

# MARKET ENTRY MODE CHOICE INTO VIETNAM

CASE STUDY: SEALIGHT LOGISTICS



Bachelor's thesis

International Business, Valkeakoski

Spring 2023

Dang Nguyen

---

Opinnäytetyön tarkoituksena on auttaa toimeksianto yritystä löytämään oikea markkina-avaus strategia. Toimeksianto yritys on tässä tapauksessa aloittava logistiikka yhtiö, jolla on suunnitelmissa laajentaa toimintaansa Vietnamiin. Tätä varten opinnäytetyö tutkii siihen vaikuttavia tekijöitä, ja Vietnamin liiketoimintaympäristöä.

Opinnäytetyö alkaa tarkastelemalla Vietnamin arvoketjua, sekä maan nykyisiä suurimpia kauppakumppaneita, sekä markkina-avaukseen liittyviä teorioita, jota tullaan käyttämään tässä opinnäytetyössä.

Opinnäytetyössä tullaan käyttämään kvalitatiivista tutkimusmenetelmää, käyttämällä syvällistä haastattelua. Haastattelua varten valitut yhtiöt ja organisaatiot toimivat logistiikka-alalla tai Vietnamin markkina-avaukseen liittyvässä toiminnassa.

Opinnäytetyön tulosten myötä toimeksianto yritykselle pystyttiin tekemään kolmea eri suositusta markkina-avaukseen. Vaikkakin tämä opinnäytetyö käsittely useita eri aiheita, opinnäytetyön tutkimus keskittyi pääsääntöisesti toimeksianto yrityksen tarpeisiin, sen takia tuloksissa on rajoituksia.

---

The purpose of the thesis is to help establish a suitable entry mode choice for the case study company for entering Vietnam, which is a starting logistics company. To further understand the subject, the thesis will investigate the factors that may affect the case study company's entry mode choice, and the overall macro business environment in Vietnam.

Moreover, the thesis reviews the current state of Vietnam's value chain, and how much the country has managed to integrate into the global value chain over the years as well as the country's current major trading partners. The thesis also looks further into the related theories on entry mode choices used in this research.

The research will be conducted as qualitative research by using in-depth interviews. The companies and organizations chosen for the interview will be operating in the logistics industry or affiliated with entry into Vietnam.

Based on the findings of this research the thesis was able to recommend three courses of action for the case study company. While the thesis consisted of various subjects, the research itself was conducted with the needs of the case study company in mind. Thus, setting out limitations for the findings.

# Contents

1	Introduction.....	1
1.1	Introduction to the commissioning company.....	2
1.2	Research question and purpose .....	2
1.3	Research objectives .....	2
2	Theoretical Framework .....	3
2.1	Introduction .....	3
2.2	Theories on entry modes and internationalization .....	4
2.2.1	Hierarchical model of entry mode choice.....	4
2.2.2	Uppsala model .....	6
2.2.3	Network theory .....	7
2.2.4	International Entrepreneurship model.....	9
2.3	Entry mode choices.....	10
2.3.1	Export .....	11
2.3.2	Joint venture .....	11
2.3.3	Strategic alliances.....	12
2.3.4	Wholly owned subsidiaries .....	12
2.4	Overview of Vietnams industrial and trade structure .....	13
2.4.1	Assessments on Vietnams trade structure .....	15
2.4.2	Entering and operating in Vietnam.....	18
2.4.3	The factors that could affect business operations in Vietnam .....	19
2.4.4	Global Value Chain integration .....	20
2.5	Analysis techniques.....	21
2.5.1	SWOT-analysis.....	22
2.5.2	PESTLE analysis.....	22
2.5.3	Porter’s five .....	25
2.6	PESTLE analysis on Vietnam .....	26
2.6.1	Political .....	26
2.6.2	Economic .....	27
2.6.3	Socio-cultural.....	28
2.6.4	Technological.....	29

