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A STUDY ON FINLAND AS A TARGET MARKET FOR  
VIETNAMESE COFFEE

Degree Programme in International Business  
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The purpose of this thesis was to perform a comprehensive study on Finnish and Vietnamese coffee industry with the notion to understand how Vietnamese coffee would fare in Finnish consumer market. One objective of this thesis was to identify prime reasons why Vietnamese coffee, despite being one of the world leaders in coffee exports has been performing very badly in Finnish market with a very high coffee consumption rate. The other objective of this thesis was to understand the opportunities and threats involved in Vietnamese coffee in Finnish market.

The first part of the thesis involved research on understanding the world coffee market, Vietnamese coffee industry and Finnish coffee consumer market separately. A qualitative approach was used in performing the research and analysis. All necessary data and information used in context was collected through various business portals, webpages, company annual reports, published articles, fact sheets, official statistics and books. Additional necessary calculation was performed on the obtained data in order to make it more precise to the context of the research.

Further, Industry analysis and SWOT analysis was performed for two different cases, viz. Finland as a target market for Vietnamese coffee (general) and Finland as a target market for Vietnamese Robusta coffee. The findings and obtained parameters from those assessment was studied and used to make appropriate understandings of the overall research objectives.

The study figured out that the contrast between coffee type favored by Finnish consumers and that produced in Vietnam was the prime reason for Vietnamese coffee to perform poorly in Finnish market. As Arabica type coffee market is already saturated, Finland does not seem to be an attractive market for Vietnamese Arabica coffee. However, Finnish market could be welcoming and attractive for Vietnamese Robusta coffee, but that is yet to be seen. Finally, based on the entire research and assessments, the thesis was concluded answering research objectives and providing valuable suggestions to existing and future entrepreneurs.

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# 1 INTRODUCTION

Finland has the highest per capita coffee consumption rates in the world at 12.2 kg per year (International Coffee Organization (ICO): Country Data on the Global Coffee Trade 2016). It is considered as one of the biggest coffee market in the world. With almost no coffee production (due to severe and unfavourable weather conditions) and high consumption rate, Finland is mostly a coffee importing nation. Finland imports varieties of coffee products from all around the world and mostly from developing countries. Brazil is the leading supplier of coffee products covering almost 41% of Finnish coffee market with Colombia second in the list with 21% and Honduras, Netherlands, Nicaragua, Sweden, Kenya, Guatemala, Ethiopia and Tanzania respectively among the leading ten exporting countries. (International Trade Centre (ITC): List of supplying markets for a product imported by Finland 2017.)

Quality and standards are most essential aspect of Finnish consumer market and it applies to the coffee products as well. Finnish consumers tend to prefer good quality coffee products and all imported coffee product must ensure a minimum quality assurance standard (CBI 2018). The imported coffee is mostly sold through main Finnish retailers S-Group, Kesko Group and Lidl constituting 90% of coffee retail market (Finnpartnership 2017, 3).

Vietnam is the second biggest coffee exporter in the world. The total coffee exported by Vietnam in the year 2017 was 1.285 million tons of coffee (International Coffee Organization (ICO): Trade Statistics Tables 2018). Vietnam mainly produces Robusta coffee beans. Coffee export is increasing significantly every year in Vietnam. Despite of being the second largest exporter in the world, Vietnam constitutes less than a percent share in one of the biggest coffee markets in the world i.e. Finnish coffee market and the reason to this adverse market condition is unknown at large. This research focuses on the limited understanding of a very small presence of Vietnamese coffee export in Finnish market and tries to uncover its possible opportunities, threats and future profitability. Finally, with all the possible findings, this thesis will provide a basis for understanding the feasibility of Vietnamese coffee export in Finnish market; and aids in decision making for various coffee importing business entities.

## 2 PURPOSE AND IMPLEMENTATION

The main purpose of this thesis is to briefly understand Finnish coffee market in terms of import and consumption; types of coffee exported from different countries to Finland; market share of different types of coffee consumption in Finland; Vietnamese coffee market in terms of export and types of coffee exported; and overall coffee business in the world and in Finland. On the basis of these understanding, a thorough industry analysis (five competitive forces) of Vietnamese coffee in Finnish market will be performed. The feasibility and any possible profitability understandings found from this research will be addressed and finally concluded.

This study is targeted to benefit Finnish importers and foreign exporters in understanding the Finnish coffee market and coffee consumption behaviour in Finland. Additionally, it provides an early insight to new entrepreneurs in the related business to identify possible opportunities and threats and gives them an overview of business potential of importing Vietnamese coffee in Finland.

### 2.1 Motivation

Coffee is one of the primary trading commodities of 21st century. Total coffee export recorded for the month of January 2018 alone was 11.01 million bags. In terms of export, coffee beans are mainly categorised into two groups, namely Arabica and Robusta. ICO statistics for coffee export in 2017 accounts for 77.37 million bags of Arabica and 45.52 million bags of Robusta coffee. (Website of ICO 2018.) Due to delicate flavour and low acidity, Arabica coffee has been very popular and highly demanded around the globe throughout the year. As Robusta coffee is more acidic and has very strong flavour compared to that of Arabica, it is cheaper in price and considerably less demanded (Moncel 2018).

Finnish coffee culture is vibrant. Coffee is consumed all day, every day and everywhere in Finland. Currently, Finland is the highest coffee consuming country in the world with 12.2 kg per year per capita coffee consumption (International Coffee Organization (ICO): Country Data on the Global Coffee Trade 2016; Curtet 2015).

Despite being expensive, Arabica coffee is very popular and mostly favoured in Finnish market. Considerably, the Robusta coffee market has been up in Finland but the overall share in Finnish consumer market remains very low. (CBI 2018.)

Vietnam is currently the second biggest coffee exporter in the world and has been significantly increasing the export every year. The total coffee exports from Vietnam in the year 2017 was 1.285 million tons coffee (International Coffee Organization (ICO): Trade Statistics Tables 2018), and Brazil was the only other nation to export more than that in the same year. Vietnam mainly produces Robusta coffee beans and it constitutes almost 80% of overall Vietnamese coffee exports. Germany and United States of America has been its major importer with approximately 15% and 13% respectively (The paradox of Vietnamese... 2018).

Finland imports less than one percent of its total coffee imports from Vietnam. This fact is incomprehensible in itself and yet correct. It is incomprehensible, in a sense that Finland is world's largest coffee consumer and Vietnam being second largest exporter of coffee, exports just less than a percent to Finland's overall coffee imports. This statistics in itself questions the various theories of demand and supply and is still unanswered. This was the prime factor that motivated and instigated this research.

## 2.2 Objectives

The main objective of this thesis is to analyse the feasibility of Vietnamese coffee in Finnish market and uncover its possible opportunities, threats and future profitability.

The main research questions in this research are as follows:

1. What are the possible reasons for a low import of Vietnamese coffee in Finland?
2. What are opportunities and threats of Vietnamese coffee in Finnish market?

The reason for low presence of Vietnamese coffee in Finnish market will be understood by studying and analysing Finnish coffee market; Finnish coffee

consumption behaviour in terms of taste preferences, price, quality and standards; Vietnamese coffee market; types of coffee produced and exported from Vietnam.

The opportunities and threats Vietnamese coffee in Finnish market is determined using Porter's five forces analysis. It is an essential tool for both start-ups and already established companies. The information gathered from this analysis relates to competition in the market, current trends within the industry and most importantly identifies the attractiveness of an industry in terms of profitability.

### 2.3 Research Method

Qualitative research is concerned with interpretation and understanding and provides a better understanding of the research issues (Eriksson 2016, 4). In qualitative research, the data are collected from interviews and observations to textual and digital data (Eriksson 2016, 83). The interviews and observation data are represented as primary data while the textual & digital data are considered as secondary data (Eriksson 2016, 82).

Various data and information are used to understand current trends and map the future possibilities. These data and information are further analyzed accordingly to predict and determine various aspects within the thesis. All necessary data and information related to Finnish coffee market, Vietnamese coffee market and all possible coffee import, export, consumption and retail sales statistics is extracted through numerous business portals, coffee organizations web pages, available historical data sheets, many published papers and annual reports coffee organizations.

The approach to research in this thesis can be considered as a Qualitative research. In this thesis, the empirical data is collected through textual and digital data. The textual and digital data is related to all written materials available online and in library. The textual data are annual reports, media texts, stories. The digital data is found from business portals and from the web pages of industrial associations and large companies. (Eriksson 2016, 84.)



## 2.4 Analysis

In this research, the collected data is analyzed to obtain the answers to the research questions. Firstly, the data is manipulated by plotting the data and finding the connection to the research questions. Secondly, the secondary data is analyzed through tabulation and graphs.

Furthermore, Porter's five forces analysis is used to determine opportunities and threats and any possibility of profitability is identified.

## 2.5 Reliability and Validity

Reliability refers to how confident the findings are, even after performing the study multiple times it will show a similar result. Validity is the factual stamp of a research, it comprises of all the resources that come from a credible source. (Snape & Spencer 2003, 78.)

This research is performed using official statistics related to the Finnish coffee market and Vietnamese coffee production and export. This information is available in official websites of International coffee organization (ICO) and International Trade Centre (ITC). Apart from them, other credible sources are electronic journals; annual reports of coffee organizations; published papers and news portals; and books.

## 2.6 Research Boundaries

Do's:

- It focuses mainly on
  - Coffee as main product
  - Finland as product importing nation
  - Vietnam as product exporting nation
- This research is strictly based on investigating the opportunities and threats of Vietnamese coffee in Finland.

- It lists all the known reasons behind the low market share of Vietnamese coffee in Finland.
- It provides analysis basis for possible profitability, if any.

Don'ts:

- This research does not discuss about any specific business plan and strategy.
- It considers competitors but avoids detail analysis of risk management.
- It does not consider financial analysis.

## 2.7 Conceptual Framework

Conceptual framework is defined as graphical presentation of the research which shows the relationship between the key concepts or variables. It associates literature with research questions or objectives. (Miles & Huberman 1994, 18.)

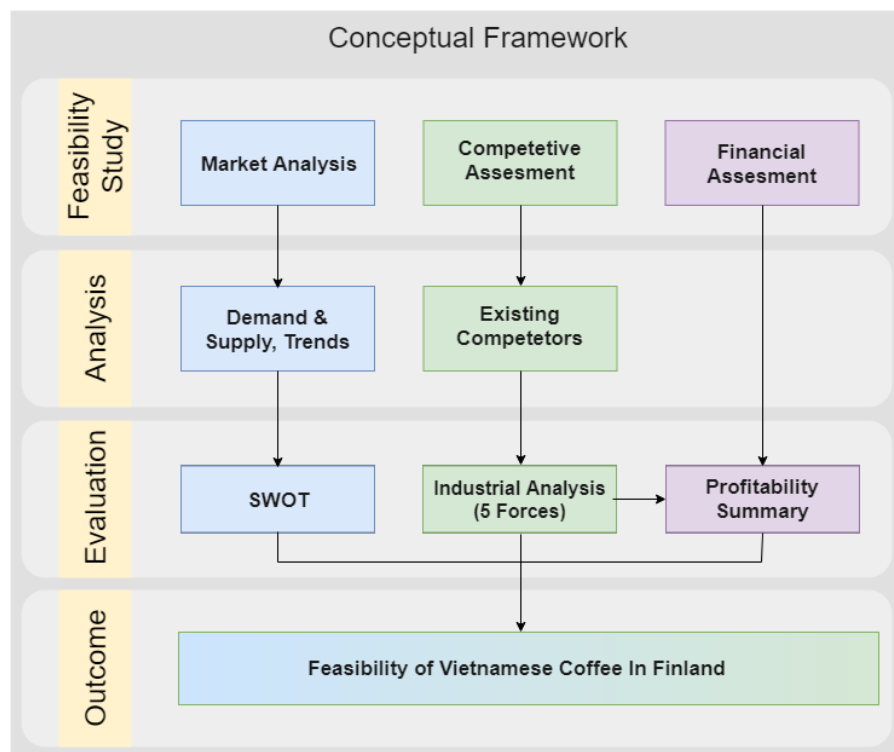


Figure 1. Conceptual Framework of the thesis (Inspired from Nykiel, 2007, 135)

In the Figure 1, conceptual framework of this research is presented. Under feasibility, the components of feasibility study are mentioned. The major components of

feasibility study consist of market analysis, competitive assessment and financial assessment.

The first step is to make a market analysis of Finland in terms of market supply and demand and trends of coffee industry. This analysis provides the overview of market potentiality of Vietnamese Coffee in Finland. For competitive assessment of coffee industry, competitive forces are listed. The forces measure the nature of competition of coffee industry in Finland. The financial assessment helps to determine or predict any profitability of importing coffee from Vietnam to Finland. Eventually, evaluation of opportunities, threats and profitability help to decide feasibility of Vietnamese Coffee in Finland. Moreover, the components of feasibility study are explained in detail in chapter 3.

## 2.8 Organisation of the Thesis

This thesis is divided into seven chapters. Starting with an introduction on the first chapter, the second chapter focuses on motivation, objectives, methodology, conceptual framework and boundaries of the study. The third chapter provides the theoretical framework of the study which is feasibility study.

The fourth chapter presents the overview of global coffee market and focuses on various statistics related to import and export of coffee in global market, popular kinds of coffee and market share. Chapter five provides an overview of Vietnamese coffee industry, coffee production details, export and import statistics along with pricing analysis.

Chapter six starts by understanding Finnish Coffee industry and discusses the market understanding. It details the existing popular brands, retailers & retail prices, market channels and requirements of coffee importing in Finland. It also identifies the key/influencing players of the Finnish coffee market. Then, a thorough industry analysis including further competition assessment is performed in order to understand Finland as a target market for Vietnamese coffee.

From Chapter six's analysis and findings, the reason for poor historical import statistics along with future strength, weakness, opportunities and threats will be briefly discussed. Based on all analysis and discussions, the futuristic possibility of any profitability of Vietnamese coffee in Finnish market will be summarized and finally in Chapter seven, conclusions will be formulated, and recommendations will be made on how the Vietnamese coffee will fare in Finnish market in both short and long terms.

### 3 FEASIBILITY STUDY

The most effective business emerges from a process that consists of identifying a business idea, testing the feasibility of the idea, writing a business plan and launching the business. After identifying a business idea, it is essential to conduct a feasibility study of the business idea. The information obtained from the feasibility analysis helps to develop a business plan. (Barringer & Ireland 2012, 105.)

Feasibility study is the process of determining whether the proposed business idea is viable or not. It is an assessment of a potential business rather than a strictly a product or service idea (Barringer & Ireland 2012, 105). It is done to make an analysis for finding whether a business idea fulfils objectives of investor or not. For instance, the profitability of a specific restaurant business is analysed in terms of the criteria of specific market or investor. The feasibility study is conducted to collect relevant information regarding the specific market. It also helps to find the projections of the total cost of project, achievable income, probable operating expenses, requirements for cash flow and rate of return to the investor or entrepreneur. (Nykiel 2007, 131.)

