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**MARKET ENTRY STRATEGY FOR VIETNAMESE
COCONUT SHELL CHARCOAL TO GERMANY**

Case Study: Kovitra Ltd.

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Thesis Abstract

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Abstract

International trading is undoubtedly considered one of the most important businesses nowadays to developing countries because it is a crucial element to push the nation's economic growth. In the recent years, Vietnam has proved itself to be one of the world's fastest expanding economies and made its appearance as a strong manufacturing alternative around the world and in South-East Asia. Believing that there are still plenty of opportunities as Vietnamese export goods are known and acknowledged by developed countries around the world, this paper was made for the purpose of identifying the best strategic entry mode for Kovitra Ltd to enter its target market, Germany.

Case study was used as the research method in this paper. In order to answer the research questions, qualitative research method was applied and interviews and different analysis tools were conducted for needed data collection.

By carrying out all the analyses, as a result, due to low budgets, firm size and lack of local networks, direct exporting would be the most appropriate entry mode for Kovitra at the current time for German market.

Keywords: market entry mode, export strategy, market research, market analysis, factor analysis

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Introduction

Biomass fuels have become extremely important nowadays for daily needs such as fuelwood, agri-residues, charcoal and animal dung which caused by the cry of alternative energy sources (Bhattacharya and Abdul Salam, 2006)

In the recent year, charcoal has been increasingly popular and highly demanded in many large markets, for instance, Europe, USA and Asia. The product has been made by different methods and materials such as wood, peat, petroleum, coconut shell, sugar and so on which has considered as the most important fuel for medicine, industries, especially daily life use. The charcoal industry has truly been as a money spinner for investors because of cheap and easy-to-find materials and great jobs it does (Essiet, 2018). Given plenty benefits the charcoal, coconut shell charcoal as a specific, is definitely a promising industry and a sustainable opportunity for economic development at the household generally and national levels particularly.

Vietnam, located in Southeast Asia with Hanoi as its capital, has geographically advantageous position in the region with a long coastline and beautiful landscapes. The tropical climate also adds more great benefits to the country which can easily grow numerous unique and fresh fruit. According to *edibleplantsinvietnam* (Ho, 2014) there were 138,000 hectares of coconut trees around Vietnam. Ben Tre province is the largest coconut farm of the country with 51,000 hectares. Following areas also belonged to other provinces in Mekong Delta and some along the coast of Central Vietnam such as Binh Dinh, Khanh Hoa, Binh Thuan and so on. The Ministry of Agriculture and Rural Development plans to increase coconut tree plantations would increase the coconut area to 135,000-140,000 hectares by 2020. Even though the amount of material is enormous and potential within the country, on the contrary, Vietnam is increasingly relying on importing million tons of charcoal for manufacturing and various daily use, up to 10,4 million tons by the end of 2017 which costs 1,03 billion dollars, mainly from Indonesian, Malaysian, Australian, Russian exporters. Furthermore, coconut shell charcoal is recognized as being a rising business in Vietnam but there are only few export companies in the industry, for example, Vietgo Ltd, S-Global, Betrimex Vietnam. Grabbing the opportunity and

the belief that coconut shell charcoal products will soon rapidly be widespread, Kovitra Ltd. was founded in hope of gaining more awareness about Vietnamese charcoal products and particularly Cocotorch, the brand name of its products as the first step and business expansion in the future time. (Phan T., 2018)

Purpose of the study

The main aim of the thesis is to find the most suitable market strategy for the actual case and estimates the appearance of the target market's potentials and barriers. The paper is made with the ambition of helping the entrepreneur to have a better and clearer view at the opportunities and challenges that they may face and thence will be able get a full preparation for entering the market. Furthermore, this thesis is in hopes of becoming a useful material for further development of Vietnamese export activities and other studies in the future ahead. Theoretical and conceptual knowledges of export business and marketing analysis are also provided as the fundamental supports.

Research questions and limitation

In order to achieve the purpose of the study presented above, the following questions must be answered:

- 1 What are Kovitra's competitive advantages?
- 2 What are the entry modes that the company should consider?
- 3 What factors affect the decision of entry mode?
- 4 What are risks, opportunities and conditions of the target market?

Structure of the study

The paper consists of 4 parts including the background overview of Kovitra Ltd, theories that are used as the base for the third part which is empirical study and lastly, the conclusion of the study.

In the first chapter, the audience gets to know in detail about background of the company, personnel system, introduction of products and the company's competitive advantages in comparison with its competitors.

Second chapter provides theoretical applications starting with competitive advantages, marketing analysis tools such as SWOT, learning how to analyze a new market with PESTLE analysis and market entry strategies that are considerably applicable to the case study. There are also internal and external factors which influence the choice of market entry need to be taken into account adopted from Hollensen, Root and Griffin & Pustay's theories.

The chapter three firstly explains the research and collection methods of data that the author decided to use. Thereafter, practical views about the case company will be shown through various analyses adopted by the given theories from chapter 2. The current situation and conditions of potential market will be explored to find the best possible entry strategy as the result.

At the very last, there will be the conclusion which emphasizes the findings and the reasons for the market entry decision. This paper is expected to be able to answer the research questions and fulfill the study purpose that was made.

1 Kovitra Ltd

1.1 Background of Kovitra Ltd.

The coal-conut company which is so-called Kovitra has established in 2016 after years and years spending on researching and learning about coconut shell charcoal making techniques. The young company eagerly aims to create an absolute product that is friendly with the environment and unharmed to health. More than that, to maximize its full effectiveness in use as for Shisha or grills based on the new method of producing which gives a totally more outstanding results than the traditional method.

Kovitra's personnel system is a simple structure due to the size and financial budget and the founders decide to focus on B-to-B rather than selling straight to the end consumers. The company's system is divided into 4 levels as the figure below.

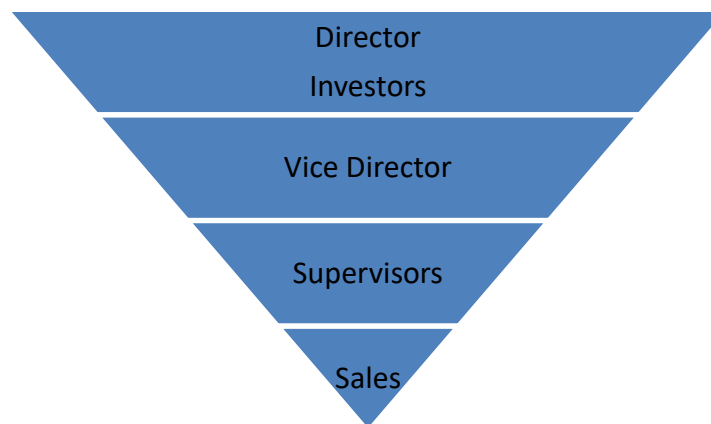


Chart 1. Kovitra's organization chart model (Phan, 2018)

The Director Vinh Ngo and Vice Director Toan Phan came up with the chart based on the situation and human resources of the company at the beginning. As it has already mentioned above that Kovitra is still a small size business, director and vice director are in charge of various tasks such as giving training sessions, taking care of financial jobs as well as having a close look at every quotation which is given by the supervisor. Sales managers from different markets are responsible for looking for the potential clients at their target markets, contact and inform in detail to their supervisors for the report. As it can be seen at the following chart *Figure 2. Actual organization chart of Kovitra Ltd.*, for the time being, there is only an active supervisor for the regions of Belgium, France and Netherlands, other markets have to be reported directly to the Vice Director.