2.6.5	Legal .....	29
2.6.6	Environmental .....	30
2.7	Porter’s Five analysis on the Vietnamese logistics market.....	30
2.7.1	Industry competitors.....	30
2.7.2	New entrants.....	31
2.7.3	Suppliers.....	32
2.7.4	Buyers.....	33
2.7.5	Substitutes.....	33
2.8	SWOT analysis on entry mode choices .....	33
2.8.1	Export .....	34
2.8.2	Strategic alliance .....	34
2.8.3	Joint venture .....	35
3	Research methodology.....	36
3.1	Methods & methodology.....	36
3.1.1	Explanatory study.....	38
3.1.2	Case study .....	39
3.1.3	Pragmatism .....	39
3.2	interview analysis.....	40
3.2.1	Sentiment towards new companies from abroad .....	40
3.2.2	Possibilities for new entrants in the Vietnamese logistics industry ..	40
3.2.3	Identification of risks and opportunities.....	41
4	Results .....	41
5	Recommendations.....	44
5.1	Recommendation 1.....	44
5.2	Recommendation 2.....	45
5.3	Recommendation 3.....	46
6	Conclusion .....	47
	References.....	50

## **Appendices**

Appendix 1 interview questions

Appendix 2 list of interviewees

## 1 Introduction

The thesis will be conducted as a case study for a starting logistics company Sea Light Logistics to research on suitable entry modes for the company to enter into Vietnam, and what ways and forms of entry would be a correct option for company to proceed with in the future, and the possibilities for partnership and collaboration the company might have in Vietnam. The thesis theorizes that given the current uplifted economic situation in Vietnam (World Bank, 2022), the EVFTA could provide business opportunities for companies located within the European Union. The thesis will be mainly viewing the business opportunities from the view of the logistics industry.

The thesis will start by viewing related entry mode and internationalization theories, leading up to the selection of entry modes considered by the case study company. The thesis will also take a closer look on the history and the current progress of Vietnam's Global Value Chain (GVC) integration. The World Bank reports such as Kunaka (2022), Pham et al (2023) argues that while Vietnam is currently already successfully integrated into the Global Value Chain, the economy could stand to benefit more from additional infrastructure development and supportive policies, that enhances logistics and transportation within the country. The reports states that these measures could help further integrate Vietnam into the Global Value Chain as well as improve the overall competitiveness of the economy.

In the later chapters of the thesis, the research will analyse the macro business environment of Vietnam and the Vietnamese logistics market. The business environment will be analysed by using the PESTLE analysis for its versatility and compatibility to research the macro environment. While the logistics market of Vietnam will be analysed by using the Porter's five forces analysis to get a better understanding on the dynamics between the industry participants.

To further delve into the subject the thesis will conduct a series of in-depth interviews, where the thesis aims to better understand the current sentiment and cooperation willingness of Vietnamese companies, and about the general business environment in

Vietnam. The interview will also review their personal thoughts on where the logistics industry is heading in their personal opinion and the industry's prospects for the future.

### **1.1 Introduction to the commissioning company**

The commissioning company is a starting logistics company that was started during the pandemic, with the intention to provide logistics services to import and export companies. While looking for their own business model as well as the position within the logistics industry. The case study company came up upon the possible business opportunities that the EVFTA agreement and Vietnam might bring and decided to delve deeper into the subject. Even though the company is still in its starting phase the entrepreneur has a long history in the logistics industry with experiences ranging from freight forwarding to traffic coordination and spot sales. The company also has strong born global mindset with a special fascination towards the Vietnamese market.

### **1.2 Research question and purpose**

The purpose of this thesis is to provide information and an in-depth analysis for the case study company on the possible risks and possibilities of entering Vietnam, to support the company in choosing the right entry mode choice. The research question will be observed dominantly from the perspective of the logistics industry. For clarification the research question can be summarized as below.

- What are the suitable entry modes for the case study company for entering into Vietnam?

### **1.3 Research objectives**

To better frame the thesis, the research has been set out with two clear research objectives. The chosen objectives look to answer the research question presented as well as serve the purpose of this research for the case study company.



objective 1.