Generally, Feasibility study concerns the primary issues of the business concept. It helps to find whether the business concept or idea will make sense or not. It means whether the business can adjust to specific market or not alongside the measurement of achievable economy of the future business or existed business. (Bryce 2018.)

It is very essential for investor or entrepreneur to note the following advantages of conducting the feasibility study for a project (Taylor 2013):

1. Feasibility study analyses the market demand for product or service and provides a basis for potential consumer offerings.
2. Feasibility study provides an opportunity to classify available resources for a business and estimate resources required for the business. This helps entrepreneurs with a chance to reallocate budget when changes or improvements are required.

3. Feasibility study provides knowledge about whether the market is already saturated with stronger competitors or not. It also helps to discover any potential legal barriers.
4. Feasibility study validates a prospective timeline for a project. Data collected throughout the project helps an entrepreneur to set milestones and deadlines for the business.

The way to conduct a feasibility study of an industry is to investigate and build a relationship between three significant process which are illustrated in Figure 2. The first process is looking within the project. It helps to provide insight of the development and relations of the information collected. The second process is looking around the specified market. It provides the information of the overview of the market which includes the key players existing in the market. The final process is very important and links with two other process which is looking ahead. It helps to find the trends of the product/services, future developments and competitions. (Nykiel 2007, 139.)

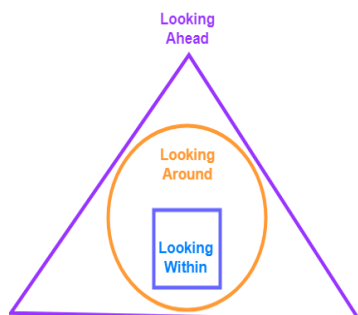


Figure 2. Investigative Process of feasibility study (Nykiel 2007, 139)

### 3.1 Market Analysis

Market analysis is an assessment which allows the investor or entrepreneur to determine the suitability of a specific market of the industry. It helps to collect the information regarding growth trends, changes in demand and prices. The information collected through the analysis helps to determine the specific market and the attractiveness of the market from a financial standpoint. (Nykiel 2007, 134.)

Market analysis is essential for investigation of both current market trends and future market predictions. It can be beneficial to startup, expansion or reevaluation of the current market because it helps to ascertain the attractiveness of the market. It provides the holistic view of the market which shows the well-rounded picture of the potential market for an industry. The major components in this analysis includes Industry attractiveness and Target market attractiveness (Barringer & Ireland 2012, 114).

### 3.1.1 Industry Attractiveness

Industries differ in terms of their overall attractiveness. The most attractive industries possess certain characteristics. The major characteristics that the attractive industries hold are the industries which are growing rather than shrinking, industries which are fragmented rather than concentrated and industries which are selling products or services that customers “*must have*” rather than “*want to have*”. (Barringer & Ireland 2012, 114.)

When preparing for start-up or expansion of the business, in-depth analysis of the industry is conducted (Barringer & Ireland 2012, 115). For example, to determine the attractiveness of a café business, the business must focus on demand of the varieties of coffee, the trends and preference of the people of the city, growth rate of coffee business, anticipated growth of the café and most importantly sustainability of the café business in that specific geographic market.

### 3.1.2 Target Market Attractiveness

A target market is a place within a larger market segment that represents a narrower group of customers with similar needs. Most of the start-ups lack the complete resources to compete in a broad market and hence should focus on a small market segment. This helps to avoid huge competition with industry leaders. This also helps to focus in serving specialized markets very well. (Barringer & Ireland 2012, 115.)

Target market needs to be narrowed significantly in order to obtain a more balanced analysis. Considering the previous example of café business, target market can be

narrowed down for example, Finland and specifically the capital region and Helsinki city and more narrowing it to be on the busiest street of Kamppi. Now, the task is to make an analysis of the selected market. The analysis consists of the information of the population of that city and more specifically the population during each business hour at that specific location and the potential café customers.

Industrial attractiveness and Target market attractiveness serves as major ingredients in market analysis. Market analysis eventually helps in identifying potential market for startups and possible expansions for companies. It also provides an overview of industry attractiveness and its potential growth with/in the market.

### 3.2 Competitive Assessment

The competitive assessment helps to provide important information regarding supply and demand of overall products or services that directly or indirectly compete with the proposed business. It tends to collect information about potential competitors existing in the market. Collected information from the competitive assessment helps in better understanding of the existing competitors and certainly help to create a unique product. (Nykiel 2007, 135). To understand the depth of the competitive assessment, industry analysis is done. Industry analysis is often called Five forces model. It is developed by professor Michael Porter. (Barringer & Ireland 2012, 178.)

#### 3.2.1 Porter's Five Forces model

One of the best ways to determine the nature of the competition is to do the industry analysis. Porter's five forces is one of the best tools for it. It evaluates the competition environment in relation to five key forces, viz.: *threat of competitive rivalry*, *buyers' power*, *suppliers' power*, *threat of new entrants* and *threat of substitutes*. These five key forces affect company's profitability and makes a significant influence on its strategy (Barringer & Ireland 2012, 178). The Porter's five forces model is illustrated in Figure 3.



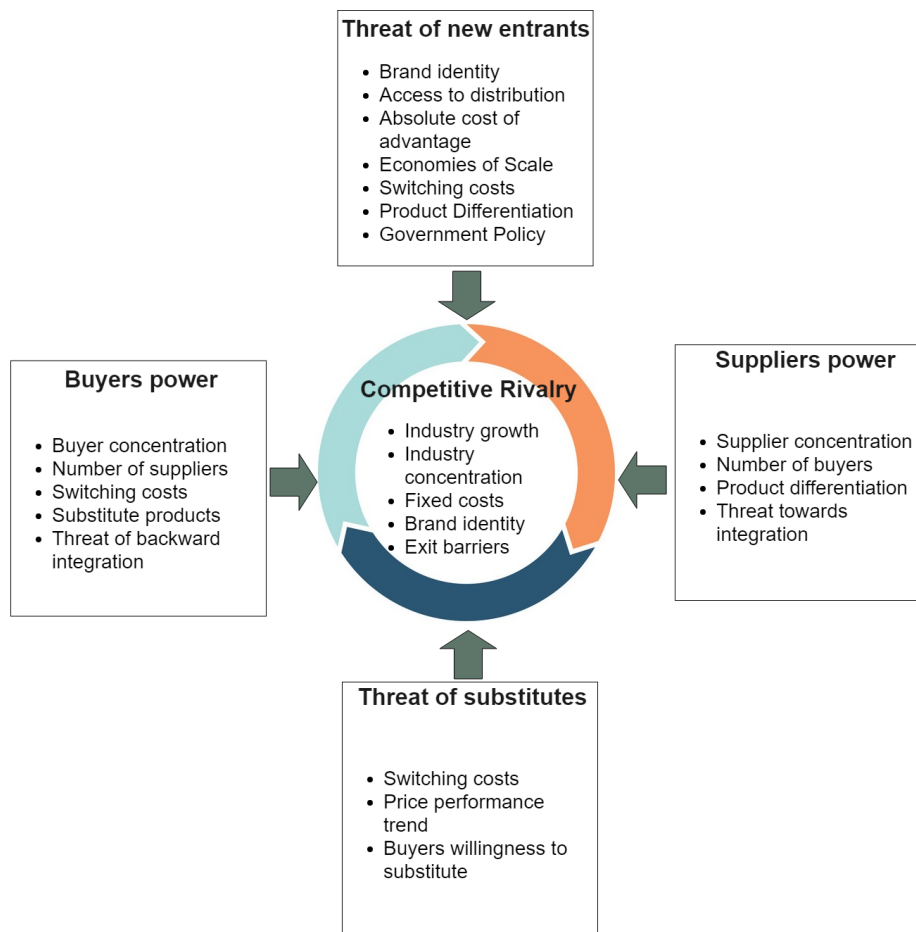


Figure 3. Michael Porter's five forces model (Subhash 2001, 93)

### *Bargaining Power of buyers*

The bargaining power of buyers is the capacity of consumers to influence product pricing, quantity and quality. The customers tend to have more bargaining power if they have many alternatives to satisfy their needs. The customers' high bargaining power results in a very stiff competition among companies within an industry (Kotler 2003, 243). However, companies can take some measures to reduce the customers' bargaining power by introducing a loyalty program in their strategy.

### *Bargaining Power of Suppliers*

The bargaining power of suppliers is defined as the ability of suppliers to dictate terms, set prices and determine the availability of resources needed by companies to satisfy their customers' needs. More power is acquired when number of suppliers is low

(Kotler 2003, 243). The bargaining power of suppliers might however be affected by other factors such as (Jeyarathmm 2008, 73);

- Supplier substituting of inputs
- Influence of inputs on cost and differentiation
- Presence of substitute inputs
- Supplier concentration to firm concentration ratio
- Employee solidarity (e.g. labor unions)
- Strength of distribution channel

#### *Threat of New Entrants*

Money-making industries that produce high revenues entices new organizations. The easiness of new companies entering the industry can affect market dynamics and hence directly affects the profitability (most probably in a decreasing slope) essential to retain the industry in business. (Jeyarathmm 2008, 71)

The best set-up for a new organization is to have low exit barriers with a very high entry barrier (Barringer & Ireland 2012, 179). This ensures that not many companies will enter the industry and hence the industry profitability maintains. Barrier for new entrants includes (Keegan & Schlegelmilch 2001, 334);

- Government laws
- Patents and proprietary knowledge
- Economies of scale
- High initial investment
- Devotion to existing brand
- High switching costs for consumers
- Strain in acquiring raw materials and distribution channels.

#### *Threat of substitute Products or Services*

The possibility of products or services being substituted by another product or services is high when rival companies offer more attractive products at a lower cost. The more the replacement that exists for a product/service, the lower the company's

competitiveness to that product or service. This provides an extra benefit to the consumers to make easy and cheap substitution resulting in weakening of the company's profitability. (Kotler 2003, 335; Barringer & Ireland 2012, 179.)

#### *Competitive Rivalry Among Existing Firms*

This refers to a level of competitiveness among existing companies in the industry. The more the number of companies competing in the industry, the more the competitive pressure. This reduces the pricing, requires consistent change of strategy and diminishes profitability. If the rivalry is very intense, then companies may try to acquire profit and market share from one another (Jeyarathmm 2008, 73-74). Some companies may even end up having little or no power in its own industry, if there are varieties of quality products offered in the direct competition market. The availability of various products from different companies in the same industry, allows customers to easily switch from one option to another according to their preferences. This then requires companies to develop attractive policies to attract more customers towards their product (Keegan & Schlegelmilch 2001, 336). Whereas, in the absence of rivalry, companies have the luxury to be able to freely set prices and profit margins without being dictated by what the customers finds attractive. (Barringer & Ireland 2012, 181.)

#### 3.2.2 The Value of the Five Forces Model

The five forces model assess the attractiveness of an industry through determining the level of threat to industry profitability for each of the forces, as shown in Table 1. The level of threat can be identified through filling the form shown in Table 1. For example, if a company fills the form and finds that the threat to industry profitability is high, then the firm might consider to not entering the market and vice versa. For example, in the café business, the threat of substitutes, threat of new entrants and the rivalry among existing firms are high. For some café selling specific and very low available coffee products, the bargaining power of suppliers also may be high when there are more generic coffee suppliers than specific suppliers. Therefore, most of the five forces exist in café business. To operate successfully, the café needs to establish favorable

position in the market by diminishing the level of threats. (Barringer & Ireland 2012, 179.)

Table 1. Determining the attractiveness of an industry using the five forces model (Barringer & Ireland 2012, 179)

<b>Threat to Industry Profitability</b>			
<b>Competitive Force</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Bargaining power of buyers			
Bargaining power of suppliers			
Threat of new entrants			
Threat of Substitutes			
Rivalry among existing firms			

Instructions:  
 Step 1 Select an Industry.  
 Step 2 Determine the level of threat to industry profitability for each of the forces (low, medium, high).  
 Step 3 Use the table to get an overall feel for the attractiveness of the industry.  
 Step 4 Use the table to identify the threats that are most often relevant to industry profitability.

### 3.3 Financial Assessment

Financial assessment involves the collection of diverse information on cost and value of the business (Havard 2014, 12). It is the final stage of the feasibility analysis. A quick financial assessment is enough because the business environment will evolve (Barringer & Ireland 2012, 119). At this stage of feasibility analysis, the business considers the total start-up cost needed; financial performance of similar businesses and the overall attractiveness. First one to three years projected financial statements is necessary while shifting to business planning stage. (Barringer & Ireland 2012, 119-120)

#### 3.3.1 Total Start-Up Cash Needed

An actual budget needs to be allocated by start-up which lists all the capital purchases and operating expenses required to operate a business. After budgeting, the financing information of capital investment is mentioned. The money for start-up can be passed through investors, friends & family, raised from credit cards or a home equity line of

credit. In the start-up projection, the costs involved is overestimated rather than underestimated. (Barringer & Ireland 2012, 119.)

### 3.3.2 Financial Performance of Similar Businesses

The start-up's potential financial performance is estimated and compared to the similar business that exist within the same industry. The outcome from the estimation and comparison is approximated. The sales and income data of similar businesses is required to make a cost estimation of the proposed business. (Barringer & Ireland 2012, 120.)

### 3.3.3 Overall Financial Attractiveness of the Proposed Business

The overall financial attractiveness of the proposed business is based on its projected sales and profitability. A precise cost estimation is possible with the preparation of projected financial statements. The financial statements include first one to three years projected statements of cash flow, income statements and balance sheet. But these projections are usually required in the business planning stage rather than in feasibility analysis. (Barringer & Ireland 2012, 120.)

## 3.4 Discussion

The feasibility study is a tool that studies a market, competition and financial aspects of a business environment. It helps to decide whether to invest in the business idea or not. It is a concept that analyses and evaluates the factors of risks and uncertainty of a dynamic environment. It serves as solid foundation for developing a business plan. The aim of the study is to facilitate the functioning of feasibility tool based on specific principles and mechanisms of competitive economy. The result from the studies tends to show the feasibility of a business to operate in a new environment.

## 4 COFFEE INDUSTRY

Coffee is the second most trading commodity behind crude oil. It's worth is over \$100 billion worldwide. It even stays ahead of other popular commodities like natural gas, processed oil, sugar and corn. Coffee plays an important role in economic development of the global market. It has created 25 million employment opportunities for citizens. (Wevio, 2015.)