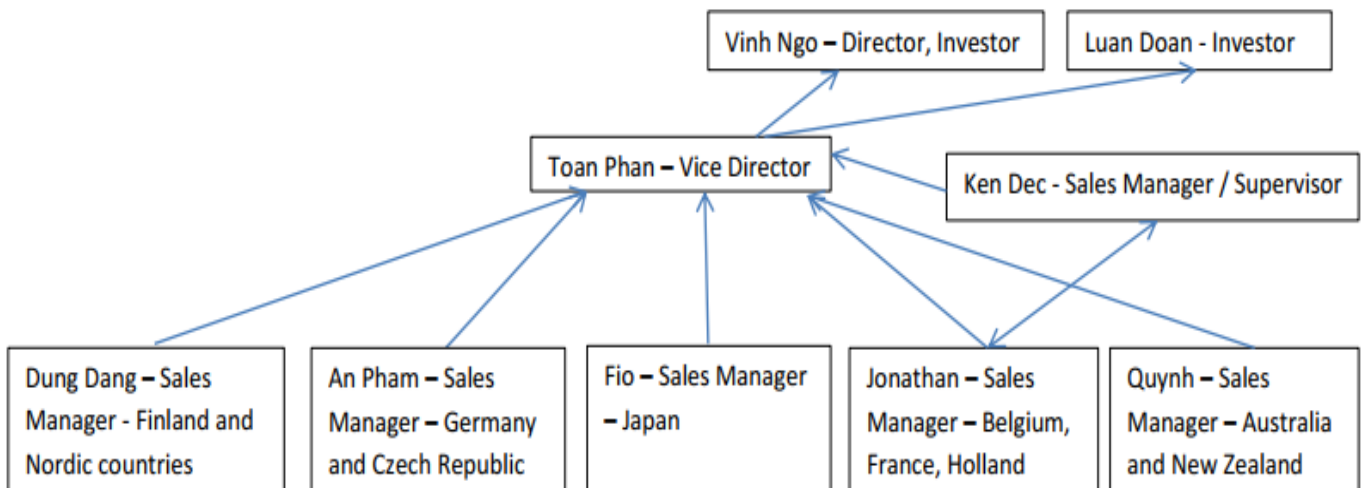


Chart 2. Actual organization chart of Kovitra Ltd. (Phan, 2018)

1.2 Products

Coconut shell coal is a kind of charcoal which is made from the shell of coconut tree using the vertical furnace technique, which is well-known in many parts of the world, especially South-East Asia, Africa and Middle East. Coconut shell charcoal is naturally manufactured and eco-friendly without chemicals and also the important material to produce high-quality activated carbon charcoal to be used in industrial application, medical use, purification, and other domestic coal products for the use of cooking or Shisha and ect.

At the current time, the company is offering two types of products of the brand "Cocotorch" as shown below:

	The Hot Rocks	The Flaming Rolls
Size (mm)	Cube, 25 x 25	Hexagon, 13 x 30
Specifications	<ul style="list-style-type: none"> • Eco- friendly made products • No flame and smoke • High temperature • 3 hours burning duration 	
Technical Data	<ul style="list-style-type: none"> • Wasted ash (on dry basis): 3.42% • Volatile matter (on dry basis): 25.49% • Fixed Carbon: 71.09% • Moisture: 6.27% • Gross calorific value: 7,111 Cal/g • Humidity less than 8% 	
Price (\$/kg)	\$1.2/kg (excluded 10%VAT)	

Table 1. Kovitra's products (Phan, 2018)

2 Theoretical Framework

In this chapter, basic theories will be introduced as strategies for analysing and entering markets through step by step including how to analyse markets, what entry modes are and the marketing analysis which are applied to the empirical study.

2.1 Competitive Advantages

In the business world, there is indeed a need for a strategic plan. There are no such matters whether the firm is small or big, every of them has a goal or a target that they eagerly want to achieve. In order to do that, understanding their own competitive advantages is a must.

“Competitive advantage grows out of value of a firm is able to create for its buyers that exceeds the firm’s cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.”(Porter, 1985: 3)

The figure below will give a visual definition of the 2 generic strategies of Porter’s competitive advantage.

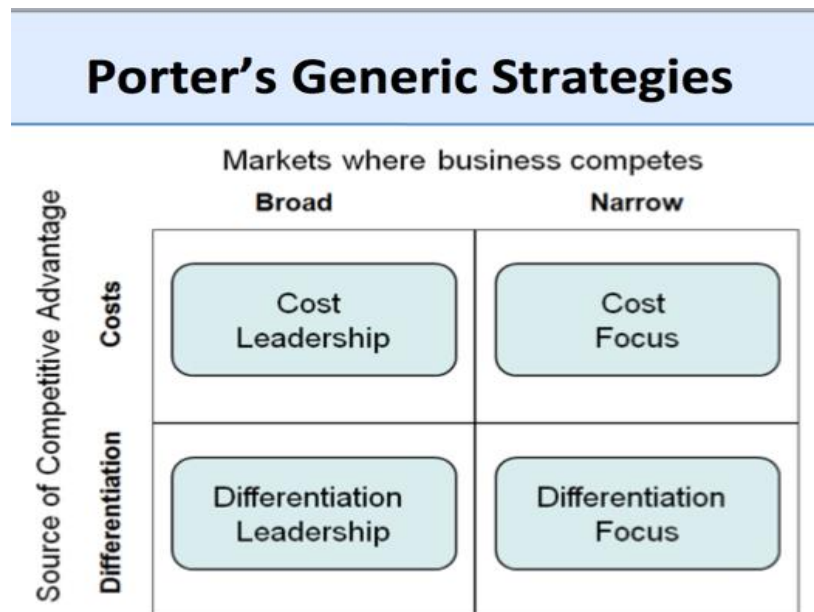


Figure 1. Generic Strategies (Porter, 1980)

Following Porter's, every firm is required to have its choices of competitive advantages and competitive scope as their fundamental base. Thus, either via lower costs than competitors or by differentiating themselves depends on market's segments. Noted that lowering costs does not need to be lowest costs because a company can compete at a competitive price by cost-cutting programs and investing in more focused area and still maintains their place at the market. Differentiation refers to creating a variety of products and functions in order to charge prices on the basis of being different. Selecting focus strategy is mainly about producing a certain product or service to a very particular or rather narrow market segment where customers understand, appreciate and willingly pay for their satisfaction towards the products.