To clarify risk and opportunities for entering Vietnam.

Objective 2.

To gain better understanding on Vietnamese logistics market with entry in mind.

## **2 Theoretical Framework**

### **2.1 Introduction**

This chapter will introduce the literature used as a theoretical framework in this thesis and take a deeper look into the sources of this research, as well as the related theory on entry modes and definition on different entry modes based on past research. To better understand the variables that could affect the case study companies' decision to choose the correct entry mode choice. We will further study different entry modes and internationalization theories, such as the hierarchical model of entry modes, the Uppsala model, network theory and the international entrepreneur model. The reviewed theories will be used as a basis for further analysis in the later chapters.

To better understand what the current situation in the Vietnamese logistics industry is, as well as to get a better overall view on the macro environment that could affect the business operations of the case study company that plans to expand their operations into Vietnam. By understanding the current settings in the Vietnamese logistics industry, with its strengths and development targets. It could set out a baseline for the research to do further analysis on the subject.

The chapter looks to further review Vietnam's current trade level between its largest trading partners as well as the level of Global Value Chain integration of the country, and the possible challenges and appropriate directions that country could take in the future. The chapter will also investigate the current trade level between EU and Vietnam from various

perspectives, ranging from individual products and product groups to a more general overview on the trade situation between the two parties. This aims to set out a theoretical foundation for further analysis on Vietnams macro business environment and logistics market, to serves as a foundation for analysis on business opportunities and risk assessment to support the selecting of a suitable entry mode choice.

The thesis will use verified and peer reviewed studies and research from databases such as Google Scholar and reports from international institutions such International Monetary Fund (IMF), World Bank (WB) and Asian Development Bank (ADB) as a source for data and literature. In addition to international and global institutions the thesis will also draw data from regional economic and policy organization such as European Union and European Commission due to the close relations of these organizations to the subject. The research will mainly be using peer reviewed theses and reports from international and regional organizations as a primary source for data, but there will also be research from scientific journals providing data as a secondary source. The search will be conducted using key words such as EVFTA, Vietnamese economy, Vietnam logistics, Vietnam logistics industry, Vietnam logistics market, Global value chain Vietnam, EU – Vietnam trade.

## **2.2 Theories on entry modes and internationalization**

### **2.2.1 Hierarchical model of entry mode choice**

Based on Pan & Tse (2000) entry modes can be divided into two levels. From which in the first level are equity entry modes and non-equity entry modes, and at the next level entry modes can be further split into two groups. Equity entry modes consist of wholly owned subsidiaries and equity joint ventures (EJV), while non-equity entry modes can be further divided into contractual agreements and exporting. Each of which gives entering company different levels of influence and control over their operations overseas, thus creating a hierarchy between different entry mode choices.

Pan & Tse (2000) states that when it comes to choosing entry modes, there are three main schools of thought. The first school of thought views a company's overseas operations as

inherently risky, due to differences in political, cultural and market systems that might require adapting from the company. This view advocates that involvement with foreign markets should be gradual, and thus low commitment entry modes such as exports are desirable when the company first enters into the foreign market. Over time as the company gets more knowledge and experience from the overseas market, they can assume higher commitment positions with higher risk, control, and profit return. The second school of thought is influenced by the point of view of transaction cost. In this perspective companies will perform internally those activities that they can do at a lower cost and will subcontract those that other companies might have a cost advantage. When companies subcontract part of their operations, they inevitably face transaction cost. These might include costs such as cost of monitoring, controlling, and inspecting performance and product quality, establishing supplier networks, and managing industrial relations. The third school of thought highlight's location specific factors, which is believed to have an increasing impact on non-production related costs such as transaction costs.

Below is presented the visualization of the hierarchical model of entry modes (figure 1) as presented by Pan & Tse (2000, p 538).