Coffee is a seed from coffee plant and is sometimes called cherry or bean. There are many different species of coffee beans produced around the world. Arabica and Robusta are the most common and popular among all beans. Besides the appearance, Arabica and Robusta coffee shares no similarities. They both grow in different climate conditions and the size and shape of beans vary a lot among them. They vary among each other from taste to caffeine and chlorogenic acid (CGA) concentration to the Lipid and sugar content. The pollination mechanism differs between them and so does the number of chromosomes within. (Coffeechemistry.com 2015.)

Table 2. Differences between the two most popular coffee beans, Arabica and Robusta. (Coffeechemistry.com 2015)

Differences in coffee beans		
	ARABICA	ROBUSTA
<b>Environmental Conditions</b>		
Altitude (m)	600 - 2200	0 - 800
Rainfall (mm)	1200 - 2200	2200 - 3000
Temperature (°C)	15 - 24	18 - 36
<b>Bean Shape</b>		
Shape	Elliptical	Round
Size	Larger	Smaller
<b>Taste</b>		
Taste	Fragrant and sweet	Bitter
<b>Caffeine and Chlorogenic Acid</b>		
Caffeine (%)	1.2	2.2
Chlorogenic Acid (%)	5.5 - 8.0	7.0 - 10.0
<b>Lipid and sugar content</b>		
Sugar - sucrose (%)	6 - 9	3 - 7
Lipids (%)	15 - 17	10 - 11.5
<b>Pollination</b>		
Mechanism	Self	Cross
Mutations	Less	More
Variation	Less	More
<b>Chromosomes</b>		
Count	44	22

#### 4.1 Coffee Production

The coffee production in the world has been drastically increased in the recent years. Technological advancement and globalization has enhanced the growth of coffee production. In the crop year 2000/2001, the world coffee production was 113 million 60kg bags i.e. 7 million tons approx. Global coffee production in the year 2017 was 158 million 60kg bags i.e. 9.4 million tons. Out of which, 97 million was Arabica and 61 million was Robusta (International Coffee Organisation (ICO): Trade Statistics Tables 2018). This shows that during the last 17 years, the production of coffee has increased by around 40% as compared to that of 2000/2001.

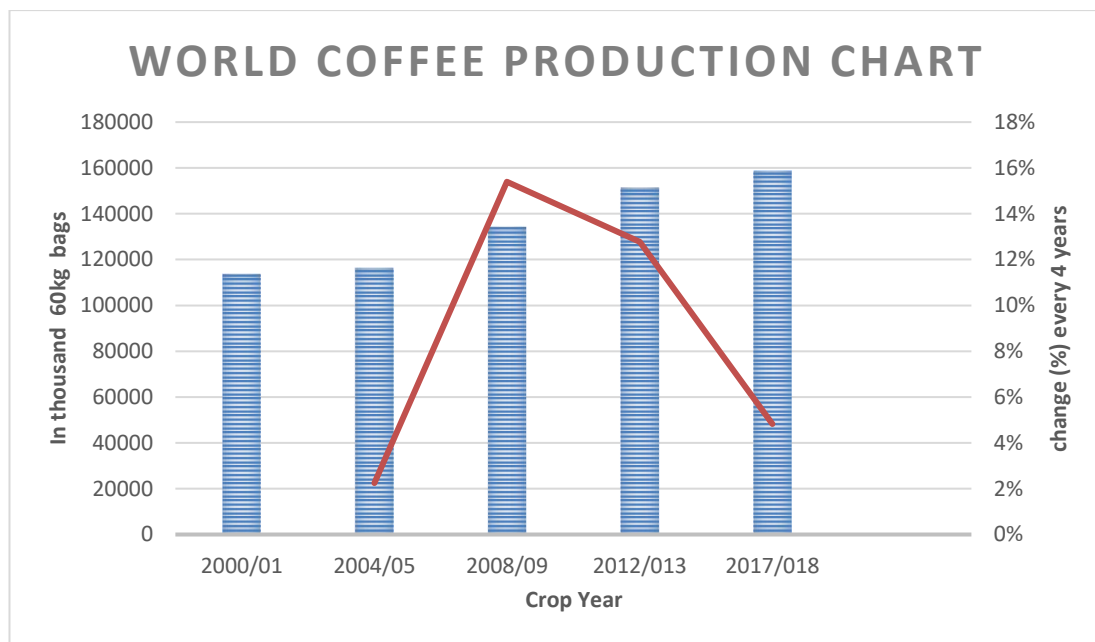


Figure 4. Total Production by all exporting countries for various crop year from 2000/01-2017/018 at an interval of 4 years (International Coffee Organisation (ICO): Trade Statistics Tables 2018)

The Figure 4 shows the world coffee production for the last 18 years in intervals of 4 years each starting from 2000/01. The production of coffee was increased by 2% in the first crop year interval of 4 years, then by 15% in the year 2008/09 as compared to that of the year 2004/05, then by 13% and 5% in the third and fourth interval respectively. The percentage of production decreased in the last crop year interval to 5%. However, the growth of coffee production has been increased every year and compared to the production data in year 2000/01, the production has increased by a huge 40% margin.

Coffee are produced in around eighty countries in the world. Most of the coffees are produced in South and Central America; the Caribbean; Africa and Asia. Arabica is the most produced coffee and it covers three-quarters of the total productions of the world. It is mostly grown in Latin America, Central and East Africa, India and Indonesia. Robusta coffee is next most produced coffee and is mostly produced in West and Central Africa and throughout South-East Asia. (Mishra & Slater 2012, 1-17.)

Table 3. World's largest coffee producers crop year 2015-2017. (International Coffee Organisation (ICO): Trade Statistics Tables 2018)

Countries (Continent)	Crop Year	Total Production in thousand 60kg bags		
		2015	2016	2017
<i>Brazil (S. America)</i>		52 426	56 764	51 000
<i>Vietnam (Asia)</i>		28 737	25 540	29 500
<i>Colombia (S. America)</i>		14 009	14 634	14 000
<i>Indonesia (Asia)</i>		12 535	11 491	10 902
<i>Honduras (C. America)</i>		5 786	7 457	8 349
<i>Ethiopia (Africa)</i>		6 714	7 297	7 650
<i>India (Asia)</i>		5 800	5 200	5 840
<i>Uganda (Africa)</i>		3 650	4 962	5 100
<i>Peru (S. America)</i>		3 304	4 223	4 280
<i>Mexico (N. America)</i>		2 903	3 781	4 000

The Table 3 shows that most of the coffee producing nations are developing countries. In the year 2017, Brazil has topped the list of coffee producing nations with the overall production of 51 million 60kg bags. Vietnam is the second highest producer with 29.5 million 60kg bags. Other significant producers are Colombia, Indonesia, Honduras, Ethiopia, India, Uganda, Peru and Mexico and are ranked third to tenth respectively.



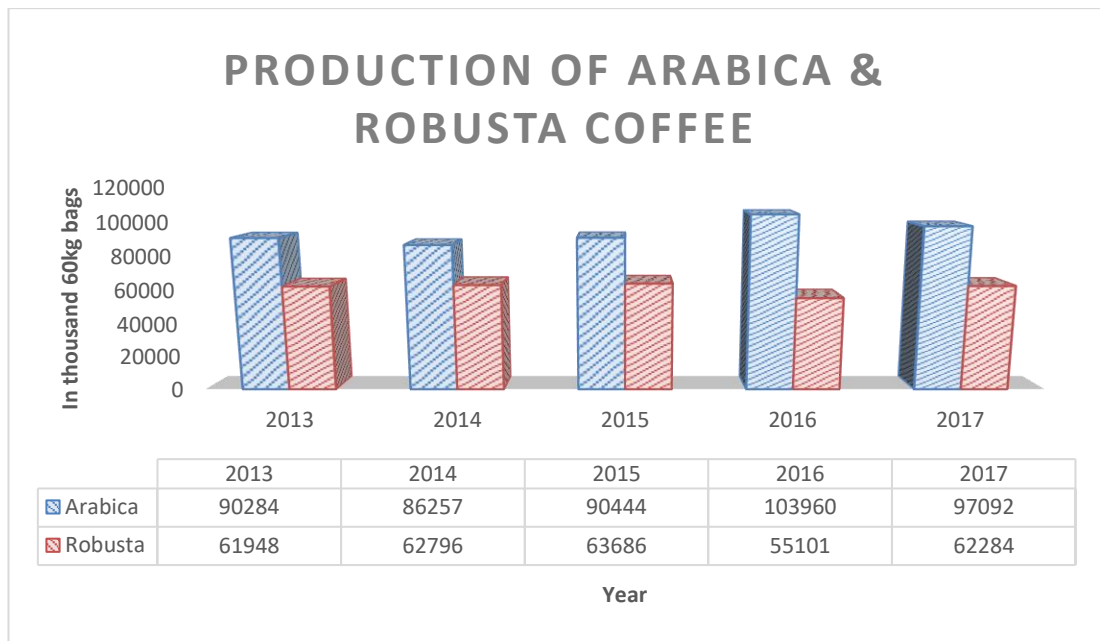


Figure 5. Production of Arabica & Robusta from 2013 to 2017 (Website of the ICO 2018)

Figure 5 depicts the yearly production of Arabica and Robusta coffee for the last 5 years. The Arabica production shows a fluctuating trend with approximately 2% increase or decrease every year with highest production coming in year 2016 with 100 million 60kg bags produced. Robusta, similarly has a consistent rising, falling and again rising trend with the highest production coming in the year 2015. Analyzing the last 5 years data, Arabica is on a constant trend with a positive 4% change whereas Robusta has seen a very tiny rise of less than 0.5%.

Even though the production of specific types of coffee has been fluctuating with a very small and consistent rise and fall, the world coffee production has increased consistently. The production of coffee in most of the countries is being increased with the most increase been seen particularly in Asian and African nations. This increase in production can be seen as a growing potential for various Asian and African countries to export coffee.

#### 4.2 Main Coffee Exporters

Coffee is the second biggest exporting commodity in the world after oil. In 2017, the total value worth of coffee export was \$32.7 billion. Brazil is the biggest exporter of

coffee with 14.1% of total (monetary) value of coffee exports in the year 2017 (Workman 2018). The total quantity of coffee exported was 30 million 60kg bags. Vietnam is a second biggest coffee exporter which accounts 10.7% of total coffee export value which is \$3.5 billion. The total quantity of coffee exported by Vietnam during the year 2017 was 2.3 million 60kg bags. It is the fastest growing exporter considering in the period from 2013 to 2017 and accounts for 36.7% increment during that period. (Workman 2018.)

Table 4. Top Five Coffee Exporters crop year 2014-2017 (International Coffee Organisation (ICO): Trade Statistics Tables 2018)

<b>Top Five Coffee Exporters</b> in thousand 60kg bags					
Countries (Continent)	Year	2014	2015	2016	2017
<i>Brazil (S. America)</i>		36 429	37 018	34 267	30 638
<i>Vietnam (Asia)</i>		26 097	20 655	27 568	23 209
<i>Colombia (S. America)</i>		10 954	12 716	12 831	12 985
<i>Indonesia (Asia)</i>		6 175	8 379	6 545	8 198
<i>India (Asia)</i>		5 131	5 262	6 086	6 542

Table 5. Top Ten Coffee Exporters by revenue year 2017 (Workman 2018)

<b>Top Ten Coffee Exporters</b> in billion US\$ % world coffee export revenue		
Countries (Continent)	Year	2017
<i>Brazil (S. America)</i>		4.6 14.1
<i>Vietnam (Asia)</i>		3.5 10.7
<i>Germany (Europe)</i>		2.64 8.1
<i>Colombia (S. America)</i>		2.58 7.9
<i>Switzerland (Europe)</i>		2.2 6.9
<i>Italy (Europe)</i>		1.6 5
<i>Indonesia (Asia)</i>		1.19 3.62
<i>Honduras (N. America)</i>		1.16 3.6
<i>France (Europe)</i>		1.07 3.3
<i>Belgium (Europe)</i>		0.9 2.9

Table 4 shows top five countries with most coffee exports by weight for the year 2014 to 2017 and Table 5 shows top ten countries by revenue in world coffee exports. Both statistics show Brazil and Vietnam taking the first and second position respectively in both categories. The revenue data surprisingly reveals Germany in third place with

Switzerland, Italy, France and Belgium being other European members on the top ten list, even though these nations are very low on coffee production.

In terms of global coffee exports, Arabica and Robusta coffee accounted for 62% and 38% respectively in 2012-2016. Looking at the recent statistics, Arabica has a significantly higher market share than Robusta, but considering the market share change in the last 20 years, Arabica has managed to increase the market share by 38% whereas a very significant increase of 95% was recorded by Robusta coffee exports in the same two decades. The only reason for this huge growth of Robusta coffee exports was the 238% increment of Asian coffee exports (particularly Vietnamese export) within the year 2012 and 2016. This could be an indication that the demand for Robusta Coffee is increasing at a faster pace. (International Coffee Organization 2018, 10-12.)

#### 4.3 Coffee Consumption

Most of coffee export belongs to the developing nation. Meanwhile, the most coffee consuming countries are from developed nations. Global coffee consumption in the crop year 2016/017 was 159 million 60kg bags. It has been increased by 6.6% from the crop year 2013/014 to 2016/017 (International Coffee Organisation (ICO): Trade Statistics Tables 2018). In the figure 6, out of global coffee consumption, Europe alone has consumed the highest, accounting 33% of overall consumption of the world.

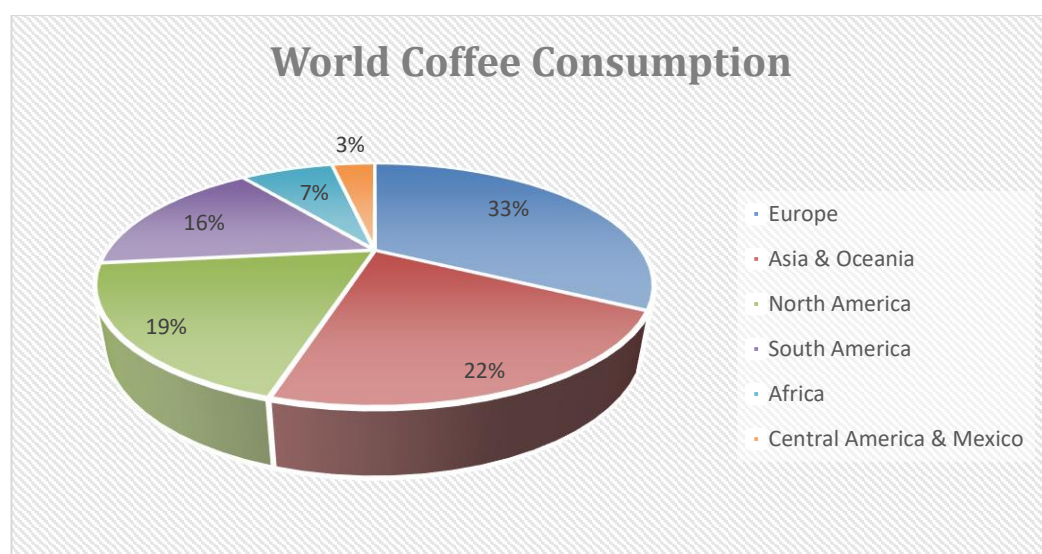


Figure 6. World Coffee Consumption (Author Calculation; International Coffee Organisation (ICO): Trade Statistics Tables 2018)

The total import of coffee in the year 2017 was 126 million 60kg bags. It has been increased by around 5% from the crop year 2014 to 2017. The highest import was made by the European Union and in the crop year 2016/017 it was 79 million 60kg bags. The increment of import rose to 4% from 2014 to 2017. This shows a growing trend in European coffee market and signals a further rise in near future. (International Coffee Organisation (ICO): Trade Statistics Tables 2018.)

