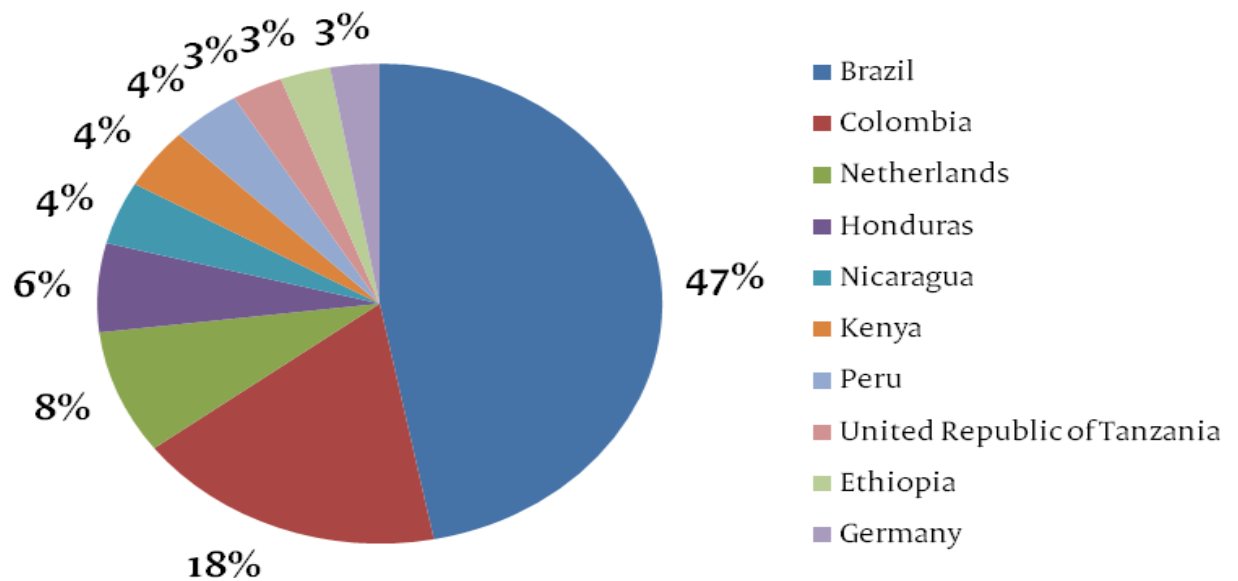


Figure 8: Supplying countries of coffee and coffee products to Finland

Source: Finnpartnership 2013

Beside the difference in favoring coffee taste, quality and price of the coffee do play significant roles in consumer buying behavior. Customer always pays attention to price regardless the quality, as they demand for the best quality with reasonable price. However, this stands out as the most difficult issue for Vietnamese coffee. The perceived quality needs to be improved, in order to make good impression in customer's eyes.

#### 4.2.3 Threat of new entrants

Vietnamese coffee is now trying to explore the Scandinavian market since the boom production in Vietnam in the last ten years. Trung Nguyen Coffee Company is now facing with other coffee contenders from Asia such as India and Indonesia, moreover from China and Vietnam also (Nguyen 2012). The study of Jingwen (2014) indicates that many Chinese coffee companies want to make entrantry into Finland due to high coffee consumption per person and also other Vietnamese famous coffee brand such as Vinacafe which is known as supported by the Government will make entry to Finland in coming years.

#### 4.2.4 Rivalry among existing competitor

Within the Finnish coffee industry, the Paulig Group registers for the biggest market share with of 51% of all sales. The following is Meira Oy with 16% market share. (Finnpartnership 2013)

The rivalry between competitors in Finland coffee market is relatively high. Besides two big players above, Trung Nguyen would have to face hard indirect competitions from smaller scale coffee brands such as Starbucks Coffee, Robert Coffee, etc...

However, the coffee consumption of Finland has always been on top of the world and the young trend is towards the strong Robusta, meaning there is much positive potential from the market. (Nguyen 2012) If Vietnamese coffee enters Finnish market, it would not about stealing business from competitors, but really pleasing consumer's needs.

#### 4.2.5 Threats of substitute products or services

Threat of alternative products is illustrated by how the consumers in Finland decide on different products as alternatives to ground coffee. Possible substitution could be soluble coffee or different kinds of drink such as tea, energy drink, or soft drink with fast food.