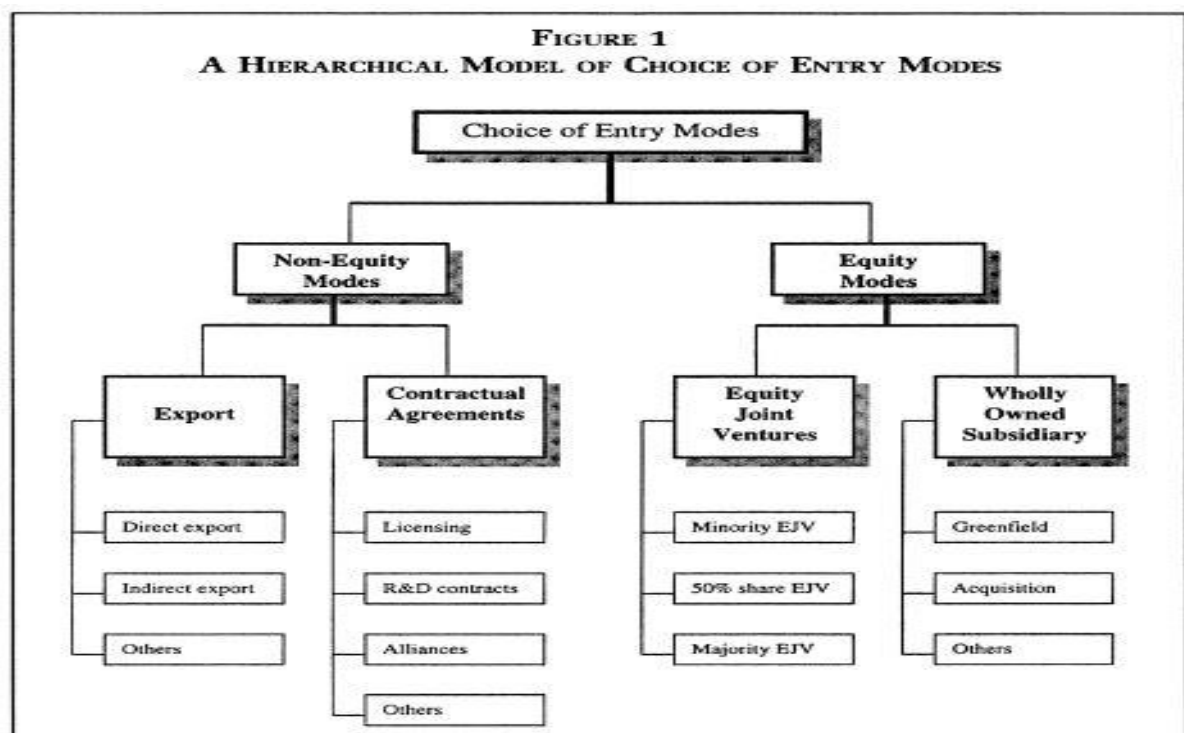


Figure 1: A hierarchical model of choice of entry modes

The figure presents different entry modes in the hierarchical model of entry modes. On the left side of the figure is presented the non-equity modes while on the right side of the figure are the equity modes.

### 2.2.2 Uppsala model

Based on Schweizer and Vahlne (2021) the Uppsala model was developed in 1977 to explain the internationalization process of firms. In the Uppsala model the constant change characterized by volatility, uncertainty, complexity, and ambiguity faced by companies is emphasized, and equilibrium doesn't exist. There are two kinds of variables in the Uppsala model, which are state and change. Each of which affects each other in a dynamic and continuous interplay. The change variables are used to explain and describe the evolutionary process over time, such as commitment and knowledge development process. While state variables are capabilities and performance, previous achievements, commitment, and intentions for the future. The arrow between the state and change reflects on their causal relationship.