The top five highest coffee consuming countries are from Europe. Those countries are Finland, Norway, Iceland, Denmark and Netherlands. The per capita coffee consumption of these countries is listed in the Table 8.

Table 6. Top Five Coffee Consuming Nations (Smith 2017)

<b>Top Five Coffee Consuming Nations</b>		<b>Per Capita Coffee consumption (kg/capita)</b>	
Countries (Continent)	Year	2017	
<i>Finland (Europe)</i>		12.0	
<i>Norway (Europe)</i>		9.9	
<i>Iceland (Europe)</i>		9.0	
<i>Denmark (Europe)</i>		8.7	
<i>Netherlands (Europe)</i>		8.4	

#### 4.4 Discussion

Coffee industry is trending highly and doing very good business around the world. Brazil and Vietnam are fore runners in terms of coffee production, export and market share by revenue. European union remains highest importer of coffee with Nordics amongst the highest consumer per capita. Finland secured the tag of the highest coffee consuming nation in the world. Arabica and Robusta types are the most popular ones in terms of export, import and consumption. Considerably, the volume of Arabica coffee imports is higher than Robusta coffee. European union, the rest of Europe, North and South America tends to import Arabica coffee more than Robusta Coffee, whereas Robusta is favored in Asia, the middle east and Africa (International Coffee Organization 2018, 11). This relates in a way that the high-income countries prefer Arabica and middle- & low-income countries prefers Robusta coffee.

## 5 VIETNAMESE COFFEE INDUSTRY

Vietnam is geographically located in northern hemisphere with a tropical climate. Tropical climate is very suitable for growing coffee beans. Coffee tree was first introduced by Frenchmen in Vietnam in the year 1857. The coffee plantation was founded for the first time in 1888. The coffee industry in Vietnam started to grow after East Germany signed the coffee procurement agreement with Vietnam in 1975. (Website of the Research and Markets 2017.)

Now, coffee is one of the dominant agricultural commodities of Vietnam. Coffee industry has played very important role in Vietnamese economy by providing millions of job opportunities. Vietnam produces approximately 2 million tons of coffee every year and exports 1.8 million tons every year (International Coffee Organisation (ICO): Trade Statistics Tables 2018). The value worth of \$3.21 billion of coffee has been exported by Vietnam in the year 2017 alone (Coffee exports target doubling... 2018). This depicts that Vietnamese coffee is very popular and by the ICO statistics Vietnam is the second largest coffee producer and exporter in the world.

### 5.1 Production

Vietnam holds the strong production capacity of coffee beans. The coffee plantation of Vietnam during 1975 to 2010 was increased from 134,000 hectares to 513,000 hectares (Website of the Research and Markets 2017). Since 1990 the coffee production grew by 20% to 30% every year (Summers 2014). At present, to meet the world's coffee demand Vietnam has been expanding the plantation area to cultivate more coffee. The coffee output of Vietnam has been mainly Robusta and it accounts for 96% of the total coffee production, leaving Arabica to only 4% (Tran 2018). As the consumption of Arabica is very high in developed nations in the west specially in Europe, Vietnamese coffee export is primarily targeted to other developing countries. Despite of its low Arabica production, Vietnam is slowly adopting the production of Arabica coffee beans, in order not to get boycotted from the Arabica coffee market in the world. However, the prime focus stays in introducing and promoting its Robusta to the developed nation.

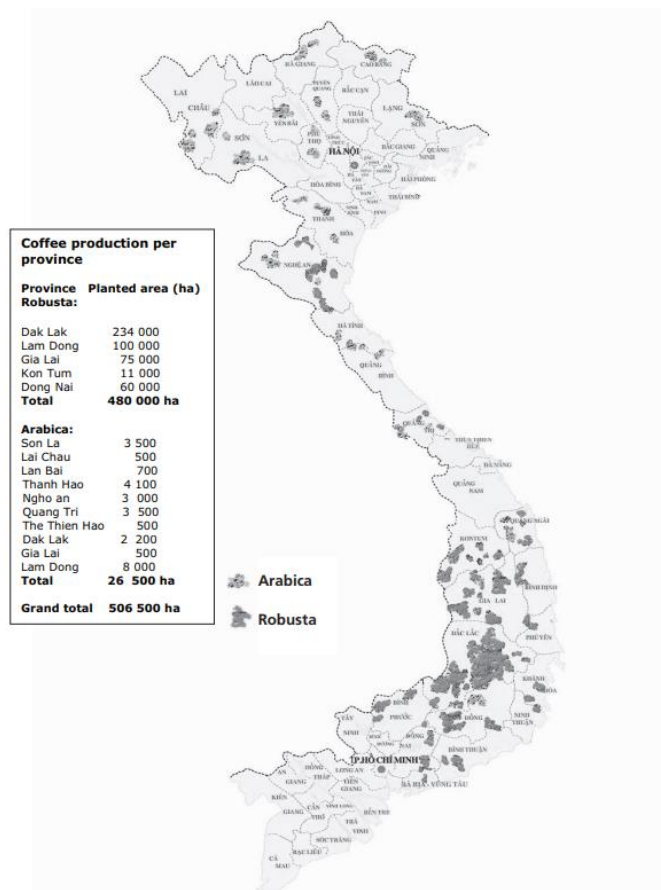


Figure 7. Coffee Production per Province in 2003/04 (Marsh 2007, 10-11)

Figure 7 shows the coffee production provinces in Vietnam. The darker granules represent plantation of Robusta Coffee and the lighter ones represent Arabica plantation. Coffees are mostly produced in Central highlands of Vietnam. Figure 8 also shows that most of the Robusta coffee plantation is in Central highlands and the Arabica plantation on the northern part of Vietnam. The top coffee producing province in Vietnam are Dak Nong, Lam Dong, Dak lak, Gia Lai, Kon Tum, Dong Nai, BR-VT and Binh Phuoc. One of the highest coffee plantation area among these provinces is Dak Lak which has the coffee-plantation area of 190,000 hectares. There has been an increment of area of coffee production in Vietnam from 476,900 hectares in year 2000 to 584,600 hectares in 2013. The total coffee production was also increased from 1 million tons (14.8 million 60kg bags) to 2 million tons (27.6 million 60kg bags) in the same time period (International Coffee Organisation (ICO): Historical Data on the Global Coffee Trade 2018).

Table 7. Estimates of Vietnam's Coffee areas by Province (Tran 2017)

Vietnam's Coffee areas by Province in hectares			
Province	Year	2015/16	2016/17
<i>Dak Lak</i>		209 000	190 000
<i>Lam Dong</i>		154 000	162 000
<i>Dak Nong</i>		126 000	135 000
<i>Gia Lai</i>		80 000	82 500
<i>Dong Nai</i>		21 000	21 000
<i>Binh Phuoc</i>		16 000	16 000
<i>Kon Tum</i>		14 000	13 500
<i>Son La</i>		12 000	12 000
<i>Ba Ria – Vung Tau</i>		15 000	15 000
<i>Quang Tri</i>		5 050	5 000
<i>Dien Bien</i>		4 500	4 500
<i>Others</i>		5 700	5 700
<b>Total</b>		<b>662 250</b>	<b>662 200</b>

Table 7 shows estimates of Vietnam's coffee areas by province during the crop year 2015/16 and 2016/17. It shows that Dak Lak, Lam Dong, Dak Nong and Gia Lai has been the major provinces responsible in contributing to the Vietnamese coffee economy.

The total coffee production in the crop year 2016/17 was 26.7 million 60kg bags, out of which, Robusta coffee production was 25.6 million 60kg bags and Arabica comprises of 1.1 million 60kg bags (Tran 2018). This makes Robusta production 96% and Arabica 4% of the total coffee production in Vietnam as shown in Figure 9.

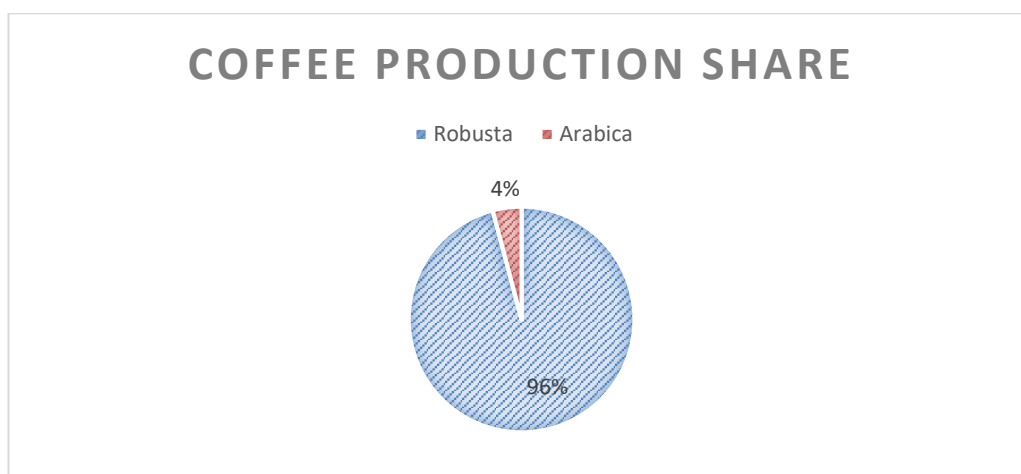


Figure 8. Percentage share of production of Robusta and Arabica in Vietnam (Tran 2018)

## 5.2 Trade Exports

In the recent years, the demand of Vietnamese coffee has been increasing and as a result a steady growth of its export is well noticed. Vietnamese coffee export accounts for 1.42 million tons worth \$3.21 billion US dollar in 2017 (The paradox of Vietnamese... 2018).

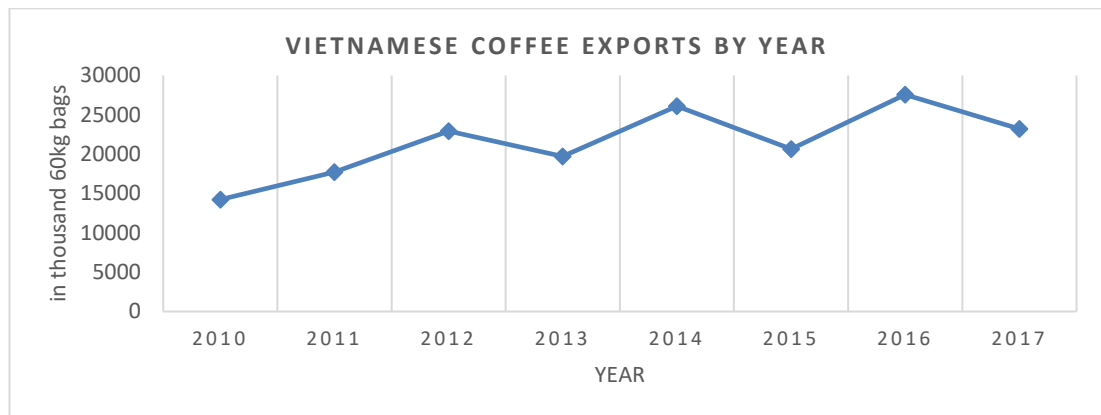


Figure 9. Vietnamese Coffee Exports from 2010 to 2017 (International Coffee Organisation (ICO): Historical Data on the Global Coffee Trade 2018)

Figure 9 shows the yearly total Vietnamese coffee export from 2010 to 2017. It is seen that the coffee export has been increasing and decreasing throughout the observation period and in overall the export has been increased by 63% in just the last 8 years.

The popularity of Vietnamese coffee has been increasing along with its quality and production. There are around 75 countries which imports Vietnamese coffee beans. The largest importers of Vietnamese coffee beans are United States of America and Germany with the market shares of 13% and 15% respectively (The paradox of Vietnamese... 2018). Other significant importers of Vietnamese coffee beans are Belgium, Italy and other European countries. European Union alone is responsible for the 43% of the country's total coffee export in the year 2017 which is valued about US\$ 986.9 million approximately (EU tops the list... 2017).