Other options for Finnish consumer could be instant coffee service from such globally famous brands like Starbucks or Robert Coffee. This is an excellent opportunities for not just having a good cup of coffee, but also meeting friends and having conversations.



Picture: Nespresso Coffee machine

Source: Nespresso 2015

Recently in Finland, this new Nespresso coffee machine has been purchased by many families and restaurants. The operating principle is simple by just selecting firstly programs wanted and then waits for the coffee to come out. This is showing a trend toward fast instant coffee with short serving time.



## **5 EXPORT PLAN**

### **5.1 Direct export entry mode**

To expand into Finnish market, there are 4 methods for Trung Nguyen Coffee to consider: Exporting, Joint Venture, Licensing and Direct Investment. It is recommended that the corporation should apply the exporting entry mode, which brings them many benefits such as to minimize risks and investment, speed of entry, maximizing scale, and utilize existing faculties.

With the exporting entry mode, it is also recommended for Trung Nguyen to select the direct export. Since Trung Nguyen is a large company and has been in the business industry for decades, the experiences they have got could really benefit the situation. With direct exporting, Trung Nguyen would reduce many expenses thanks to having no intermediaries, gain net income, receive direct feedback and create relationship with customers, or better protection with trademark & assets.

However, the company should consider the negative effects of direct exporting as it often comes up with the concerns of high start-up expenses, high requirement of information as well as all kind of resources, and limited knowledge in term of Finland market's characteristics.

### **5.2 Sale strategy**

It is suggested that the Type of exporting coffee to be roasted and packaged coffee. In addition, the author recommends that the Trung Nguyen should cooperate with S Group and K Group, which are the two most powerful retailers in Finland. The biggest advantage from this cooperation is the benefits from excellent distribution channels throughout Finland.

### 5.3 Exporting volume

Currently, Trung Nguyen has not yet joined the business of exporting coffee to Finland. In this context, it is suggested that the market share of Trung Nguyen Coffee's product exporting to Finland in the next 5 years will be 0.05% of the market share accordingly. The moderate goal is based on the fact that Trung Nguyen Coffee will have to brutally compete with two biggest coffee groups, namely Gustav Paulig Oy Ab and Meira, which own 51% and 16% value of all sales in Finland in 2012, respectively. (Finnpartnership 2013) In addition to these two biggest brands, Andesa, Kraft, Unilever and Kesko could also be added to the contender list. Furthermore, several small and medium size importers have showed their desire in growing direct trade with exporters from developing nations, for instance: Cafetoria, Kaffa Roastery, Café Caracol and Mokkaestartit. (Nguyen 2014)

The volume of coffee imported demand from Finland is about 60,000 tons per year. In this context, Trung Nguyen Coffee is suggested to obtain 0.05% of total import volume with 5% of imported growth rate each year. Hence the company needs to export about 30 tons per year, plus 5% development annually.

Table 1: Estimation of exporting volume

Criteria	2015	2016	2017	2018	2019
Imported growth rate (%)		5%	5%	5%	5%
Exporting volume (tons)	30	31.5	33.075	34.73	36.46

## 5.4 Transportation

The whole journey would start with buying raw coffee from farmers. According to Giacaphe (2015), the price for one ton of raw coffee bean is currently at 1,567.8 euro.

The raw coffee bean needs to be roasted. The expenses for the processing, which include drying, roasting, packing, labeling) for one ton, as author's assumption, is approximately about 4,500 euro.

The author estimates the price for a container (20 feet size), which could carry maximum 20-23 tons products and to be carried via ocean freight to Helsinki (Vuosaari) port, would cost roughly 1,350 euro. The length of deliver is estimated at about 1 month. One year operation would need two times of shipping, which makes for a total 2,700 Euro.