Competitive advantages are created by finding better ideas to compete their competitors in the industry as well as bringing themselves to the market. Being able to do that, firms need to have an understanding of the target market's needs, in addition to innovations which mean being an early mover in developing and introducing new products towards changes in customer's behaviour.

2.2 SWOT

Developing international strategies needs to be understood as not a one-dimensional process. There are two broad stages that firms need to carry out, are *strategy formulation* for deciding what to do and *strategy implementation* for putting it in action. (Griffin & Pustay 2015, 338)

After learning about firm's situation and the target market's conditions, a strategic planning process will be made differently for the purpose of maximizing its success and viability. There are five basic steps in the chart above that managers usually follow, however, in this paper, the author will only concentrate on SWOT analysis that includes external and internal elements involved around the firm.



Figure 2. Step in International Formulation (Griffin & Pustay, 2015)

The analysis contains an overview of four essential elements:

INTERNAL	
Strengths	Weaknesses
Opportunities	Threats
EXTERNAL	

Figure 3. SWOT Analysis (Humphrey, 1960)

In conducting this analysis, the internal environment of the firm has to be revealed. Strengths are all advantages that the firm owns such as personnel's skills, resources, high technologies, well-known products or a good reputation. While keeping the strengths up, it is also extremely important to acknowledge the weaknesses which the firm needs to find solutions of ways to improve them, for example, poor labor relations, financial deficiency, lack of distribution networks or even unskilled employees.

Analyzing external environment means opportunities and threats that the firm has to confront. These two elements contain plenty of data in detail about economic, political, legal, social, competitive matters in the market that the firm wishes to serve.

To be able to complete the analysis, there are base questions that a firm needs to identify for the starting point or to improve its performance (Lawrence, 2009):

- What product/s are we selling?
- What is the process we have in place to sell the product?
- Who are our customers, who are going to be interested in our product?
- What ways can we deliver the product to the customers?
- What are the finances needed to create and sell this product?
- Who will oversee all the stages from having an idea, to having enough finance to complete the task?

After identifying all the questions stated above for completing this marketing tool, the information will be logically put into an order which will help the firm to understand itself more advantageously and consider its business ideas. Besides, because of its vital importance, the results of the SWOT analysis will take the firm to a further step in making the decision of the business. However, SWOT is not a strategy. The analysis only provides a platform for the future plan.

In conclusion, the central aim of using this tool is to build up the strengths of the organization, improve its weakness and to utilize the opportunities and prepare for climbing over the threats.

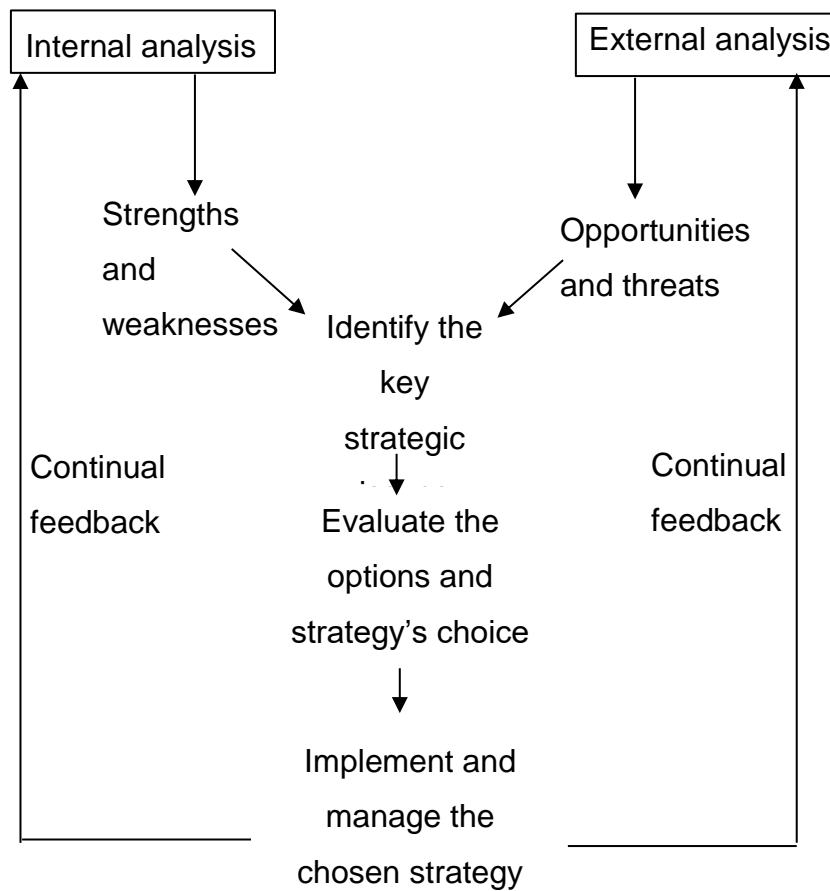


Figure 4. The SWOT Process (Ritson, 2008)

2.3 Foreign Market Analysis

Having goals of expanding market share, profits and revenues certainly is essential to most international organizations. In order to successfully achieve their goals, there are various plans and strategies have been used based on the unique characteristics of organizations and also in-depth understanding of the market's

conditions. In accordance to Griffin and Pustay's, there is a three-step process that firms must follow and will be discussed in detail.

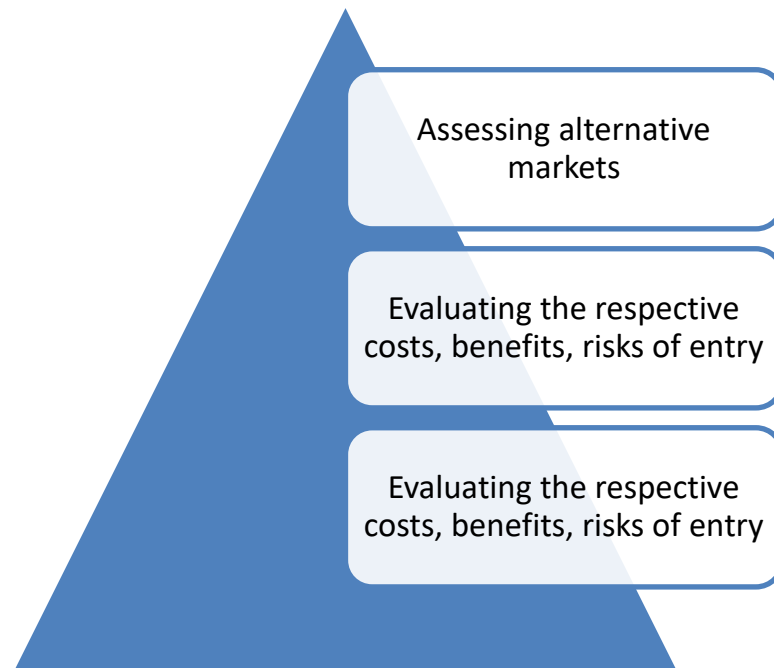


Figure 5. Foreign Market Analysis Process (Griffin & Pustay, 2015)

2.3.1 Assessing Alternative Foreign Markets

In this very first step of the process, there is a variety of factors that the author believes firms need to take into account following *International Business: A Managerial Perspective* written by Griffin and Pustay (2015, 356-359):

- Market potential such as their current sizes and the possibilities of expansion.
- Levels of competition: the number of competitors, who holds the current market share, important distribution channels and so on.
- Legal and political environment: do the government opens up for the foreign firms or not? How strong connections between business and politics within the country? Trade barriers by government?