The visualization of the Uppsala model (figure 2) can be presented as shown below as presented by Schweizer & Vahlne. (2021, p 585)

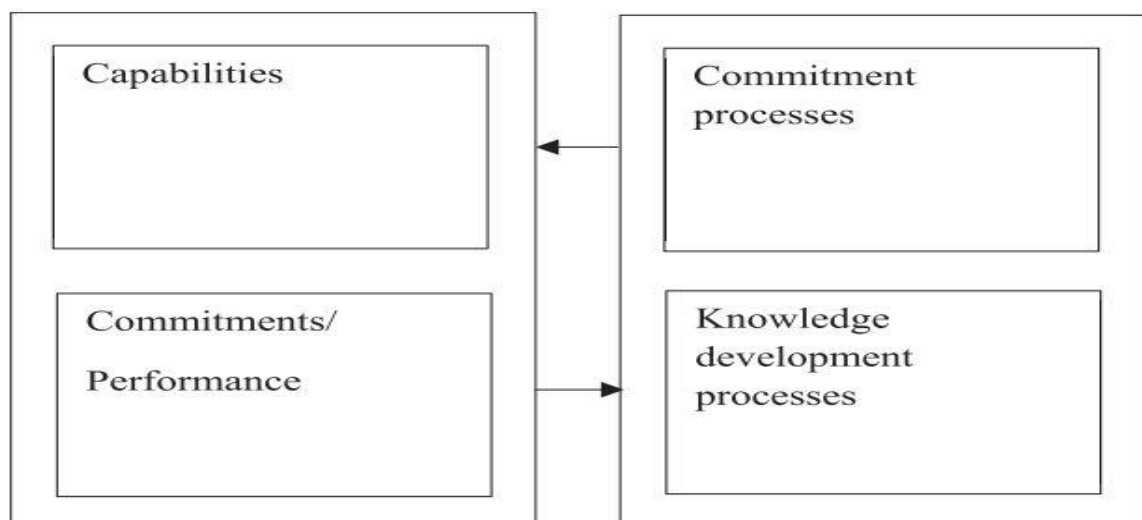


Figure 2: The Uppsala model

The figure illustrates the dynamic relationship between change and state. Commitment and process represents change while capabilities represent state in the upper half of the figure, while in the lower half of the figure commitments and performance represent state and knowledge development process is change.

Schweizer & Vahlne (2021) states that the change has two starting points. The first one is change through intermittent decision process related to committing or not committing resources, while the second is change through continuous knowledge development through learning, creating, and trust building. In the model risk management is the driver for change and resource allocation decisions are made when there is a reasonable positive trade-off between expected benefits and negative outcomes. While Shahzad (2019) states that the Uppsala model is used to clarify how firms expand their operations into foreign markets and how their resource commitment increases. Based on Shahzad (2019) the Uppsala model can be viewed as having two dimensions, which are market commitment and market uncertainty. Where market uncertainty is depicted to describe the changes of the future due to factors such as high competition, industry decline, and political stability. The framework can be used to view the how companies might prefer to adapt a less risky entry mode rather than using FDI due to lack of knowledge of the market but might be inclined to choose a higher commitment entry mode if the market is growing or expected to grow.

### **2.2.3 Network theory**

Based on Hosseini and Dadfar (2012) there are two main streams in applying networking in internationalization theories. One is based on geographical location of the universities that develop the theories and the other is based on the context of the theories, where the theories are divided into two groups, networking, and internationalization. In internationalization the network perspective is applied as a justification mechanism to describe internationalization, while in network theories take a more general perspective and can be applied in many contexts, in which internationalization can be one of them.

Due to the subject of this thesis, the research will be focusing on the internationalization group of network theories, mainly focusing on two related theories. The first one being the network theory of the revised Uppsala model and the other one being the network theory.

Based on Yener et al (2014) the network theory of the revised Uppsala model can be seen as a more external view compared to the original Uppsala model that focuses on the internal capabilities and incremental steps of the company. While Shahzad (2019) states that the revised Uppsala model is applying basic network overlook on the original, where the state variable represents opportunities that exist besides knowledge and the change variable is inside the position of the network. These include activities such as learning, trust building and knowledge sharing.

Based on Hosseini and Dadfar (2012, p 186) the revised Uppsala model (figure 3) by Johansson and Vahlne can be visualized as shown below.