Table 2: Cost for exporting roasted coffee

Criteria	1 ton	2016	2017	2018	2019
Exporting volume (tons)	1	31.5	33.075	34.73	36.46
Raw material (euro)	1,567.8	49,386	51,855	54,450	57,162
Processing from raw to roasted coffee (euro)	4,500	141,750	148,837	156,285	164,070
Shipping(euro)		2,700	2,700	2,700	2,700
<b>Total cost(euro)</b>		<b>193,836</b>	<b>203,392</b>	<b>213,435</b>	<b>223,932</b>

## 5.5 Expenses

When the container arrived to the Vuosaari harbor, it will be carried immediately to S and K Group storage. The service offered by Steveco is currently at 285 euro/time, including weighing container and delivery. (Steveco, 2015)

Marketing is an essential activity to spread out products to customers. A budget of 3000 euro a month should be enough for Trung Nguyen to implement marketing plan. In one year, it will cost about 36,000 euro.

Trung Nguyen Coffee Corporation will also need to build a website in order to be more visible and to contact consumers. The cost of creating a website could be around 4,000 Euro, plus 4,000 Euro for updating and maintaining it every year.

Table 3: List of extra expenses

Criteria	2016	2017	2018	2019
Container delivery(euro)	570	570	570	570
Marketing (euro)	36,000	36,000	36,000	36,000
Website cost (euro)	4,000	4,000	4,000	4,000
<b>Total costs</b>	<b>40,570</b>	<b>40,570</b>	<b>40,570</b>	<b>40,570</b>

## 5.6 Taxation & Expenses

Container of coffee imported will be heading to Vuosaari harbor. Currently, imported roasted coffee to Finland will receive 7.5% import duty tax and 14% sales tax. (Dutycalculator 2015)

Table 4: Taxation cost

Criteria	2016	2017	2018	2019
Export volume (euro)	193,836	203,392	213,435	223,932
<b>Import duty 7,5% (euro)</b>	<b>14,537.7</b>	<b>15,254.4</b>	<b>16,007.6</b>	<b>16,795</b>

Based on the regulation, all the cargo shipped to Helsinki will be charged 3.14 euro per 1000 kilogram. Table 5 illustrates the total fee charged for cargo traffic.

Table 5: Charge rate for cargo traffic

	€		code	
	IMPORT		EXPORT	
<b>General cargo</b>				
General charge				
• foreign traffic	3,14	15503	3,14	25502
• domestic traffic	3,14	35501	3,14	35501
<b>Forest industry products and Base metals<sup>1</sup></b>				
• foreign traffic	1,85	15511	1,85	25510
• domestic traffic	1,85	35519	1,85	35519
<b>New vessels (without manifest) % of the vessel's value</b>				
• foreign traffic	0,10 %	15305	0,10 %	25304
• domestic traffic	0,10 %	35303	0,10 %	35303

Source: Helsinki Port (2015)

Table 6 comes up with the total fee charged for cargo traffic. Costs are raised every year due to increasing number of exported products annually.

Table 6: Cargo traffic cost

Criteria	2016	2017	2018	2019
Export Volume (tons)	31.5	33.075	34.73	36.46
Cost (euro)	99	104	109	114.5

## 5.7 Operating plan

First, the operating plan includes the cost plan for Trung Nguyen Coffee to open a new representative office in Finland. The office is needed for storing company important documents, solving complaints from consumers, as well as discussing business potential with other clients. The longer that Trung Nguyen operates its business in Finland, the bigger office should be. The study suggests that the company should open the representative office in the Metropolia area in Finland, which consists of Helsinki, Vantaa and Espoo. The price level for office rental in these areas varies from 180 to 354 Euro per square meter per year. (Sponda 2014) The price is more toward 354 Euro if the office is located closer to Helsinki. It is recommended to find office in Espoo or Vantaa to reduce the cost.

There are several cost items to determine the budget for human resource budget when Trung Nguyen Coffee opens businesses in Finland:

- The renting cost for in Espoo or Vantaa is about 200 EUR per square meter per year (Sponda 2014)
- Total employees needed to run the representative office: 2 people
- Working size per employee: 10 square meter

- Disposable Salary per month after tax: 2,368EUR + 50% social security cost (Numbeo 2014)

Table 7: Cost for running representative office

Criteria	2016	2017	2018	2019
Total employees	2	2	2	2
Total renting cost per month (EUR)	2,000	2,000	2,000	2,000
Total cost for employee's salary per month (EUR)	7,104	7,104	7,104	7,104
Total cost to run representative office per year (EUR)	109,248	109,248	109,248	109,248

### 5.8 Total costs report

The costs calculation for the exporting plan is summarized in table 8. Related costs are export volume, import duty, running representative office, expenses, and cargo charge.