- Sociocultural factors which may affect the operation and performance of the organizations.

First of all, foreign market selection must begin with *determining market potential*. Which means that a firm goes through several market researches to collect data of various dimensions of the potential markets such as GDP, population, the importance of ownership, public infrastructure, segmentation. The data needs to be carried out in order to find the position of its products in comparison to the competitors and more suitable markets for competitions based on the demands or spending habits of the customers, for example. Besides, it is important to take the potential growth of the country's economy into consideration before drawing the decision.

Secondly, another factor that every firm has to consider is the present and also future *competition levels* inside the potential market. To be able to compete in the market, one should identify the number, size and positioning of its competitors in detail through their market shares, pricing and distribution strategies, marketing campaigns, weaknesses and strengths are definitely on the spot.

The third factor in this first step is understanding *legal and political environment*, international trade nowadays heavily concerns political aspects. Before making an entry to a particular market, there is a need of knowledge of the host country's trading policies, legal and political matters as there are lots of restrictions and barriers may lower the firm's operations and performance or even bring the business down.

Last but not least, firms need to study thoughtfully about social factors of the host country as they wish to run the business. To make it easy, a company fails at recognizing preferences and needs of the host country's customers, its business is absolutely in trouble. There is no doubt of the continual changes in the society because younger generations may have different liking compared to the elderly, however, any firms that would like to succeed in a market, needs to take the job seriously. A successful strategic planner must focus on sociocultural influences and their changes to control the impacts on the business. To do so, they adapt

PEST analysis is a framework that indicates social factors because it is critical to see how the society looks like and also its trends. PEST consists of political, economic, sociocultural and technological factors. There are also few extended versions of it such as PESTLE; STEEP; or STEEPLE analysis. To be more precise, PEST is a more detailed version of SWOT's opportunities and threats, a combination of external and internal drives. And in this work, PESTLE analysis is chosen to analyse the target market for the case study.

- *Political factors*: political situation of the host country, entry regulations by the government or trade regulations such as European Union.
- *Economic factors*: include exchange and interest rates, inflation rates, economic trends, market routes, economic growth and ect.
- *Social factors*: culture, lifestyle, norms, consumer habits, age demographics, purchasing trends, religion and so on.
- *Technological factors*: technology advancements for optimizing the business opportunities, innovation potential, how technology affecting consumer's buying habits that the company needs to integrate with it.
- *Legal factors*: legal issues related to the company and its business, for example, regulations related to product, health and safety, copyrights.
- *Environmental factors*: companies should be aware of environmental protection laws, waste disposal law or energy consumption regulations of the target country because some countries have huge fines if companies make negative impacts on environment as environment is now a rising concern.

2.3.2 Evaluating costs, benefits and entry risks

First of all, there are two cost types that organizations have to evaluate: direct and opportunity. Direct costs are defined as what a firm has to pay for setting up the operations or production of a certain goods or service. On the other hand, a value

or profit of something that must be given up in exchange for something else described as opportunity costs. (Griffin & Pustay, 2015)

What are the reasons for a company to enter a new market? Obviously, potential benefits. There are different kinds of benefits that each firm finds to be good for them besides increasing sales and profits, manufacturing costs, competitive advantages, accessing new technology, expansion of organization's size and more are examples.

At last, risks have to be counted and there are different types of risks along with the levels of loss that companies must carefully analyze and utilize available opportunities wisely.

2.4 International Market Entry Modes

"When a firm first enters an overseas market, a low resource commitment mode such as export is desirable. As the firm acquires more knowledge and experience in that overseas market, it will assume a higher level of resource commitment with higher levels of risk, control and profit return" (Pan and Tse, 2000, p. 536)

An entry strategy plan for international markets is absolutely comprehensive. (Root, 1994)

After deciding on which markets the firm should go for, the next step is to find out what kind of entry mode it should use and learn thoroughly about the strengths and weaknesses of each. After that, the firm will be able to select which entry is the most appropriate for entering new markets.

2.4.1 Exporting

Exporting perhaps is the most traditional mode for international business activities nowadays. The mode itself has several forms consisting of indirect exporting, direct exporting and intracorporate transfers. (Griffin & Pustay 2015, 364)

Indirect exporting takes place when a product is sold to a domestic customer and after that be exported to another country, so the manufacturer has no direct contacts with international customers. A few types of indirect export intermediaries are shown below. (Griffin & Pustay, 2015; Hollensen, 2007; Cullen and Parboteeah, 2010):

- ECH - The export commission house which is so-called export buying agents. It is a representative of the exporter's home country buyers, offering services by identifying potential sellers and negotiating prices.
- The export/import broker is in charge of bringing a buyer and a seller together. Performing the contractual function, however, having no responsibility in handling the products sold or bought.
- EMC - The export management company that acts up as a export department and specializes in various matters related in the field such as operating as an agent, consultant or also taking over product or service possession, promoting goods, providing after-sales-service and so on.
- ETC - The export trading company which is similar to EMC, but it takes the claim to the product before exporting.

Direct exporting occurs when the product directly sells to the customers, which can be end-users, importers or distributors from outside of the company's home country. There are also several forms of direct exporting mentioned by Hirsch (2010) and Stone and McCall (2004):

- Own representative office operating on a transfer of rights and obligations of the parent company.
- A foreign agent sells the product on behalf of the exporter and profits from a commission that normally 5-10 percent.

- A foreign distributor who buys the product by their accounts and freely to choose their own customers.

Intracorporate transfer, according to Griffin & Pustay's (2015, 366-367), is defined as selling of goods / services by a firm in one country to an affiliated firm in another.

After getting to know that definitions of exporting types in detail, it is necessary to also comprehend the advantages and disadvantages of this entry.

Advantages:

- quickly enter new markets
- less financial exposure
- easily avoid foreign investment's restriction by government
- gradually gain knowledge about the local markets for preparing more suitable products for local needs.

Disadvantages:

- logistical complexities
- conflicts or little control over distributors
- tariff barriers

2.4.2 International Licensing

Another option to do international business is licensing. A firm called licensee will have the rights to use the intellectual property such as brand name, trademarks, copyrights, methods and so on of another company - the licensor, in return for a fee. Licensing is a popular mode for entering overseas markets due to low financial risks, fully using market opportunities for potential investment for licensors and licensees also benefit with the sales opportunity based on the products or services that have

already been successful on the market. However, companies are not encouraged to use this entry in countries that lack of power in property protection. Furthermore, potential misunderstandings and risks related to agreement may always happen and licensors as well have difficulties in control of production and quality. Lastly, sharing the technology will unintentionally create another future competitor.