Table 8. Vietnamese coffee import from year 2012 to 2016 by country (International Trade Centre (ITC): List of importing markets for a product exported by Viet Nam 2016)

Importers	Vietnamese Coffee Import Yearly Data									
	2012		2013		2014		2015		2016	
	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
Germany	207966	12.15	184832	14.56	248531	15.10	190698	14.85	272330	15.97
USA	201733	11.79	139182	10.97	162089	9.85	153567	11.96	232140	13.61
Italy	104449	6.10	83385	6.57	118348	7.19	104941	8.17	135340	7.94
Spain	106412	6.22	96571	7.61	112433	6.83	116318	9.06	115222	6.76
Japan	75843	4.43	76812	6.05	72912	4.43	81113	6.32	100637	5.90
Belgium	62403	3.65	45229	3.56	108448	6.59	61491	4.79	86481	5.07
Algeria	29196	1.71	28989	2.28	46653	2.83	36793	2.87	64050	3.76
Area Nes	305256	17.84	148938	11.74	229076	13.91	99000	7.71	59926	3.51
Russian Federation	34240	2.00	36907	2.91	46781	2.84	42528	3.31	56793	3.33
Mexico	42521	2.48	33152	2.61	20884	1.27	16912	1.32	52077	3.05
India	29788	1.74	30746	2.42	41338	2.51	26886	2.09	44504	2.61
UK	35994	2.10	40750	3.21	41418	2.52	32003	2.49	43030	2.52
France	36369	2.13	35154	2.77	43161	2.62	32647	2.54	40102	2.35
Philippines	36479	2.13	28895	2.28	28233	1.71	22049	1.72	37156	2.18
Thailand	28090	1.64	9101	0.72	33399	2.03	20016	1.56	36631	2.15
Ecuador	41836	2.44	23096	1.82	34921	2.12	24755	1.93	33613	1.97
China	41439	2.42	26651	2.10	26158	1.59	18255	1.42	33101	1.94
Korea, Republic of	34210	2.00	34180	2.69	32441	1.97	27617	2.15	30839	1.81
Malaysia	21598	1.26	17426	1.37	26311	1.60	18591	1.45	28139	1.65
Netherlands	17241	1.01	13508	1.06	13748	0.84	13247	1.03	16908	0.99
Others	218101	12.75	135559	10.68	159028	9.66	144312	11.24	186133	10.92
World	1711164	100.00	1269063	100.00	1646311	100.00	1283739	100.00	1705152	100.00

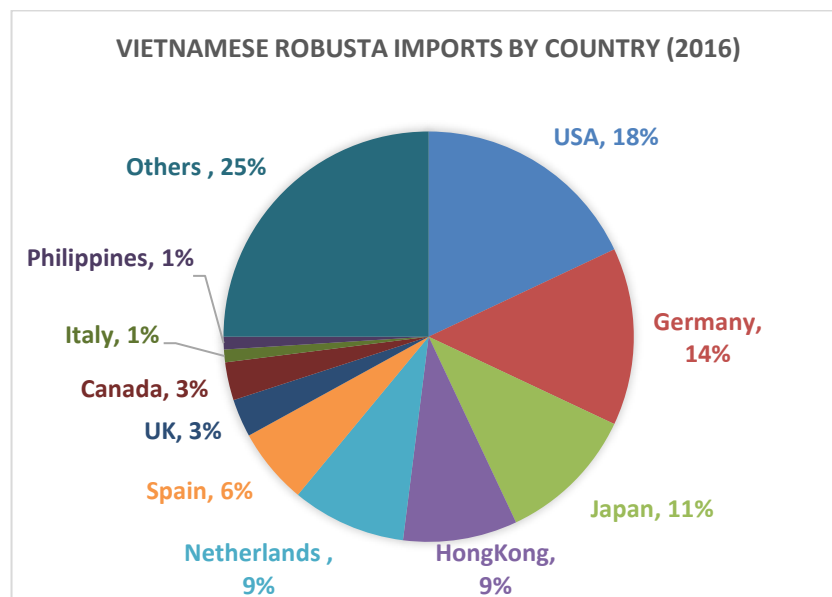


Figure 10. Vietnamese Robusta Coffee importing Countries (Thang & Phuc 2017)

Table 8 shows the overview of Vietnamese coffee exports to different countries in the world and the data shows that the Vietnamese coffee import is consistently increasing every year. Figure 10 shows various countries and its respective share of overall Vietnamese coffee import by type of coffee Robusta whereas Figure 11 shows various countries and its respective share of overall Vietnamese coffee import by type of coffee

Arabica. Both Figure 10 and 11 represents the Vietnamese coffee import for the year 2016.

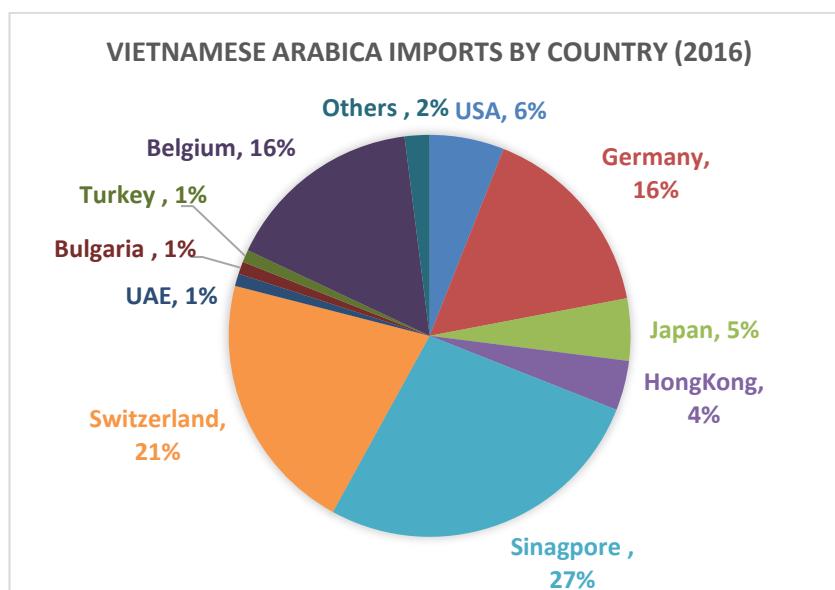


Figure 11. Vietnamese Arabica Coffee importing Countries (Thang & Phuc 2017)

### 5.3 Prices

The export price of Robusta coffee has been fluctuating and less predictable since 2005 in Vietnam. The coffee export price of Vietnam was US\$0.36 per pound and \$0.79 Per kg in the year 2005. The coffee export price has a big fall of 26.5% in the year 2009. The coffee prices were stable during the year 2009-2010. Later in 2013, the coffee export price of Vietnam reached to US\$0.90 per pound and US\$1.98 per kg. (Hong 2016, 1757.) As Robusta is the prime type of coffee exported from Vietnam, the prices in relation to Robusta coffee is mainly analyzed here.

Figure 12 compares the export prices of Vietnamese Robusta coffee to average Robusta coffee prices of the world from the year 2005 to 2013. The world average price was always way higher compared to that of Vietnamese price. Despite the rise and fall of coffee prices during the last fifteen years, Vietnamese price always fared at constant rate of approximately 30% less than that of the world average coffee price. This trend has been different for the last couple of years where the world average price

dropped significantly, and Vietnamese price stayed constant making Vietnamese price almost equal to the world average price.

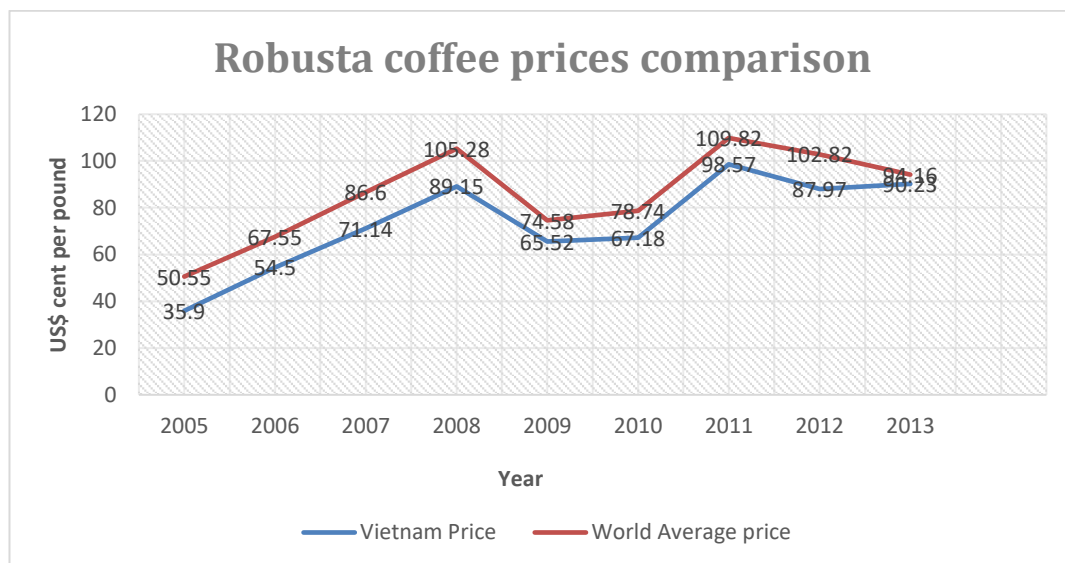


Figure 12. Export price of Robusta Coffee of Vietnam and World's average (International Coffee Organisation (ICO): Historical Data on the Global Coffee Trade 2018)

#### 5.4 Discussion

Vietnam produces approximately 2 million tons of coffee and exports 1.5 million tons every year. Last year alone, Vietnam exported \$3.21 billion worth of coffee. Considering the production and export trend for the last 10 years, further rise in both production and export seems more probable in coming years. Despite being the second largest coffee producer and exporter in the world, the country itself is planning more on improving the coffee industry by increasing the plantation in every province and facilitating the export in best possible ways. Robusta is the main type produced and exported From Vietnam and is almost all of the Vietnamese production and export. In terms of pricing, Vietnamese coffee prices has always fared lowly and has been consistently 30% lower than the world average for majority of last two decades. This trend has recently been overturned as the Vietnamese prices stayed constant over decreasing world average price and since 2013, Vietnamese coffee prices and world average prices shares no differences. This makes Vietnamese coffee more attractive and shows increased acceptance in the world coffee consumer market.

## 6 FINLAND AS A TARGET MARKET FOR VIETNAMESE COFFEE

This chapter has three main parts, i) Overview of Finnish coffee market, ii) competitive assessment using Porter's five forces model and iii) analysis. The first part starts with an overview of Finnish coffee market and explains various import trends, key exporters, market opportunities, various coffee brands, retailers and pricing. Then the coffee import channels and competition in the Finnish coffee market is analyzed. Further, key requirements necessary for importing coffee into the Finnish market is discussed. Additionally, all these sub topics are summarized with a brief explanation within the context of Vietnamese coffee, wherever applicable.

The next part deals with competitive assessment using Porter's five forces model. It analyses the five forces in relation to Vietnamese coffee in Finnish Market considering the analysis based on various aspects from chapter 4, chapter 5 and previous section of this chapter.

The final section further analyses the future possibilities of Finland as a target market for Vietnamese coffee using the Five forces table and SWOT analysis. In overall, this chapter eventually tries to address the research objectives of this thesis.

### 6.1 Finnish coffee market

12.2 kg per capita coffee consumption per year, makes Finnish coffee market one of the biggest coffee market in the world. Despite of no coffee production, Finland is mostly a coffee importing nation and tops the coffee consuming nations list. (International Coffee Organization (ICO): Country Data on the Global Coffee Trade 2016.) The major reason for no coffee production is its severe and unfavorable weather condition. Various other aspects of Finnish coffee market are explained as below.

### 6.1.1 Market Understanding

In 2017, the population of Finland was 5.5 million. Out of which, 16.2% of the population is under 14 years old. (Official Statistics of Finland (OSF): Population structure 2018.) All above 14 years of age, the 83.8% of the total population are considered as the potential coffee consumers or buyers. Table 9 shows retail coffee sales in EU countries for year 2015 – 2017 in both volume and value. Germany recorded highest sale in volume and value both for every year in last 3 years and Estonia, Ireland and Latvia are amongst the countries making lowest sales in terms of both volume and value.

Table 9. Coffee sales (Retail) volume and value in EU markets 2015-2017 (European Coffee Report 2017/18, 19)

Coffee sales (Retail) volume and value in EU markets 2015-2017 (volume in '000 tons and sales in EUR million)						
	2015		2016		2017	
	Volume	Value	Volume	Value	Volume	Value
<i>Austria</i>	64	680.00	62	678.00	62	673
<i>Belgium</i>	48	647.00	48	657.00	48	670
<i>Bulgaria</i>	13	208.00	13	219.00	13	224
<i>Croatia</i>	11	156.00	11	155.00	11	153
<i>Czech Republic</i>	21	329.00	21	331.00	20	339
<i>Denmark</i>	22	400.00	21	382.00	21	372
<i>Estonia</i>	3	64.00	4	69.00	5	71
<i>Finland</i>	31	449.00	33	442.00	35	442
<i>France</i>	163	3160.00	162	3263.00	161	3348
<i>Germany</i>	364	4870.00	366	4894.00	365	4884
<i>Greece</i>	34	361.00	34	374.00	34	399
<i>Hungary</i>	14	312.00	14	319.00	15	325
<i>Ireland</i>	5	96.00	6	112.00	6	128
<i>Italy</i>	158	1958.00	157	2034.00	154	2048
<i>Latvia</i>	5	89.00	5	92.00	5	93
<i>Lithuania</i>	11	144.00	11	146.00	11	149
<i>Netherlands</i>	77	1018.00	77	1016.00	75	986
<i>Poland</i>	80	979.00	80	1011.00	80	1006
<i>Portugal</i>	21	337.00	20	354.00	20	370
<i>Romania</i>	28	330.00	26	349.00	26	382
<i>Slovakia</i>	13	247.00	14	255.00	14	259
<i>Slovenia</i>	10	121.00	10	128.00	10	139
<i>Spain</i>	85	1233.00	83	1274.00	80	1284
<i>Sweden</i>	43	547.00	42	518.00	41	502
<i>United Kingdom</i>	92	1889.00	94	1907.00	94	1922
<b>Total</b>	<b>1416</b>	<b>20624</b>	<b>1414</b>	<b>20979</b>	<b>1406</b>	<b>21168</b>

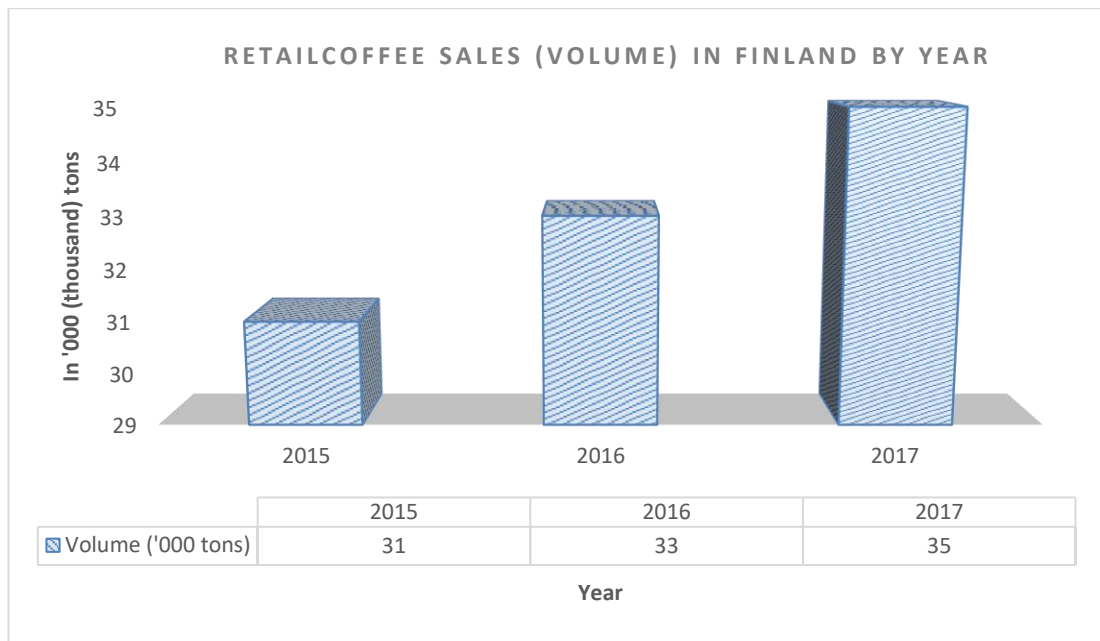


Figure 13. Retail coffee sales (volume) in Finland from 2015 to 2017 (European Coffee Report 2018, 19)