Table 8: Total cost for exporting volume





Criteria	2016	2017	2018	2019
Total cost for export volume (Euro)	193,836	203,392	213,435	223,932
Import duty cost (Euro)	14,537.7	15,254.4	16,007.6	16,795
Total cost to run office (euro)	109,248	109,248	109,248	109,248
Expenses (Euro)	40,570	40,570	40,570	40,570
Cargo charge	99	104	109	114.5
<b>Total cost</b>	<b>358,290.7</b>	<b>368,568.4</b>	<b>379,369.6</b>	<b>390,659.5</b>

## 5.9 Price tactics

Trung Nguyen Coffee Corporation will have to determine the prices level for their products when making the entrant to Finnish market. Table 9 provides a few examples from Paulig and Meira Coffee Group. Listed items are categorized into groups: Non-certified with high quality, Non-certified with medium quality, Organic certified with single origin coffee, and Organic certified with fair-trade certified coffee.



Table 9: Coffee prices based on quality and certification products from Paulig and Meira Group

Product	Brand	Price	Photo example
Non-certified, high quality, arabica-based, ground coffee (as most coffee is ground coffee)	PAULIG - PRESIDENTTI 500g	€ 4.90 gr. (€ 9.50/kilo)	
Non-certified, medium quality coffee	MEIRA - Saludo kahvi 500g  (Meira is a Finnish company owned by the Italian company, Massimo Zanetti Beverage Group)	€ 3.90 (€ 7.70/kilo)	
Organic certified, single origin coffee	PAULIG - Colombia luomu 250g	€ 6.50 (€ 25.50/kilo)	
Organic certified, Fairtrade certified coffee	PAULIG - Mundo 500g	€ 5.90 (€ 11.80/kilo)	

\*Based on retail prices in 2013

Source: Finnish Partnership (2013)

As displayed in the table, coffee prices in Finland vary depends on the quality and certification of the products. Organic certified products are sold with higher prices. Thus, Trung Nguyen will have to determine what types of coffee together with its prices to enter to Finland market.

Table 10 lists different types of products, which are imported and sold online in UK. Prices are converted from British Pound into Euro.

Table 10: List of “Creative”, “Blend”, “Special”, and “G7 instant” coffee

Product name	Price	Note
Creative One (Culi Robusta)	19.2 Euro for 1 Ground kg	Dark, strong, full-bodied, naturally sweet.
Creative Two (Robusta Arabica)	20.4 Euro for 1 Ground kg	Blend of rich, bold Robusta and milder fragrant Arabica
Creative Three (Arabica Se)	23.7 Euro for 1 Ground kg	Grow only in Vietnam
Creative Four (premium culi)	26 Euro for 1 Ground kg	Strong, deep, dark and complex
Creative Five (Culi Arabica)	31.6 Euro for 1 Ground kg	100% Arabica multi – source flavor
House Blend	15 Euro for 1 Ground kg	Blend of four varieties, vibrant and refreshing
Gourmet Blend	18 Euro for 1 Ground kg	World-famous blend
Premium Blend	29 Euro for 1 Ground kg	Smooth and sophisticated
“S” blend	13.7 Euro for 1 Ground kg	Sensational taste
“T” Blend	15 Euro for 1 Ground kg	Milder coffee
“Nau” Blend	16.5 Euro for 1 Ground kg	“S” Blend cousin

Creative 8	33 Euro for 1 Ground kg	Bean coffee is supplied in standard silver foil pouch
G7 3-in-1	16.4 Euro for 1 Ground kg	Gourmet instant coffee with creamer and sugar added
G7 Passiona Instant	21.4 Euro for 1 Ground kg	Delicious low-caffeine
G7 Cappuccino Instant	23.8 Euro for 1 Ground kg	Rich, creamy, satisfying cappuccino

Source: Trung-nguyen-online (2015)

Trung Nguyen offers a large diversification of products, with even a few Arabica products, and as can be seen, the average prices are more expensive than Paulig's coffee. However, it should be denoted that the current exchange rate between British Pound – Euro is higher than before, hence the prices are affected.