2.4.3 International Franchising

Franchising is a form of licensing but it allows more support such as advertising, training as well as control of operation methods for the franchisor over the franchisee. It is considered as the fastest-growing forms of international business nowadays according to Griffin and Pustay (2015,375). In general, the relationship between franchisor and franchisee is more complicated and tight compared with licensor and licensee.

Positively, with this entry mode, the franchisor can expand its business with low risks and cost , obtain more infomation about the culture and local customer's habit and so on.

On the downside, since both parties are knot with the agreement, therefore, the profitability is low. Plus, training session is a must and quite expensive, or even misuse of franchise rights.

2.4.4 Joint Ventures

In comparison to exporting, licensing and franchising, firms that go for FDI has a totally different view of doing business by preferring their ownership and asset control at the host country. (Griffin&Pustay,2015)

With FDI, the firms surely have a solid control over their overseas business and obtain high profitability. This entry is especially suitable for the companies which aim to achieve synergies with its foreign subsidiaries, consiquently, control is an absolute need.

There are different methods for FDI and the most popular type is Joint Venture (JV).

JV is a special cooperation of two or more companies that are willing to promote mutual interests. The parties will make the agreement on which parts they would want to involve and this contract can be periodically and terminated once it is no more useful for the business.

2.5 Factors affecting entry mode choice

After getting to know about few different modes of entry and analyzing the strengths and weaknesses, however, it is not an easy task to recognize which method will be suitable for the case. Hollensen (2007) divided entry modes into 3 categories following level of control:

- High control modes: FDI such as wholly owned subsidiaries with full control towards the market activities.
- Intermediate modes: Joint Ventures, franchising, licensing
- Low control modes: indirect and direct exporting

Consequently, it depends on how much control the firm can influence in the international operation, resources and so on that the choice of an appropriate entry mode will be made. As for that reason, the author is now continuing to have a deeper look at the factors regarding the decision of the entry mode.

2.5.1 Internal factors

Firm size. It is an indicator of the company's resource availability such as human resources or finance in accordance to Hollensen (2007). Increasing resource availability gives better access to the international involvement for the company, positively (Koch, 2001).

International experience. Simply, the more experience the decision makers have on the international operating, the more benefits they give to the company, for example,

unnecessary costs and risks will be reduced and estimated, and rising in profitability for the firm. (Hollensen, 2007, 297-302)

"The influence of the increasing availability of international market information on the Internet on the dynamics of experience gaining should not be overlooked" – Koch (2001,354)

Product or service. It is important to know that depends on the physical characteristics or the nature of the product or services that the production location and channels will be decided. We can understand it simply that the more complexity of a product, the more "high control modes" are favored to be applied. For example, high control modes are more credibly used by companies that sell B2B products because there is a high degree of control and interaction needed between seller and buyer through channels or services. (Hollensen, 2007, 298-299)

Network. Networking is indeed an important resource for SMEs, it allows the companies to gain their knowledge and access to the local markets by having connection with local partners (Spence, 2003). By using the networks, firms get a chance to get closer to more accurate information, adapt better in the new environment and be able to reduce costs (Wan & Lowe, 2007).

2.5.2 External factors

In this part, the author decides to use Hollensen's (2007, 300-301) to analyze what outer aspects that pressure on firms' entry mode decision.

Socio-cultural distance. The differences in values and norms between the target country and the firm's home country, for instance, language, business practices, consumption beliefs, preferences and many more may hinder the entry decision of firms. Therefore, it is easily seen that most of firms choose to invest more on the countries sharing similarities in culture in order to avoid lack of knowledge and risks. From the other side, joint ventures will be also more secure than direct investments because of the flexibility (Hollensen, 2001; Root, 1994).

Country risk and demand uncertainty. Risk analysis is necessarily needed in order to determine the right choice of entry mode. These risks can be related to the instability of economic and political situations such as currency fluctuation or conflicts between political parties of the host country which contain the increasing in risks and uncertainty in future demand.

Market size and growth. Considering the size and growth rate of a market is as well important. To enter a large and growing market, a firm will likely choose modes such as wholly-owned subsidiary or joint ventures which need high amount of resources. Inversely, exporting can be a better and less risky option for companies in small markets. However, it is obvious that company size will need to be taken in account for the last decision.

Direct and indirect trade barriers. For example, government restrictions and tariff barriers undoubtedly pull the companies back from entering new markets (Koch, 2001).

Intensity of competition definitely plays an important point that firms must consider before choosing the entry strategy. It can be seen that the higher level of competition the less profits will be earned. Thus, firms eventually prefer modes with lower control and resource commitment in this case.

In addition, there are characteristics of desired mode that companies should concern:

Risk-adversity. To put it simply, risk-adverse firms or investors who are resistant to risks, consequently, entry modes such as export or licensing are favoured as high amount of resources are not required.

Control is a characteristic that is similar to risk-adversity. Entry modes with low resource commitment along with no control or just a little will be a better decision for those firms who cannot afford or have no desires for large amount of resources.

Flexibility - the last but not least characteristic mentioned by Hollensen (2007, 301-302), for example, intermediate modes such as JV or franchising will have low flexibility as the features of agreements that are not able to make changes in strategies in a short notice.

3 Case Study and Germany as target market

3.1 Research and data collection methods

The author uses case study and applies qualitative research approach with secondary data analysis for full understanding and solving the issues mentioned from the beginning of the paper. Diverse sources were used such as digital journals, e-news, literature and several semi-structured and unstructured interviews with the company for the purpose of collecting information. There is also limitation due to the unavailable statistics on the product type and topic.

3.1.1 Research methods

There are two main types of collecting data methods: qualitative and quantitative. Choosing an appropriate method likely relies on the research problems and what the researcher wants to achieve or feels comfortable to do.

"There is no simple distinction between 'qualitative' and 'quantitative' research".
(Silverman, 2005)

Data collected by using quantitative research method mainly from experiments and tools such as statistical studies, computing, mathematics, surveys and so on. The result can be led by psychology and behavior which may cause 'stereotype answers'. This method is popular if the researcher is looking for an objectively general conclusion from a certain sample of population.

On the other hand, qualitative research methods focus more on the in-depth of the topic and explore the causes of problems, for instance, case study is pretty common. The data is collected by also various ways such as observations, interviews, company records or Internet. In qualitative research, the target group for information collecting is more purposely than in quantitative. However, validity and reliability of the gathered information need to be concerned.

In this paper, the author believes that qualitative research is the best used method for her case study due to the importance of in-depth understanding. As case study was chosen, the information gathering is done through conducting semi-structured and unstructured interviews and meetings with the company's experts in order to get the full picture of the subject.