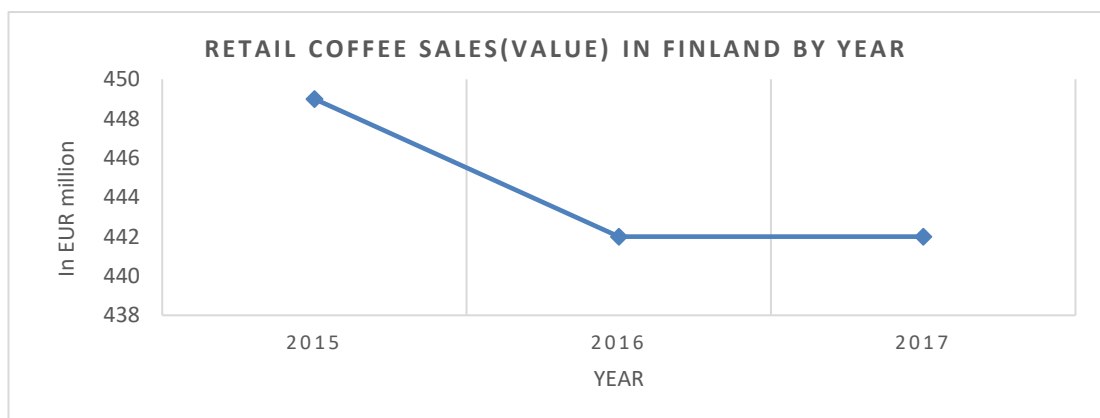


Figure 14. Retail coffee sales (value) in Finland from 2015 to 2017 (European Coffee Report 2018, 19)

Figure 13 and 14 shows retail coffee sales in Finland for year 2015-2017 by volume and value respectively (European Coffee Report 2018, 19). From Figure 13, it can be seen that the coffee sales in the year 2015 was 31 thousand tons in Finland. It grew to 33 thousand tons in 2016 and 35 thousand tons in 2017, recording a yearly growth of 6% and overall growth of 13% during the last 3 years period. From Figure 14, it can be seen that the coffee sales in year 2015 was 448 million Euros and it declined to 442 million Euros in 2016 and it stayed constant for the year 2017 as well. These two figures show that despite the increase in sales in the last 3 years the overall sales

revenue has dropped down slightly specifying the retail price of coffee product might have decreased slightly.

Finnish people drink 4 to 5 cups of coffee daily. There is no specific time for coffee, or it can be said *any time is coffee time* in Finland. It can be in the morning with breads or coffee after lunch or during the break time at work or meetings with peers and sometimes as a dessert. This is one major reason for coffee to be very popular among Finns.

The coffee is mostly sold through main Finnish retailers S-Group, Kesko Group and Lidl constituting 90% of coffee retail market (Finnpartnership 2017, 3). One of the popular coffee brands is "*Juhla Mokka*" which is found almost in every grocery store in Finland (Website of the CBI Ministry of Foreign Affairs 2018). The types of coffee imported to Finland are green coffee beans (Arabica and Robusta), Roasted coffee and extracts essences of coffee (Finnpartnership 2017, 2).

Quality and standards are most essential aspect of Finnish consumer market. It applies to coffee products as well. Finnish consumers tend to prefer good quality coffee products. All coffee products, imported coffee and sold at retailers must ensure a minimum quality assurance standard (CBI 2018). As coffee is considered a high-involvement product in Finland, Finnish consumers are inclined towards organic coffee and possess positive attitude derived from environmental, ethical and health issue. (Tarkiainen and Sundqvist 2009, 844-863.) This emphasizes that, Finnish consumer prefers quality over price when it comes to coffee consumption.

In every Finnish city, there are hundreds of cafes ranging from basic to big brands like Starbucks, espresso house and Robert's coffee. Coffee business is increasing every year and gaining more profit. By analyzing various factors such as current market condition; value and role of coffee in Finnish society; amount of consumption; and the changing trend, it can be said that Finnish market is always welcoming to all varieties of coffee, only things matter is the quality. This signifies that there could be possible opportunities for new coffee in Finnish market.

### 6.1.2 Coffee brands, retailers and retail prices

There are varieties of coffee brands from Finland and other countries available to Finnish consumers. Coffee consumers in Finland primarily tend to pay attention to the quality brands and equally are loyal to their favored national brands.

*Gustav Paulig Oy* is a Finland's largest coffee roasting company. It is very popular and much trusted company among Finnish coffee consumers. This company accounts for more than of 60% Finnish coffee retail sales every year. (Kultalahti 2016, 12.) Approximately 90% of coffee imported in Finland is imported by Paulig (Finnpartnership 2017, 3). Its *Juhla Mokka* has been the most popular and most sold coffee brand in Finland. Presidentti, Paulig Mundo, Paulig Espresso Originale and Paulig Fortissimo are other major coffee products of Paulig group (Webiste of Paulig 2017). A significant amount of Paulig coffee products is exported to Russia (Finnpartnership 2017, 3).

*Meira Oy* is the second largest coffee seller in Finland and it accounts for approximately 23% share in Finnish coffee consumer market. *Kulta Katriina* has been its most popular and most sold coffee brand in Finland.

Cafetoria, Kaffa Roastery, Café Caracol, Mokkaestari, Porvoon Paahtimo, Kaffiino Oy, Turun Kahvipaahtimo, Helsingin Kahvipaahtimo, Jyväskylän Tuorekahvipaahtimo, Kahiwa Coffee Roasters are other various coffee brands available in Finnish market. These small companies directly import coffee from developing countries. (Finnpartnership 2017,3.)

Top listed retailers in Finland are S-group, K-group and Lidl. These three retailers cover more than 90% of Finnish food and beverage market. Most of the coffee imported by Finland is supplied to these retailers. Most coffee and coffee products are sold through these retailers. Besides these big retailers, small coffee shops such as Good Life Coffee shop, Kaffecentralen shop and Robert's coffee shop also sell coffee and coffee products but constitutes a very tiny share in overall Finnish retail coffee sales. (Finnpartnership 2017, 3.)



Coffee retail price varies vaguely between various coffee products and are categorized mainly into 3 categories: upper-end, middle-end and lower-end. Upper-end is the most expensive and ranges from €30 to €68 per kg. Middle-end has the price range starting from €12 to €29 per kg and lower-end, the cheapest ranges from €6 to €12 per kg. In terms of retail sales lower-end priced coffee product is sold most and upper-end priced coffee is sold least. (CBI 2018.)

Retail price breakdown consists of raw material cost, export cost, shipping and roasting cost and retail cost. The raw materials and export constitute 10% of overall retail cost each. Shipping and roasting constitute 55% and the retailer makes their cut of 25% of the overall retail price as shown in Figure 15. (Finnpartnership 2017, 5.) From this cost breakdown proportion, it can be said that the producers and exporters together make only 20% of overall retail cost.

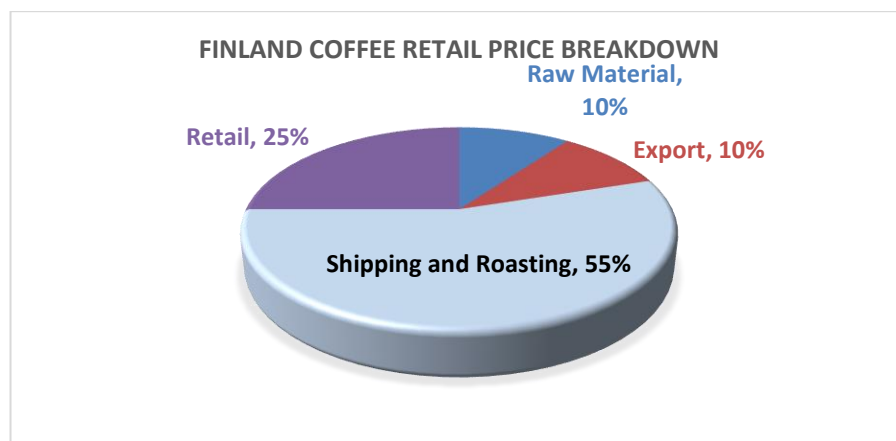


Figure 15. Retail price breakdown for coffee in Finland (Finnpartnership 2017, 5)

### 6.1.3 Exporters and competitions in finnish coffee market

The total import of coffee in Finland during the year 2017 was 77 thousand tons. Brazil leads the coffee exporting nations list in Finland, with securing almost 42% of entire Finnish coffee market. Colombia, Honduras, Netherlands, Nicaragua, Sweden, Kenya, Guatemala, Ethiopia and Tanzania are the other leading ten exporting countries respectively. (International Trade Centre (ITC): List of supplying markets for a product imported by Finland 2017.)

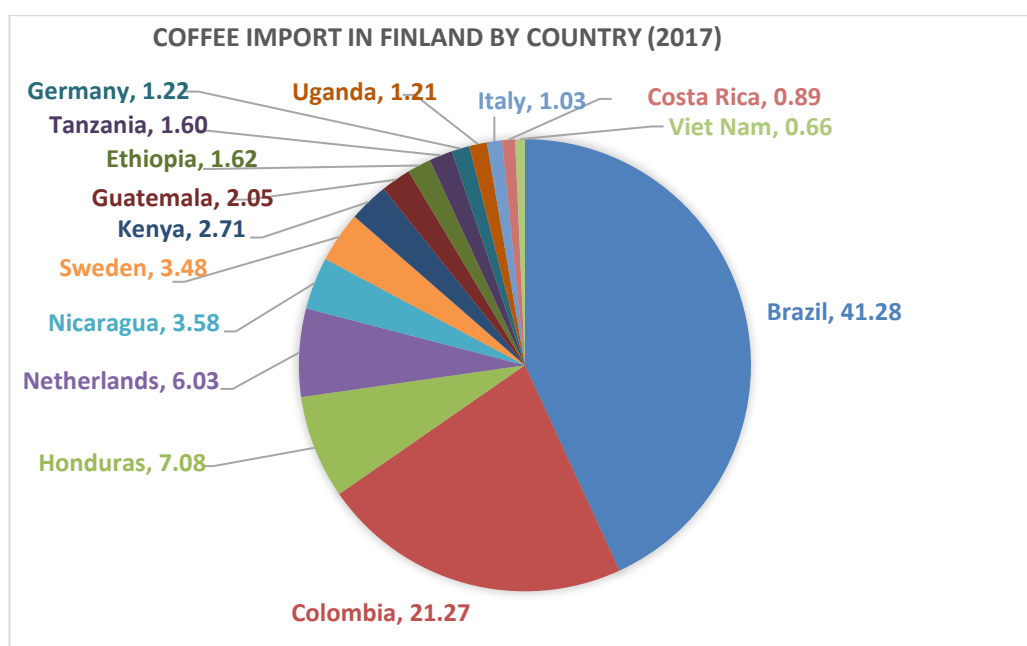


Figure 16. Coffee import in Finland by Countries (Author calculations from Table 10)

Figure 16 shows various countries and its respective share of overall Finnish coffee market for the year 2017. This shows that Brazil is the largest exporter with 41 % and Vietnam holds 0.66% share.

Table 10. Coffee import statistics in Finland from year 2013 to 2017 by country (International Trade Centre (ITC): List of supplying markets for a product imported by Finland 2017)

Yearly Coffee Import Data - Finland										
Exporters	2013		2014		2015		2016		2017	
	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
Brazil	29964	41.99	30000	43.92	33884	44.81	35273	44.21	31910	41.28
Colombia	11815	16.56	13542	19.82	17686	23.39	18337	22.98	16445	21.27
Honduras	3920	5.49	4374	6.40	4157	5.50	4525	5.67	5474	7.08
Netherlands	5282	7.40	3304	4.84	3569	4.72	3692	4.63	4661	6.03
Nicaragua	1836	2.57	1953	2.86	815	1.08	1885	2.36	2765	3.58
Sweden	1107	1.55	1756	2.57	1875	2.48	2043	2.56	2689	3.48
Kenya	2418	3.39	2497	3.66	2790	3.69	2562	3.21	2097	2.71
Guatemala	1328	1.86	1335	1.95	1346	1.78	1613	2.02	1588	2.05
Ethiopia	1263	1.77	1123	1.64	712	0.94	891	1.12	1254	1.62
Tanzania	2404	3.37	1580	2.31	1355	1.79	1103	1.38	1235	1.60
Germany	1204	1.69	1219	1.78	993	1.31	1065	1.33	943	1.22
Uganda	252	0.35	965	1.41	410	0.54	725	0.91	939	1.21
Italy	831	1.16	487	0.71	410	0.54	646	0.81	796	1.03
Costa Rica	1548	2.17	1074	1.57	947	1.25	525	0.66	686	0.89
Viet Nam	1222	1.71	714	1.05	1015	1.34	981	1.23	513	0.66
Czech Republic		0.00		0.00	11	0.01	231	0.29	469	0.61
Rwanda	212	0.30	79	0.12	255	0.34	689	0.86	429	0.55
Mexico	732	1.03	106	0.16	306	0.40	258	0.32	297	0.38
Indonesia	14	0.02	143	0.21	660	0.87	615	0.77	272	0.35
Burundi	20	0.03	0	0.00	106	0.14	274	0.34	269	0.35
Others	3996	6	2057	3	2314	3	1853	2	1567	2
World	71368	100.00	68308	100.00	75616	100.00	79786	100.00	77298	100.00

Table 10 shows the overview of coffee import statistics by Finland and the data shows that the coffee import in Finland is consistent every year at approximately 70 thousand tons. Finland imported 77 thousand tons of coffee in 2017. The coffee import in Finland for 2017 has fallen by 3.1% compared to that from 2016 but has increased by 8.3% compared to that from 2013. Finland has recorded a highest import of almost 80 thousand tons during the year 2016. The Figure 17 shows the overview of key players responsible for Finnish coffee market for the last 5 years.