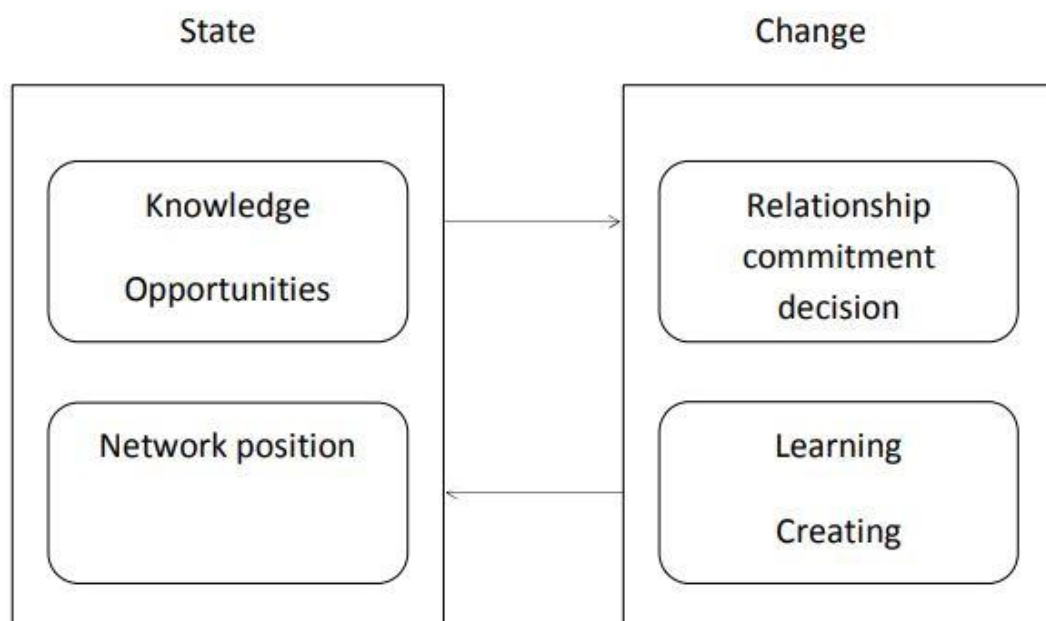


Figure 3: The revised Uppsala model

The revised Uppsala model takes a more external view on the Uppsala Model. Where knowledge and opportunities represent state and relationship, commitment and decision

represent change in the upper half of the figure. While learning and creating represent change in the lower half and network represents state.

Shahzad (2019) states that the network theory argues that modern high-technology companies won't follow the systematic internationalization process, but rather internationalize earlier through organization experience or through bonds with international and local partners. Based on Fernandez and Masum (2008. p. 15) a network is used to connect multiple businesses, where each exchange between companies is conceptualized as collective actors. In network theory internationalization of companies are regarded as a natural development of companies and individuals from network relationship, where they may source market information and knowledge that might take longer to acquire if there is no relationship to the host country, and thus can act as a bridging mechanism that could allow a faster internationalization. The network approach emphasizes bringing the parties involved closer through information that the companies acquire by establishing closer relationship with their customers, suppliers, the industry, government agencies and market actors.

#### **2.2.4 International Entrepreneurship model**

Fernandez and Masum (2008. p. 17) states that international entrepreneurship is a study of entrepreneurial behavior that crosses borders and focuses on how actors might discover, enact, analyze, and use opportunities to create new goods and services. While Bartha et al (2014) states that international entrepreneurship (IE) is the intersection of two research fields, entrepreneurship, and international business. Based on Shahzad (2019) in international entrepreneurship entrepreneurs with a global mindset might often start born global companies, where internationalization becomes a passion for new entrepreneurs, as they have tremendous inclination for learning and can adapt supportive viewpoints, such innovative ideas, concepts, and knowledge. Fernandez and Masum (2008. p. 18) states that in international entrepreneurship the basis for foreign market entry comes from the behavior of the individual and the company, and technological advancements, and cheap and easy ways to access information and communication between countries has helped SME companies go overseas. Based on Yener et al (2014) born global companies may be active in

the international markets from their founding and tend to have smaller domestic market share compared to their market shares overseas. The reasoning behind international entry can be proactive or reactive. Proactive reasons can be attractiveness of international expansion and an increase in profits, while reactive reasons could be rising costs of product or supply domestically or low profitability domestically.