3.1.2 Collection of data and analysis

As it was mentioned above, the main method is interviews and meetings. There are as well several ways to gather information in qualitative interviews, the most common ways are audio-recorded or transcripts. Video recording is being used widely for observational research because of its accuracy and actual behaviors. (Desai, 2002, 40)

According to Silverman's, there are four main kinds of qualitative data:

- Interviews
- Field notes
- Texts and visual materials
- Transcripts

In Kovitra's case study, interviews and transcripts were used for gathering the needed data. There were 3 different interviews between the author and the Vice Director of the company who is one of the founders and also having control the company's operations. Questions and problems were created by the author based on the theories regarded to external and internal factors. Some interviews were conducted face-to-face and some were via Skype due to the geographic distance. The length of interviews took about 30 minutes to one hour and were recorded and noted during the interviews. English and Vietnamese languages were both used. Interviews were also included discussions and created unstructured or semi-structured.

After collecting information, the analysis would be performed in order to answer the research questions. Important and necessary data was selected, simplified, transformed and organized and processed to the conclusion.

3.2 Case Study: Kovitra Ltd.

3.2.1 Competitive advantages

It is noticeable that charcoal business has been trendy since the last few years and the tough competition is definitely unavoidable. Thanks to technology development doing business nowadays can be done with one click from home and Kovitra is also a part of this circle.

If we take a peek at some trading websites such as Alibaba, CQout, Amazon, there are numerous options for the same products with various prices and quality for customer's needs. For example, in the business of coconut shell charcoal, there are companies from Indonesia, Sri Lanka, India, Arabic and African countries selling this product and it is obviously a tough job for beginners to find their spots in the market. However, Kovitra confidently believes that it owns certain advantages over its industry rivals.

Notice that mosts of companies selling high-quality charcoal usually go with high prices or vice versa. As a newcomer in a very critical situation, the company decides to give a go with cost leadership strategy with a mix of differentiation focus and product-quality oriented.

The first strong point that Kovitra highly considers as one of its competitive advantages is the high-class quality of the coconut charcoal. Pointedly, the company enters the market with a slight difference compared to the theory which is selling the high quality product with a considerably lower price in comparision to the competitors' at the same level. Taking advantages of effective and low-cost production inputs by having the factory right at the heart of the largest coconut farm of Vietnam and fortunately having a skilled and professional production team,

lowering the selling prices by accepting the fact that the profit will not be high is made as a strategy to attract the customers around the world.

Furthermore, contacting and sending samples to the potential customers for free. Noted that there are plenty of risks but building up the reputation and being known in the target market are the first important and urgent step to Kovitra at the time being.

Secondly, as mentioned, the company was established with the aim of making eco-friendly coconut shell charcoal without adding any chemicals. Profits must go well with society's responsibility, which is protecting the environment, in particular. As for that reason, its target customers are middle up to high class end-users or companies who focus on the high quality and also the meaning of the product. Kovitra targets customers from developed countries particularly in Europe such as Germany, France, Switzerland or Scandinavian countries where environment is an important matter.

Finally, besides promoting their own brand Cocotorch, Kovitra is also taking a part of being the manufacturer for companies who look for low-cost production of charcoal from developing countries.

3.2.2 SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Acknowledged and high-qualified products • High-quality and eco-friendly products • Relatively low prices, plus quick delivery • High-quality material 	<ul style="list-style-type: none"> • New and has little reputation • Limited budgets • Marketing deficiencies • Lack of skilled staff

<ul style="list-style-type: none"> • Low-cost and skilled production • Adaptable and changeable with customer's trends. • An active manufacturer for other companies 	
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Coconut shell charcoal is trending and has high demands in many large markets • Awareness of global environment protection • Customers are getting more interested in health safety of products and values of what they purchase. 	<ul style="list-style-type: none"> • Tough competition from different regional companies such as Africa, Indonesia, Sri Lanka and ect. • Huge price rangess in the markets make it doubtful for potential customers • Be wiped out by competitor's strong invested marketing campaigns

Table 2. Swot Analysis of Kovitra Ltd.

3.3 Germany as a target market

Kovitra company has decided to enter different markets at the same time as it believed that there would be more difficulties to just focus on only one market. Nevertheless, Germany was chosen as the main and most potential market for the company to kick off their business. PESTLE analysis is put into practice in order to examine the potential and curent situation of Germany.

3.3.1 Political system

Country: Federal Republic of Germany

Capital: Berlin

Language: German

Area: 357, 386 km²

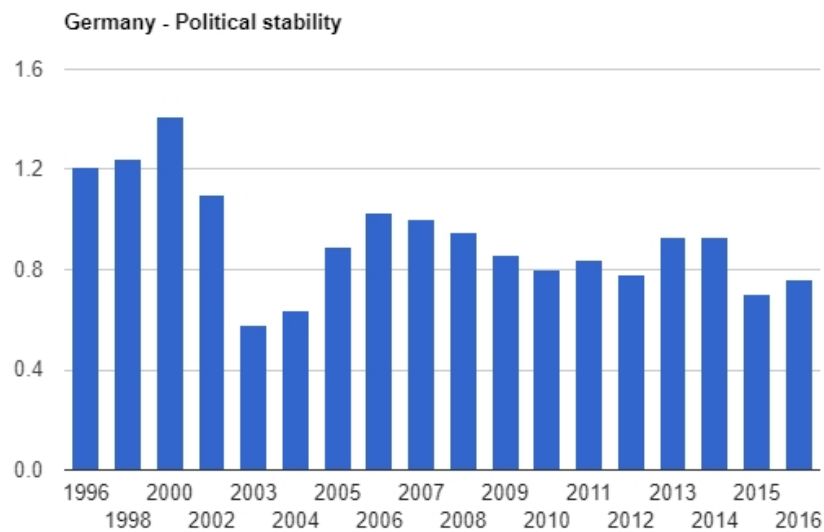
Population: 82,800,000 (2017)

Neighboring countries: France, Switzerland, Austria, Netherlands, Belgium, Poland, Denmark, Czech Republic, Luxembourg.

Main political parties:

- Christian Democratic Union (CDU)
- Christian Social Union (CSU)
- Social Democrats (SPD)
- Alternative for Germany (AfD)
- Free Democrats (FDP)
- The Greens

- The Left



Source: TheGlobalEconomy.com, The World Bank

Chart 3. Germany's political stability index 1996-2016 (World Bank)

Germany is a social Democratic country where its citizens' rights are protected. German government is divided into 3 levels which are federal, land, and local. There are 16 states in the country and each of them has its own right and law to a certain degree while still maintaining an integral part in the Länder structure. According to World Bank, -2.5 point is weak while 2.5 is strong, Germany's average value of political stability index was 0.93 points, the lowest points occurred in 2003 and the highest point was 1.41 in 2000. It is believed that the immigration's policies have been a part of making the political situation in the country more complicated. In 2017, the political situation was pushed to the climax due to the terrorist attacks and the very tight win of Angela Merkel at the election as the country's leader. Regardless all the matters above, the stability of German politics is relatively good. Moreover, Germany has very strong institutional and highly anti-corruption frameworks which assures that there are no corruption related obstacles. Lastly, Germany is a very safe country with low crime rates, it is ranked 14th on the list of World's safest countries by the website Safearound.com (2017).