It should be also noticed that these products are imported to UK, which is closer to Vietnam geographically than Finland, thus the set prices in Finland could be little higher.

The study suggests Trung Nguyen to elect a certain amount of products to enter Finnish market at first as follow: Creative 2, Creative 4, Gourmet Blend, "I" blend, G7 Cappuccino Instant and Creative 8.

The average price (after converted) is approximately 20 Euro per ground coffee per kilogram. However, due to the exchange rate, average price could be set around 18 Euro per ground kilogram.

## 5.10 Profit forecast

The study sums up with the final calculation, which consists of Revenue and Profit for the whole exporting process.

Due to the co-operation with S Group or K Group, a compensation of 20%-50% of the revenue is needed in return to satisfy the partnership. The percentage is relied on type of the contract signed, however during the first opening years, 30%-50% of revenue would be an extremely tough penetration to Trung Nguyen's profit, thus putting the company into danger. It is recommended to negotiate the compensation of 20%.

According to the calculation, Trung Nguyen will be able to make profit in the first operating years. However, it is affected by the share with S Group or K Group.

Table 11: Profit calculation

Criteria	2016	2017	2018	2019
Total costs(euro)	358,290.7	368,568.4	379,369.6	390,659.5
Average price per coffee kilogram (euro)	18	18	18	18
Total export volume (kilogram)	31500	33075	34730	36460
Revenue (euro)	567,000	595,350	625,140	656,280
Compensation 20%	113,400	119,070	125,028	131,256
<b>Profit (euro)</b>	<b>95,309.3</b>	<b>107,711.6</b>	<b>120,742.4</b>	<b>125,365.5</b>

,

## 6. CONCLUSIONS

The research purpose was to study the Finnish coffee market environment with the help of PEST analysis, together with Finnish consumer behavior trends based on Porter's Five Forces, and to design a relevant export plan in order to achieve the entrance access.

The Finnish market environment includes a stable politics, a recuperating economy with full coffee-loving-people. All together, the market creates a solid foundation for companies making entry into the coffee business in Finland.

The Finnish consumer behavior is characterized by a demand towards the flavorful taste of Arabica coffee and for living the the country with the highest coffee consumption per capita in the world. In addition, the trend of drinking is heading to Robusta taste and instant coffee.

The designed export plan expressed potential decent profits for the company. However the concerned issue is to pay attention to costs for running the representative office, which includes office rental and employee's salary. These expenses would increase in the future if the firm decides to expand their business.

To sum up, Trung Nguyen coffee, Vietnamese coffee in general, has such potential in developing successful trade with Finland.

## REFERENCES

- Aaby, N-E, and Slater, S. F. 1989. Management Influences on Export Performance: A Review of the Empirical Literature 1978-1988. *International Marketing Review*, 6(4), pp.7-26.
- Abdullah, M. N., and Shamsher, R. 2011. A Study on the Impact of PEST Analysis on the Pharmaceutical Sector: The Bangladesh Context. *Journal of Modern Accounting and Auditing*, 7(12), pp.1446-1456.
- Ahvenniemi, H., and Tuominen, P. 2011. Country-specific market analysis, success factors, marketing approach, and market situation. VTT Technical Research Centre of Finland.
- Arcticstartup. 2015. Is there something beyond a great cup of coffee here insights from the coffee lovers of Reaktor, <http://www.facebook.com/l.php?u=http%3A%2F%2Farcticstartup.com%2F2015%2F03%2F11%2Fis-there-something-beyond-a-great-cup-of-coffee-heres-insights-from-the-coffee-lovers-of-reaktor&h=OAQFWvF5p>. 22<sup>nd</sup> May 2015.
- Blomberg, H. 2008. Starting business operations abroad - Introduction of Monitor's business systems to the Finnish market. University of Gavle. Department of Business Administration and Economics.
- Bryars, L. 1991. *Strategic Management, Formulation and Implementation – Concepts and Cases*, New York: HarperCollins.
- Bryman, A. and Bell, E. 2007. *Business research methods* (2nd edition). Oxford: Oxford.
- Chart Bin. 2014. Domestic Coffee Consumption., <http://chartsbin.com/view/8670>. 26th March 2015.
- The Economist. 2013. Finland Long term outlook, <http://country.eiu.com/article.aspx?articleid=1972203381&Country=Finland&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>. 15<sup>th</sup> May 2015.
- Dalken, F. 2014. Are Porter's Five Competitive Forces Still Applicable? A Critical Examination Concerning The Relevance for Today's Business. University of Twente.
- Da Rocha, A. Christensen, C., and da Chunha, C. 1990. Aggressive and Passive Exporters: A Study of the Brazilian Furniture Industry. *International Marketing Review*, 7(1), pp.6 –15.
- Dichtl, E., Koeglmayr, H. and Mueller, S. 1990. International Orientation as a Precondition for Export Success. *Journal of International Business Studies*, 28(1), pp.3–40.
- Zohari, T. 2012. The Uppsala internationalization model and its limitation in the new era. <http://www.digitpro.co.uk/2012/06/21/the-uppsala-internationalization-model-and-its-limitation-in-the-new-era/>. 10<sup>th</sup> May 2015.