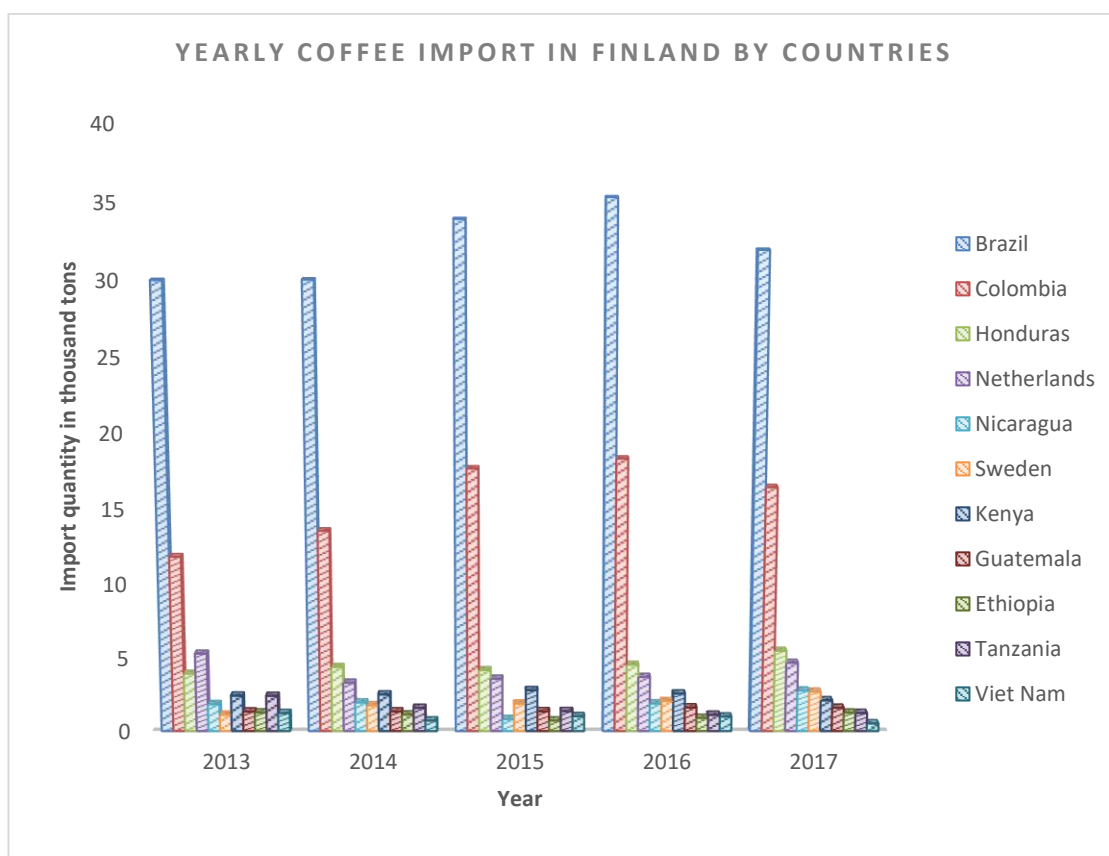


Figure 17. Coffee exporting countries to Finland (International Trade Centre (ITC): Trade Map-International Trade Statistics 2017)

One surprising fact about Finnish coffee market is Finland imported only 513 tons of coffee from Vietnam in the year 2017. This is surprising in a way that, despite of Vietnam being the world's second largest coffee exporter and Finland being the world's largest coffee consumer, Vietnam is just ranked 15<sup>th</sup> among the countries to export coffee to Finland with only 0.66 percent share in Finnish coffee market. (International Trade Centre (ITC): List of supplying markets for a product imported

by Finland 2017.) The main reasons behind this poor performance on Finnish market is (Thang & Phuc 2017):

- *Contrast in type of coffee for Finnish consumption and Vietnamese production:* Arabica is most popular in Finland and Robusta is the most produced and exported by Vietnam. This makes a clear indication why there is so less Vietnamese coffee in Finland.
- *Strong Taste:* Vietnamese Robusta coffee has a different taste compared to the mostly consumed strong taste Arabica coffee.
- *Quality:* The harvest and post-harvest activities lack improvements and makes coffee quality production low and is downgraded after harvest. And, Finnish consumer market has less or no room for products not satisfying minimum quality.
- *Others:* Packaging, labeling, channels used, Health certifications are other reasons for the rejection of Vietnamese coffee in Finnish market.

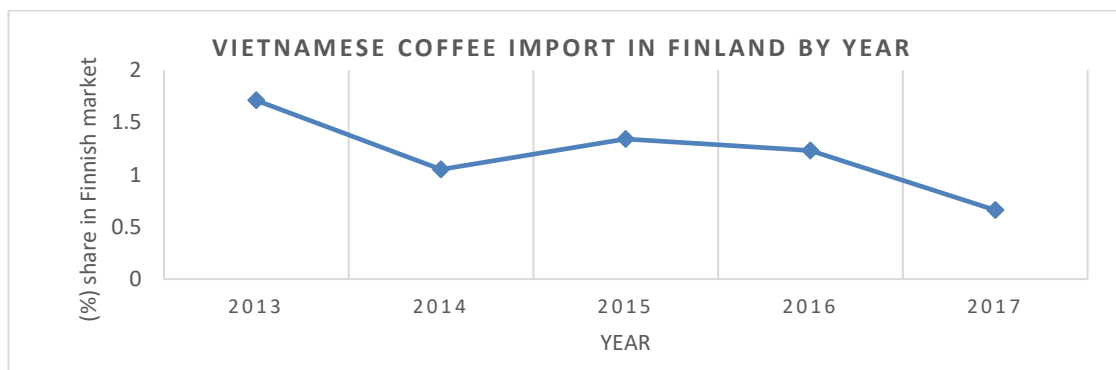


Figure 18. Vietnamese Coffee Import in Finland from 2013 to 2017 (Author calculations from Table 10)

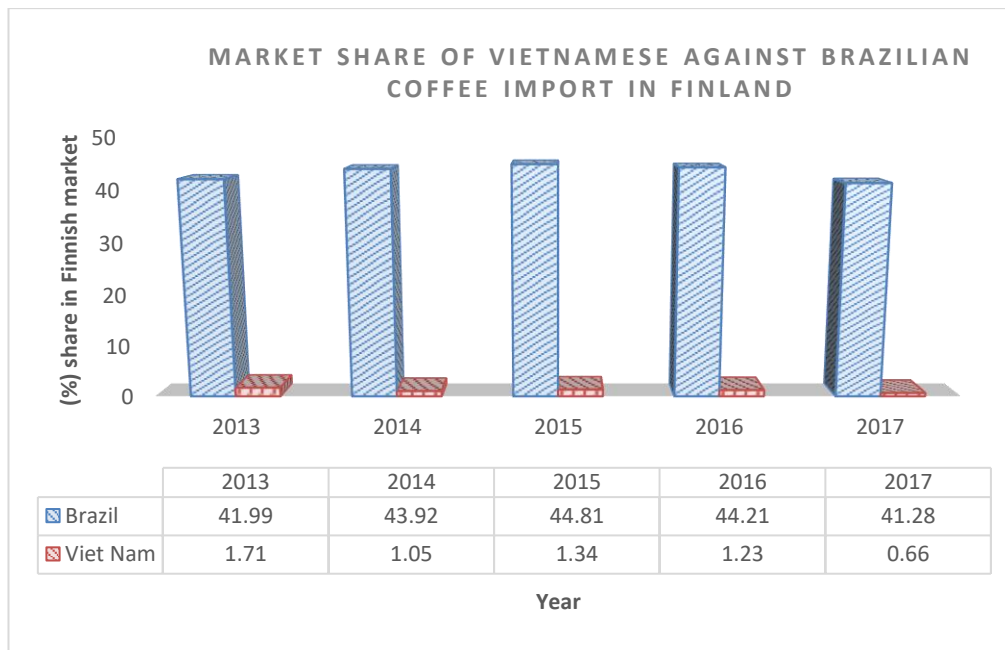


Figure 19. Finnish coffee market share of Vietnamese against Brazilian coffee for years 2013 to 2017 (Author calculations from Table 10)

Figure 18 shows the trend of Vietnamese coffee import in Finland for the last five years. This chart shows the very poor market share of Vietnamese coffee in Finland with less than 2% share throughout the observation period and decreasing every year with lowest share of 0.66% during year 2017. In the last 5 years, the import of Vietnamese coffee has decreased by 61% (International Trade Centre (ITC): Trade Map- International Trade Statistics 2017). Figure 19 compares the Finnish coffee import for Vietnamese coffee against Brazil, the largest coffee importer to Finland. The market share gap between these two nations are consistently at 40% throughout the five years period. The diagram depicts that Vietnamese coffee is performing poorly in overall Finnish market and the gap in comparison to the market leader is way too large.

#### 6.1.4 Market Channels

Coffee market channel in Finland is depicted in Figure 20. Coffee is mainly imported to Finland in the form of Green beans. Roaster companies itself are the primary importers and sometimes the same company processes packages and supplies to the retail chains. Paulig Oy is an outcome of this kind of channel. Other channels include

sales agent in between producers and Importer. Then it is delivered to roaster company. Then these roaster companies supply to Finnish retail market or coffee shops etc. Mostly Finnish coffee consumption market is categorized into In-home consumption market and Out-of-home consumption market. For In-home consumption market, roaster companies supply the finalized product to Supermarkets, specialized shops and online stores. And, for Out-of-home consumption market segment, the roaster companies supply to coffee shops, restaurants, offices, hospitals etc. (CBI 2018.)

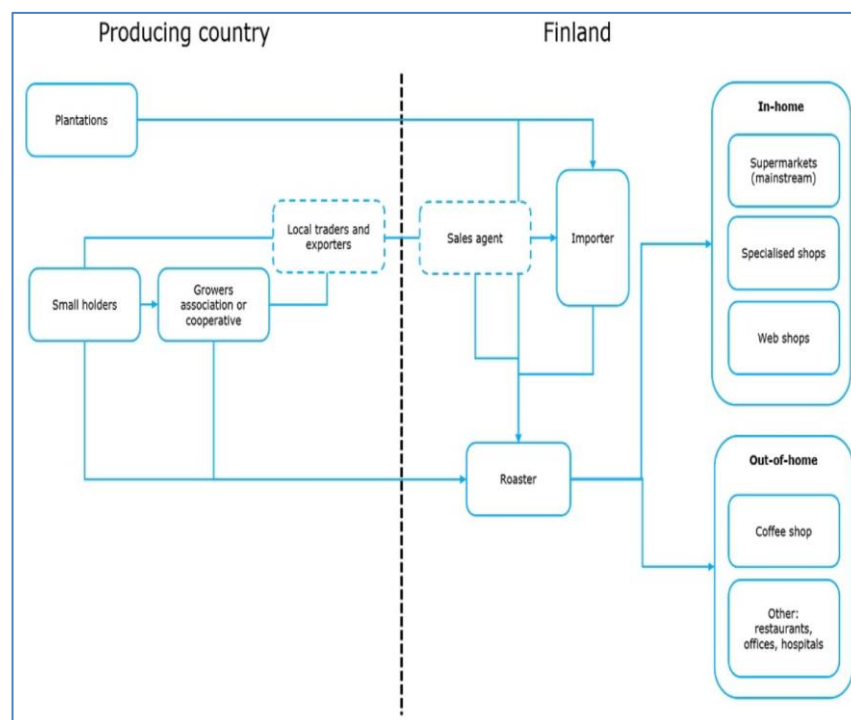


Figure 20. Coffee market channel in Finland (CBI 2018)

### 6.1.5 Requirements for importing and allowing into the Finnish market

Finland follows European Union legislation “EU directive 1999/4/EC” for coffee import (Finnpartnership 2017, 9). There are strict requirements mentioned in the EU, legislation for the coffee product, importers, exporters, producing nations, and producing company. Also, there are separate legislations for companies within Finland for selling the product within the country. All must comply with the respective requirements in order to successfully get a coffee product imported inside the country and get it to the Finnish consumer market. Most important requirements (Finnpartnership 2017, 9-13) include:

- *Quality criteria*: Various factors such as altitude, region, botanical variety, preparation, bean size, imperfections, density etc. are considered for grading and classifying the coffee quality. The EU directives have set specific quality standards for the coffee beans to be imported within EU. The ISO9000 guidance and tools should be followed in order to ensure customer's requirements and improved quality.
- *Health and safety*: ISO22000 need to be carefully considered and followed.
- *Sustainability*: There exists various sustainability certifications and one must be obtained.
- *Labeling*: *EU general food labeling requirements* is applicable in Finland and all foodstuffs must comply with this requirement. The label should include e.g. the name of the product (coffee variety), details of producers (name and address), batch number, weight of contents, grade etc.
- *Packaging*: Various articles under European packaging standards need to be followed while packaging the products entering Finland. The package must comply with *Minimum standards for packaging* mentioned in the EU directives. The *Common ways of shipping* mentioned in the EU directives should be followed. The *Form and packing illustration* mentioned in the directives should be considered while packing.
- *Legal Requirements*: Legal requirements includes General food law, Contaminants in food, food control, Hygiene of food stuffs, Good manufacturing practice etc. The details regarding all these legal requirements can be obtained from European Union legislation "EU directive 1999/4/EC".

## 6.2 Competition Assessment of Vietnamese coffee in Finland

The Finnish coffee market is mainly captured by Paulig group and Meira Oy. Approximately 83% of market is occupied by two giant sellers. These two coffee giants import coffee mainly from Brazil, Colombia and Honduras, thus making Brazil, Colombia and Honduras the major exporter with 70% market shared among them. Still coffee imported from Kenya, South America and Asia also contribute to the Finnish market share. Even though the market is competitive, huge consumption rate and demand could possibility lead to importing new coffee in future. Entering Finnish

coffee market with new flavor, organic and better quality could still garner some opportunity in Finland.

### *Finnish Market's Five Forces Analysis*

The industry analysis of Finnish market is conducted within this sub chapter. This is based on Porter's Five forces model.

#### 6.2.1 Buyer Power

Finland has the highest coffee consumption per capita at 12.2 kg. This is 7 kg greater than EU average at 5 kg. This trend has been growing consistently over the years. During 2013, Finland's coffee consumption per capita was at 9 kg, since then it has increased by 35% in the last 6 years. (CBI 2018.)

Despite being the largest consumer in terms of per capita, Finland has a very small population of 5.5 million. The total import represents less than 3 % of total European imports and this import has been consistently increasing throughout the last 10 years period. It has been noticed that, this consistency in coffee consumption was not affected even by the economic crisis. Despite the crisis, in-home coffee consumption grew due to various factors such as coffee specialty shops and take away options. (European Coffee Federation, 2017.)

The preferred strong taste remains intact among Finnish consumer and they thrive more for same or similar stronger taste rather than drastic change in taste. The domestic market is consistently high-consuming with a constant taste factor and the main type of bean consumed is Arabica. The price of coffee ranges from €6 to €70 per kg with an outstanding average of €8 per kg (Finnpartnership 2017, 5). The average price of coffee has been stable in the recent years (Official Statistics of Finland (OSF): Consumer Price Index 2018). The coffee consumers have variety of choices from low quality to very high quality. The price sensitivity of a consumer can be varying with the changes in price. According to Statistics Finland, the consumer price index under non-alcoholic beverages is 14.01, out of which coffee holds 4.30 (Official Statistics of



Finland (OSF): Consumer price index 2015). This means there is no deterioration in the purchasing power of Finnish coffee consumers and possess a stable and high purchasing power.

### 6.2.2 Supplier Power

Coffee importing has stayed constant for Finland in terms of exporting nations. Finland relies primarily on Brazilian, Colombian and Honduras beans, with small import from other developing nations as well. Brazilian, Colombian and Honduras coffee is highly differentiated in Finnish Market. These countries mostly supply Arabica coffee to Finland which is preferred highly by the Finnish consumers. Arabica coffees are high in quality and expensive. Finnish consumers have preferences based mostly on quality, brand and strong taste rather than the country of import.