3.3.2 Economic factors

Beside EU, Germany has been an active member of United Nations, NATO, G8, G20 and Organization for Economic Cooperation and Development (OECD) and currently the strongest economy in Europe, GDP of Germany is approximately 3677.44 billion dollars(World Bank, 2018)

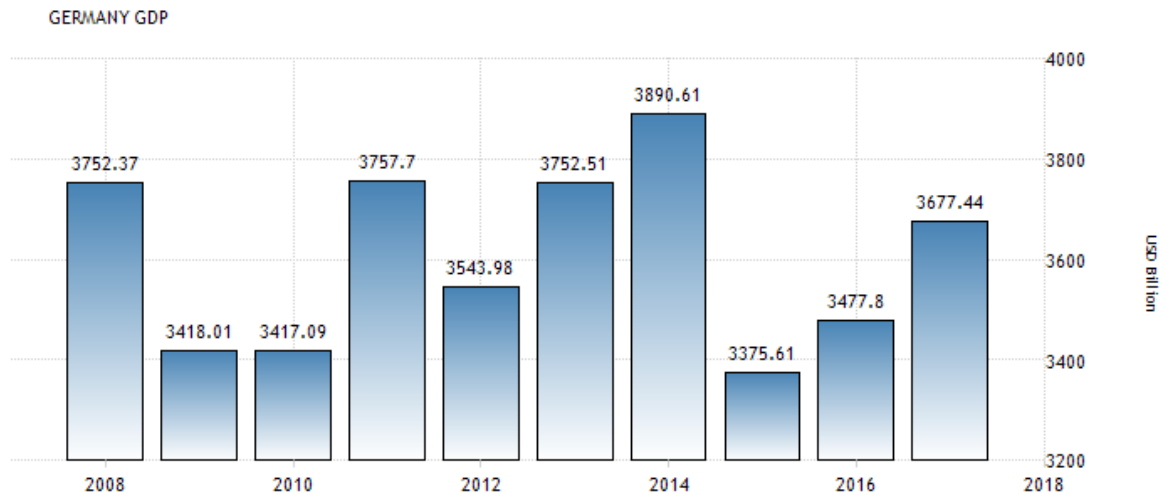


Chart 4. GDP of Germany 2008-2018 (World Bank)

As a biggest market in Europe, Germany is placed 3rd in leading export countries worldwide after China and the US. In parallel, the country also imports massive amount of goods driven by high demands, making it as the world's 3rd largest importer even though the rate has actually decreased from 1.18 trillion dollars to 973 billion during the last period of 5 years from 2011 until 2016. As it is the largest manufacturing economy of Europe, it is understandable to acknowledge the fact that the economy of Germany is truly stable its growth is still significantly promising.

As reported by *wwf.org.uk* in 2014, Germany imported nearly 81 million euros in value of charcoal, became biggest market for charcoal business in Europe, second and third place belonged to France and the UK. Every year, European people consume over 700,000 tonnes of charcoal Most of imported charcoal products into Europe were from tropical countries such as South Africa, Paraguay, Nigeria and Asian countries, for example, China, Indonesia, Sri Lanka, Vietnam and ect.

3.3.3 Social system

Germany, with more than 82 million inhabitants, by far is the largest country in Europe by population and known as a cosmopolitan and multicultural country. Germany has a very wide range of lifestyles, preferences due to the multicultural element which leads the society to be more open-minded and tolerant. Generally speaking, the country is also well-known for guaranteed high standards of living, great education system and freedom where its citizens' lives are insured, everyone has an absolute opportunity for their education and freedom in speaking up and living how they would like to. As a result, it enables the flexibility of the country in dealing with challenges and transitions. Germans are also famous for being quite formal at first glance, strict and perfectionism in different areas, especially in doing business. Restrictively, people or firms from outside of Germany need to make a careful preparation as doing paperwork here can take a big amount of time and steps. More importantly, in Germany, punctuality and privacy always come first and is taken seriously in business meetings or social occasions.

At gender matter, due to the shortage of men after World War II, women has become an active workforce and hold authority positions until nowadays. It is pretty normal for German women to pursue higher education and take important parts in organizations.

3.3.4 Technology

It cannot be denied to say that Germany is a global leader in many industry sectors and the greatest strength of German economy and in technological aspect is definitely automobile. Being one of the world's largest automobile producers for exporting intention, automobile contributes highest shares among other economical activities. German machine and plant construction industries are fairly internationally important as well. The country also pays lots of attention to national science and technology at various levels, gives supports to important and special research and development projects. Along with the government, carmakers such as BMW, Volkswagen as well take part in investments of technology innovation in order to find solutions for current trouble and more opportunities for future businesses.

Due to the lack of energy sources and climate change concerns, Germany has been working on the renewable energy which based on biomass, wind and solar and this has given to the country multiple benefits, remarkably in growth of employment. The challenge that it is facing is how to develop a sufficient network that transmits the power from the North to the South of the country.

3.3.5 Legal system

Legal system of Germany is based on constitutional law and influenced by international law and European Union law. The system is operated at 3 levels: Federal, State and Local and the Bundestag is in charge of passing the laws.

State law concerns and solves matters related to the police, local authorities, educational institutions, the press, media such as radio, television.

To do business in Germany, there are several things that firms need to understand. First of all, the principle of competition. Act against Unfair Competition was created to control the unfairness in market behavior which is within the Federal Cartel Office's responsibility. Secondly, in Germany, trademarks and patents are strongly protected, therefore, there are conditions that newcomers have to take into account, for example, customs, taxes, trademarks, rules of competition, quality control or environmental standards and ect. Thus, the Federal Institute of Risk Assessment was established for product's safety as consumer and information protection are primarily important.

3.3.6 Environmental factors

In the last decade, the world has been facing dramatic changes in the climate and the atmosphere that the cause has been nothing else but the human ourselves. In addition, Germany's sources of energy relies heavily on fossil fuels which are mainly petroleum, coal, natural gas and nuclear energy with 40%, 30%, 17% and 10% in consumption respectively. Realizing the long-term negative impacts on the global environment and the urge of disappearing natural resources, Germany brought up

climate and energy policies with the goals of reducing emissions, protecting forests from acid rain, preventing rivers and oceans polluted by industrial discharges and so on. Nowadays, environmental protection is the most priority of the government and also its citizens. Recycling and separating trash are taken seriously and very well by the citizens, whether in private households or public and German people believe it has been a great contribution in saving the Earth.

Located in the heart of Europe and being the strongest economy in this continent, Germany is a favourable market for doing business. The location truly gives great benefits for trading as Germany is the door to enter the whole European market through logistics. And the country has low economical and political risks which is safe for foreign businesses.

3.4 Influencing factors

Entry mode selection is absolutely crucial for a company entering a new market. To be able to avoid the uncertainties or unexpected dilemma, a clear strategy is what a company must go for. As discussed in the previous chapter, the author will begin to apply the theories into the case study by analyzing internal and external factors following Hollensen (2007).

3.4.1 Internal factors

The first factor that should not be overlooked is the size of the company. Kovitra is a small company with low budget and limited skilled staff and networks. Therefore, choosing a low-cost entry would be more reasonable.