- Dutycalculator. 2015. Roasted coffee tax, <http://www.dutycalculator.com/hs-code-duty-rate-import-restrictions/090121/coffee-roasted/0901.21.0065/0901.21.0000/968/>. 15<sup>th</sup> May 2015.
- Giacaphe. 2015. Coffee prices. <http://giacaphe.com/gia-ca-phe-noi-dia/>. 15<sup>th</sup> May 2015.
- Grönholm, P. 2015, Tummapaahtoisen kahvin suosio kasvaa rajusti Suomessa, <http://www.hs.fi/kotimaa/a1428310674894>. 15<sup>th</sup> May 2015.
- Helsinki Port. 2015. Price list, [http://www.portofhelsinki.fi/port\\_of\\_helsinki/price\\_list](http://www.portofhelsinki.fi/port_of_helsinki/price_list). 10<sup>th</sup> May 2015.
- Hubbard, G., and Beamish, P. 2011. Strategic management: thinking, analysis, action, Pearson Education Australia.
- International Coffee Organization.. 2014. Global Coffee Prices Hit Highest Monthly Level In Two Years Amid Severe Volatility. <http://icocoffeeorg.tumblr.com/post/82189623202/global-coffee-prices-hit-highest-monthly-level-in>. 26<sup>th</sup> March 2015.
- Ipsos Business Consulting. 2014. Vietnam's Coffee Industry. 23<sup>rd</sup> May 2015.
- Jensen, K. L., and Davis, G. C. 1998. An Analysis Of Export Market Strategies And Barriers Perceptions By U.S. Agricultural Hvp Exporters. *International Food and Agribusiness Management Review*, 1(4), pp.509-521.
- Jingwen, X. 2014. Business plan for establishing a Chinese Café in Finland. Lahti University of Applied Sciences. <http://theseus.fi/handle/10024/70496>. 17<sup>th</sup> May 2015.
- Johnson, G. and Scholes, K. 1993. Exploring Corporate Strategy – Text and Cases, Hemel Hempstead: Prentice-Hall
- Johanson, J. & Vahlne, J.-E. 1990. The Mechanism of Internationalisation. *International Marketing Review*, Vol 7 No.4, pp. 11-24
- Katsikeas, C. 1994. Perceived Export Problems and Export Involvement: The Case of Greek Exporting Manufactures. *Journal of Global Marketing*, 7(4), pp.29–57.
- Kotler, P. 1997. Marketing Management – Analysis, Planning, Implementation, and Control, 9<sup>th</sup> Edition, Englewood Cliffs: Prentice-Hall.
- Koumparoulis, D. N. 2013. PEST Analysis: The case of E-shop. *International Journal of Economy, Management, and Social Sciences*, 2(2), pp.31-36.
- Lages, L. F., Lages, C., and Lages, C. R. 2005. Bringing Export Performance Metrics into Annual Reports: The PERFEX Scorecard. FEUNL Working Paper Series.
- Ma, J. and Lu, Y. 2010. “Free Trade or Protection: A Literature Review on Trade Barriers.” *Research in World Economy*, 2, 1, pp69-75.
- Naidu, G. M.; Rao, T. R. 1993. Public Sector Promotion of Exports: A Needs-Based Approach”. *Journal of Business Research*, Vol. 27, pp. 85-101.