The decision regarding coffee supplier selection relies heavily on roasting companies and the agents involved in importing rather than the consumer itself. This already hinders and limits the supplier power in Finnish coffee market. Only in some special cases such as organic coffee or some special coffee, the supplier holds the upper hand. (Sundqvist and Tarkiainen 2009, 844-863; CBI 2018.)

Vietnam despite being the second largest exporter of coffee in the world, it constitutes less than 1% market share in Finnish market. Many factors could be the reason behind this poor import statistics. However, two major consumer aspects affecting the import of Vietnamese coffee in Finland are type of beans and taste preferred by Finnish consumers. The main Vietnamese coffee type exported is Robusta and Finnish consumer market has the majority demand of Arabica type. And, the Finnish preference of strong taste makes Vietnamese coffee less favored in Finnish consumer market.

Vietnamese coffee has relatively low-price strategy compared to world average and other supplier nations. This is slightly an advantage but on the other hand, Finnish consumers prefer quality, taste and other ethical, environmental and health aspects over just price.

Another area where Vietnamese coffee fares poorly is while meeting the high demand. The coffee producers or the direct growers are small farmers and in-order to meet the high demand, middleman agents are involved which impacts the pricing strategy and is an additional bottleneck in large quantity import export. In overall, Vietnamese coffee market as a supplier has a very weak position and control compared to other Arabica exporting nations in Finnish market.

### 6.2.3 Threat of new Entrants

Finnish coffee market shows growing trends but it is highly saturated and stable when it comes to new entrants. 83% of retail consumer market is controlled by two coffee companies Paulig and Meira and only less than 17% is shared between remaining others. These companies heavily rely on Arabica coffee imports from Brazil, Colombia and Honduras. This makes it severely difficult for a new entrant. Besides the company monopoly on the Finnish market, Finnish consumers are heavily loyal to these two companies and also very much satisfied with their products. This makes it even more difficult for a new entrant to make an impact.

Vietnam is a new prospect in Finland when it comes to coffee market. Since the massive production growth in Vietnam a decade ago, Vietnam has been doing very good in world scene. They have climbed to the second highest position as a coffee exporting nation. The low price; being the second largest exporter in the world; and their growing and improving trend could limit the threats as a new entrant. On the other hand, the must needed Quality compliance requirements of the Finnish market and much favored Arabica type could add additional threat to Vietnam as a new entrant on Finnish coffee market.

### 6.2.4 Threat of Substitute

Vietnam as a coffee exporter mainly deals with Robusta coffee type as more than 80% of its production and export is Robusta. Considering a scenario where Vietnam establishes itself as a prime source of Robusta coffee import in Finland, the threat of

Vietnam being substituted remains very low or unlikely. Vietnam is the largest producer of Robusta producing almost 50% of overall Robusta world production (ITC 2010). Vietnam is also the largest exporter of Robusta coffee and it exports more than 50% of overall world Robusta exports (International Coffee Organisation (ICO): Historical Data on the Global Coffee Trade 2018). These two reasons reduce the threat of substitution to minimal and provide Vietnam a slight advantage over other exporting nations in terms of Robusta exports.

#### 6.2.5 Competitive Rivalry

In a world scene, Vietnam is the second largest producer and exporter of coffee products behind Brazil. Colombia comes third and these 3 countries dominates the global coffee industry. In terms of world export by coffee type, Arabica world export is dominated by Brazil, Colombia and Honduras. Vietnam is in 11<sup>th</sup> position with less than 1% of total Arabica exports. Whereas, Vietnam dominates the global Robusta export consisting of more than 50% of total global Robusta export with Brazil and Indonesia second and third respectively. This shows Vietnam's primary focus lies in Robusta competition.

When it comes to Finnish market, Finland has a consistently growing coffee market with a stable coffee type and taste. Arabica coffee type covers more than 80% of the Finnish coffee market. Paulig and Meira dominates the coffee sales with more than 83% of total coffee sales in Finland. These companies primarily import beans from Brazil, Colombia and Honduras. Vietnam covers less than 1% of total coffee import in Finland and most of that import is Arabica type. This shows that, Vietnam has a very stiff and never winning type competition within Arabica coffee market in Finland. Whereas, when Robusta is concerned, none of the exporting heavyweight nations has made a significant impact on Finnish market yet. If Vietnam is to setup its Robusta export in Finland, there is a very rare possibility of a stiff competition from other rivals, but the consumer preferences may be the hindrance or limitations for its successful growth.

### 6.3 Analysis

From the competitive assessment, two main analyses can be formulated for Finland as a target market for a) Vietnamese coffee in general and b) Vietnamese Robusta coffee in specific.

Table 11. Analysis of ‘Finland as a target market for Vietnamese coffee’ based on Porter’s five forces model

Finland as a target market for Vietnamese coffee ( <b>general</b> )			
Competitive Force	Low	Medium	High
Bargaining power of buyers			X
Bargaining power of suppliers	X		
Threat of new entrants			X
Threat of Substitutes			X
Rivalry among existing firms			X
Instructions: Step 1 Select an Industry. Step 2 Determine the level of threat to industry profitability for each of the forces (low, medium, high). Step 3 Use the table to get an overall feel for the attractiveness of the industry. Step 4 Use the table to identify the threats that are most often relevant to industry profitability.			

Table 11 shows the analysis for Finland as a target market for Vietnamese coffee (general). This analysis deals with general coffee and not by specific type. It signifies a very high buyer power with a very low supplier power. In addition, the threat of entering Finnish market as a new player is very high with very high possibility of getting substituted by one or more of other rival products. The rivalry among the existing exporters is very high. In overall, this shows that there would be more risks and very low or uncertain profitability for a new Vietnamese coffee exporter. So, the attractiveness seems unlikely for a new Vietnamese exporter of coffee (in general).

Table 12. Analysis of 'Finland as a target market for Vietnamese Robusta coffee' based on Porter's five forces model

Finland as a target market for Vietnamese Robusta coffee			
Competitive Force	Low	Medium	High
Bargaining power of buyers		X	
Bargaining power of suppliers			X
Threat of new entrants	X		
Threat of Substitutes	X		
Rivalry among existing firms	X		

Instructions:  
 Step 1 Select an Industry.  
 Step 2 Determine the level of threat to industry profitability for each of the forces (low, medium, high).  
 Step 3 Use the table to get an overall feel for the attractiveness of the industry.  
 Step 4 Use the table to identify the threats that are most often relevant to industry profitability.

Table 12 shows the analysis for Finland as a target market for Vietnamese Robusta coffee. This analysis deals with specific coffee type called Robusta. This shows a medium buyer power with a high supplier power as Robusta is very rare in Finnish market. The threat of entering Finnish market as a new player is low or unknown as importing Robusta Coffee is not a common thing in Finnish market. The possibility of getting substituted by one or more of other rival products is very low at least immediately. The rivalry among the existing exporters is also very low as there is relatively less or no competitor for Robusta coffee. This table predicts a likely attractiveness towards a new Vietnamese exporter of Robusta coffee, but the possibility of profitability is still uncertain as Finnish market is saturated with Arabica coffee type and more aspects other than just the competitive assessment needs to be addressed to fully understand it.

From the previous sub-chapters and chapters, the following SWOT analysis can be drawn for Vietnamese coffee in Finland for both general and Robusta type as shown in Figure 21 and 22 respectively. This shows that there is more threats and weaknesses existing for general Vietnamese coffee but more strengths and opportunities for specific Robusta type.

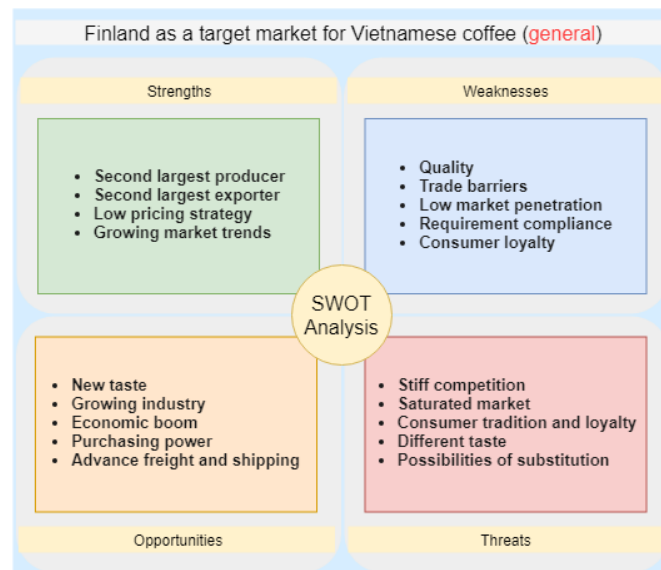


Figure 21. SWOT analysis for Finland as a target market for Vietnamese coffee

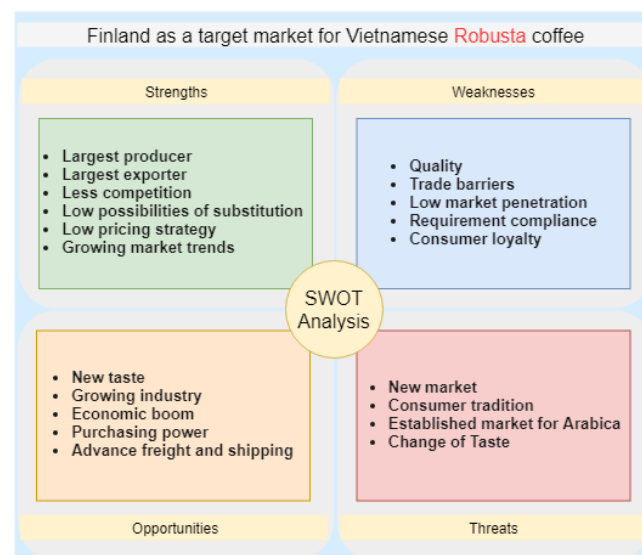


Figure 22. SWOT analysis for Finland as a target market for Vietnamese Robusta coffee

## 6.4 Discussion

Finland has a large appetite for coffee and this trend has been growing over years. Various necessary legislations and directives exists in order to import coffee to Finland and all export must comply to a minimal requirement set. Finnish coffee market is saturated in terms of types and brands of coffee. Two major companies Paulig and Meira dictates the coffee market. Finnish consumer prefers Arabica coffee type with a strong taste. Almost all companies import Arabica coffee and Brazil, Colombia and Honduras have been the major exporter for those companies. There is monopoly in

Finnish coffee consumer market and the consumer are very much loyal to their favorite brands and taste.

The competition is very stiff for a new company or exporter in case of consumer favorite Arabica coffee. But, there exists almost no competition if new company focuses on Robusta imports. The market is welcoming and attractive for Robusta coffee from Vietnam but the user preference for strong taste and consumer loyalties towards their brands can play a major role in determining the profitability possibility.

## 7 CONCLUSION AND SUGGESTIONS

Coffee industry is a hot prospect in the current world. Brazil and Vietnam are the leaders of coffee production, export and market share by revenue. European union is the highest importer of coffee, where Nordic countries stand amongst the highest coffee consumers per capita, with Finland ranking the highest in the whole world.

Arabica and Robusta types are the most popular ones in terms of export, import and consumption. The volume of Arabica coffee import is considerably higher than Robusta coffee. Developed and high-income nations tend to import Arabica coffee more than Robusta Coffee, whereas Robusta is favored in middle- & low-income countries.

Vietnam is the second largest producer and exporter of coffee in the world and has been consistently focusing on planning and improving the coffee industry by increasing plantation in every province and facilitating export in best possible ways. Vietnam mainly focuses on the production and export of Robusta coffee, which comprises of almost all of Vietnamese coffee. In terms of pricing, Vietnamese coffee prices have always fared lowly and at a consistently lower rate compared to the world average. This makes the Vietnamese coffee attractive and is far more acceptable in the world coffee consumer market.

Finland has a large demand for coffee and this trend has been growing over the years. Minimal requirements set in European Union legislation and directives must be complied to successfully import coffee into Finland. Arabica is the most imported, sold and consumed coffee type in Finland. It is known for its strong taste, high quality seeds and expensive pricing. Paulig and Meira are the two companies that dominate the Finnish coffee market with not less than 83% of overall market share. These companies import mainly Arabica coffee from Brazil, Colombia and Honduras.

Despite being second largest exporter of coffee, Vietnam has a very low penetration in Finnish coffee market and possess less than 1% market share. The major factors contributing to this poor performance in the Finnish market is the contrast in the



Vietnamese style of coffee production that does not favor Finnish consumption; strong taste and high-quality coffee beans. The Vietnamese coffee production does not meet the Finnish standard for packaging, labeling, channels used and necessary certifications.

Through this research its evident that Finland does not seem be an attractive market for Vietnamese Arabica coffee as it possesses a very strong competition from already established rivals like Brazil and Colombia who have been performing consistently very good in Finland, as well as in rest of the world. Besides this competition Finnish consumer is extremely loyal to the existing brands and traditional taste when it comes to coffee consumption. This factor can be unwelcoming to any new Vietnamese Arabica coffee.

But there exists almost no competition if importing Robusta is the prime focus. Finnish market could be welcoming and attractive for Robusta coffee from Vietnam but the user preference for strong taste and consumer loyalties towards their brands can again play an important role in determining the profitability possibility. To tackle the challenges of Brand faithfulness amongst Finnish consumers, a strong marketing campaign, focusing on building a culture that makes Robusta seem like a better alternative. This includes celebrity influence, premium quality packaging, boosting it at youth festivals. Meeting all the necessary requirements for the European certification will have to be focused as well. This transition and acceptance will take years, probably decades to become a reality.

Even though the Finnish market is welcoming and attractive towards new Vietnamese Robusta coffee, its viability in Finnish market is yet to be seen and known.

This thesis is an outcome of a thorough research conducted based on the established theoretical framework and validated using official statistics of Finnish coffee market; and Vietnamese coffee production and export. The collected data and information were made available through official websites of International coffee organization (ICO) and International Trade Centre (ITC). Apart from ICO and ITC, other credible sources used were electronic journals; annual reports of coffee organizations; published papers and news portals; and books.

Apart from deep understanding of Finnish coffee market and Vietnamese coffee industry, this thesis gave me a confidence to develop my research skills further. Throughout this process, I learnt the basics of conducting research on specific market in competitive environment. I also got to know about various relevant theoretical tools for analyzing market attractiveness for a specific product. I was able to get a better understanding at recognizing trends and act on it based on further market research. In overall, after this research and through my experience of findings, I acquired a sense of confidence to understand every small detail of different aspects of a given business as well as the market and profitability possibility required to enter an entrepreneurial world.

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