Secondly, international experience which could be quite problematic as Kovitra has just established and has yet no experience doing business overseas. Fortunately, Kovitra has collaborators who live in the potential markets with the tasks of doing market research as well as looking for trusted distribution channels for the future approaches.

The next factor that should be taken into consideration is the product. The products of Kovitra do not have a complex production or hard-to-find materials and they are still have high-quality and low prices. However, selling the products with a small amount is quite a hard math exercise as the transportation costs can be a real issue. And as it can be seen from the PESTLE analysis above, Germany is an extremely competitive market. Therefore, having a wholesalers or exporting directly to the buyers are more possible then using the high control entry modes.

Lastly, we all know that having local network will put the business at ease without worrying about the uncertainty of local knowledge in different matters. Kovitra also confirms that finding local partners or distributor is a top need and it has remained in their strategic plan because the company has a belief that through the partners, the products will be acknowledged and trusted and easily reach the customers.

3.4.2 External factors

To start with the first external factor, socio-cultural distance between Vietnam and Germany. It is easily seen that the two countries are quite different in doing business such as how to maintain business relationships, punctuality, ways of negotiation, customs, greetings and so on. On the opposite side, Vietnamese people tend to be more easy on punctuality and take time for negotiations. Hence, since Kovitra is reaching out to the world, it is understandable that the company needs to adapt the working styles of Germans in order to enter and maintain its position within the market. To do that, the company needs to learn from different sources and gain more knowledge though sufficient experience.

Country risks and uncertainty of demand. As it mentioned before, Germany has a relatively stable political system and very solid and coherent laws, thus, there is no space for uncertainties of these matters.

Germany is definitely a potential market for Kovitra to expand its business as it is undoubtedly the largest market in Europe with high growth rate. The market is huge with different segmentations which bring lots of opportunities for foreign companies who are looking for new potential. In particular, Germany is the largest importer of

charcoal in Europe and as well holds the highest consumption of charcoal use in various sectors such as industries, energy or food services.

Beside high duties and quotas, goods imported from non-EU states have to pay import turnover tax that is equal to 19% of VAT of levied on domestic products which can be seen as trade barriers.

Competition. German market is one of major markets in Europe and it is massively competitive as it attracts many companies from around the world. Because of the great intensity of competition and the profits tend to be low, lots of firms prefer low cost entry modes such as direct or indirect export.

3.5 Selection of entry mode

With the theory base from the second chapter, the author had put them into practice, more particular, Germany as the potential market and Kovitra's situation. After analyzing all factors that may influence the choice of foreign market entry mode and the current condition of the case company, it became clear that firm size and the limit in resources and management are the main factors that most impact on Kovitra's decision of entry strategy.

As mentioned from the first page, Kovitra is small and new, it also has no brand reputation and networks, therefore, taking risks for maintaining high control over its products and marketing campaigns in the foreign market is almost impossible. Additionally, the company considers staying flexible as an important element because if would be difficult for the company to be able to adapt or change quickly in the tough competition due to the limited ability. As for that reason, flexibility helps the company to reduce the suffering if there are any changes in local trends or unexpected problems.

Additional costs such as marketing, investments, furthermore, can be a great threat to the company's fate as well. Even though the production costs are quite low, but the company is still a small sized, Phan has agreed that Kovitra is trying to solve this problematic issue as how to maintain all the operational costs and still make the profits by selling their products with low prices.

The company is facing difficulties in finding trusted distributors in German market who can bring up its brand name and sell their products. Because of all the factors mentioned above, the author draws a conclusion that the most suitable entry mode for Kovitra Ltd. is direct exporting for this period of time.

The company has also considered indirect exporting as the next approach as it can see many benefits from indirect exporting such as lowering the logistics costs, manufacturing costs, moreover, local wholesalers usually purchase big quantities and have knowledge of customers as well as local trends in comparison with direct exporting.

4 Conclusion

Nowadays, the term internationalization has become a norm in business world. All firms want to broaden their businesses. However, it is not an easy task for everyone can complete. To be able to reach their potential customers in other countries, firms need an entry strategy but to make the right choice of it, a comprehensive plan has to be prepared. The purpose of this paper was to figure out which market strategy is best for Kovitra to enter German market. In order to do that, the paper was made to firstly focus on the competences of the case company such as its competitive advantages, strengths and opportunities, not forgetting the weaknesses and threats to learn how to improve the company's ability as well as its operations. And by using PESTLE analysis, the author gave the audience an overall look of the target market which is Germany in this case.

Kovitra, a small sized company producing coconut shell charcoal from Vietnam has an ambition of bringing high quality products made in Vietnam to the world and Germany was chosen as its first step towards the big dream.

The biggest advantages of Kovitra are pretty low cost production as the factory located right at the heart of largest coconut farm in Vietnam. The production process itself is not complicated and very environmentally friendly. Unexpectedly, it still produces very high quality and eco-friendly coconut charcoal briquettes. The company intends to focus on a certain group of customers who prior values and quality of the products rather than going all out with all kinds of customers.

According to the analysis, Germany appears to be a very tough market with a great intensity of competition. There is a wide range of competitors from mainly Africa, Indonesia, Sri Lanka and some European countries such as Poland, and also different levels of prices. The toughness of the competition partly causes the price of Cocotorch going down in order to stay competitive although the values of the products are much more than that. Unfortunately, due to the lack of available information, the author was unable to show the insights of coconut charcoal business situation in the target market.

In order to find the best answer for the research questions, multiple theories from many different professors had been applied, Hollensen and Griffin & Pustay were majorly concentrated to analyze the target market and factors that influence the decision of entry mode. Through careful analyzing, the factors apparently point out that low-control methods are the most suitable for small sized firms.

To conclude, from all the factors and information had been collected, it appears that direct exporting is the best entry mode for Kovitra Ltd. for the time being. By applying direct exporting, Kovitra has to accept the fact that the control over the products overseas will be lower, on the contrary, it will prevent the company from suffering risks in different areas such as finance, complex agreements and help it to save resources.

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Phan, T. (2018). Vice Director. Interview 26.6.2018

Phan, T. (2018). Vice Director. Interview 5.7.2018

APPENDIX 1. Interview Transcript

The interviews will be separately conducted based on the aims of study, information for basic analyses and the progress of the work.

The answers will be recorded and written down carefully.

Interviewer: An Pham

Interviewee: Vice Director of Kovitra Toan Phan

I. Interview 1. June 5th, 2018

Background of the company: |

- Firm size
- Financial matters
- Personnel
- Products

II. Interview 2. June 26th, 2018

1. Why would you like to go overseas instead of national expansion as the first step?
2. Why do you choose Germany as your target market?
3. What are competitive advantages of Kovitra compared to its competitors?
4. What are weaknesses and threats that Kovitra is facing in the business in your opinion?

III. Interview 3. July 5th, 2018

1. What kind of entry strategy do you believe will be suitable? Why or why not? (Interviewer explains specific modes)
2. Who do you consider as your company's competitors?