- Nespresso. 2015. Lattissima touch, [https://www.nespresso.com/fi/fi/pages/lattissima-touch?cid=SEM\\_B2C\\_FI-FI\\_LOC\\_R\\_Google\\_Nespresso.Brand.2015\\_Brand.Pure.Broad\\_nespresso\\_Phrase](https://www.nespresso.com/fi/fi/pages/lattissima-touch?cid=SEM_B2C_FI-FI_LOC_R_Google_Nespresso.Brand.2015_Brand.Pure.Broad_nespresso_Phrase). 29<sup>th</sup> May 2015.
- Nguyen K.O. 2014. Thesis: The export of Vietnamese coffee to the market of European Union. Case study: Vietnam National Coffee Corporation. Karelia University of Applied Sciences. <http://theseus.fi/handle/10024/83206>. 23<sup>rd</sup> April 2015.
- Nguyen T.T.N. 2012. Thesis: The business potential for Vietnamese Coffee in Scandinavian market. Tampere University of Applied Sciences. <http://theseus.fi/handle/10024/45400>. 23<sup>rd</sup> April 2015
- Numeo. 2014. Costs of living in Helsinki. [http://www.numbeo.com/cost-of-living/city\\_result.jsp?country=Finland&city=Helsinki](http://www.numbeo.com/cost-of-living/city_result.jsp?country=Finland&city=Helsinki). 15<sup>th</sup> May 2015
- OECD. 2015. Economic Survey of Finland 2014. <http://www.oecd.org/economy/surveys/economic-survey-finland.htm>. 26th March 2015
- Piercy, N. 1981. Export Marketing Management in Medium-sized British Firms. *European Journal of Marketing*, 17(2), pp.48–67.
- Porter, M. E. 1979. How Competitive Forces Shape Strategy. *Harvard Business Review*.
- Porter, Michael E. 1985. "Competitive Advantage", Ch. 1, pp 11-15. New York. The Free Press.
- Porter, M. E. 2008. The Five Competitive Forces That Shape Strategy. Harvard Business School Publishing Corporation.
- Quickmba. 2010. Foreign Market Entry Modes. <http://www.quickmba.com/strategy/global/marketentry/>. 15<sup>th</sup> May 2015
- Shoham, A. 1998. Export Performance: A Conceptualization and Empirical Assessment. *Journal of International Marketing*, 6(3), pp.59-81.
- Slater, S., and Olson, E. 2002. A fresh look at industry and market analysis. *Business Horizons*, 45(1), pp.15–22.
- Sponda. 2014, Finnish business environment. [http://annualreport2011.sponda.fi/en/sponda-1/business-environment/finnish-business-environment\\_](http://annualreport2011.sponda.fi/en/sponda-1/business-environment/finnish-business-environment_). 15<sup>th</sup> May 2015.
- Steveco. 2015. Price list. <http://www.steveco.fi/EN/Services/Price%20lists/>. 23<sup>rd</sup> May 2015.
- Reaktor. 2015. Is there something beyond a great cup of coffee heres insights from the coffee lovers of Reaktor, <http://arcticstartup.com/2015/03/11/is-there-something-beyond-a-great-cup-of-coffee-heres-insights-from-the-coffee-lovers-of-reaktor>. 22<sup>rd</sup> May 2015.
- Thompson, J. 2002. *Strategic Management*, 4th Edition, London: Thomson.



Trading Economics. 2015. Finland GDP per capita. <http://www.tradingeconomics.com/finland/gdp-per-capita>. 10<sup>th</sup> May 2015.

Trung-nguyen-online. 2015. Trung Nguyen Coffee products. [http://www.trung-nguyen-online.co.uk/shop\\_order1.php](http://www.trung-nguyen-online.co.uk/shop_order1.php). 25<sup>th</sup> May, 2015.

United States Department of Agriculture. 2014. Coffee: World Markets and Trade. Foreign Agricultural Services. December 2014.

VOLCAFE. 2014. Coffee Supply and Demand. Quarterly Report, February 2014.

Wikipedia. 2015. Coffee Trung Nguyen, [http://en.wikipedia.org/wiki/Trung\\_Nguyen%C3%A0n](http://en.wikipedia.org/wiki/Trung_Nguyen%C3%A0n). 26<sup>th</sup> March 2015.