### **2.3 Entry mode choices**

Internationalization can be referred to as an activity in which a company expands their operations across borders, to be able to gain competitive advantage, mitigate risk and facilitate learning. (Hollander, 2017, p.1) For starting companies such the case study company the process of internationalization could prove to be a risk even if there are lots benefits to gain. For this, further examination of different entry modes can be useful and could lay a basis for further analysis in the later chapters of the thesis. Ødegård (2016, p. 19) states that entry modes can be described as structural agreements that allow companies to implement their market strategy in a host country, and selecting an entry mode could one of the most important strategic decisions a company could make when entering a market. While based on Elsner (2012, p.6) it is a form of institutional arrangement that companies use when entering a foreign market for the first time.

Based on Boyd et al (2012, p. 13) Entry modes can be divided into three groups based on the level of control the company has over their ventures. High control modes consist of entry modes such as Foreign Direct Investment (FDI), wholly owned subsidiaries and direct selling to original equipment manufacturers (OEM). In all these entry modes the company retains a high level of control over their overseas activities. While intermediary control entry modes consist of joint ventures and strategic alliances. Within this category companies agree to share resources, technology, work, and profits. They supplement each other's needs for a long period of time. In the case of strategic alliance, there won't be any new companies started, but companies rather look to gain local knowledge and relationship skills that are important for their overseas activities. The low control entry modes consist of direct and indirect exporting, in which Indirect exporting represents the form of entry mode that has the lowest control.



While there are some differences in their definitions for entry modes, both Ødegård (2016) and Elsner (2012) agrees that there are multiple entry modes that can be used to enter a new market, such as owned subsidiaries, exporting, joint ventures and strategic alliances. For this thesis, the research will take into consideration only three entry modes (export, joint ventures, and strategic alliances) for further investigation and analysis, due to the foreign equity share structure of the logistics industry under the EVFTA in Vietnam.

### **2.3.1 Export**

Exporting is a process in which a company sells products or services from one country to other countries and can be divided into indirect exporting and direct exporting. (Ødegård, 2016, p 19) In direct exporting products are produced on a large scale in their home countries and companies sell and ship their products to overseas, thus retaining a high level of control over product distribution, while in indirect exporting the company looks to find overseas intermediaries to distribute their product and retain very little control over their product distribution. (Ødegård, 2016; Boyd et al, 2012) Exporting can be generally viewed as the entry mode that requires the least commitment from the company, while at the same time it brings the least benefits to the company. (Ødegård, 2016; Boyd et al, 2012; Clausson & Johansson, 2011) While exporting doesn't require much commitment and enables the company to retain much of the control regarding distribution, and there could be underlying risks for the companies such as opportunism. (Ulrich et al, 2012, p. 14) Usually exporting is a suitable entry mode when the entry market doesn't have any dominant competitors and the doesn't require excessive commitments from the company to production. (Clausson & Johansson, 2011, p. 9)

### **2.3.2 Joint venture**

A joint venture is a process where two or more companies join their efforts and resources to establish a new entity in which they share joint ownership, control, and benefits. (Ødegård, 2016; Zekiri, 2011) Joint ventures can be used to enter a new market in which companies might gain local knowledge from their partners and can involve technology sharing or joint product development. (Zekiri, 2011) As an entry mode joint venture requires relatively low

resource commitments, (Ødegård, 2016, p.21) and can be considered as an intermediary control entry mode, even though in some cases level of control can be relatively high. (Boyd et al, 2012, p.13-14) Much like a wholly owned subsidiary, companies can start joint ventures as a new start-up company as a greenfield investment. (Ødegård, 2016, p.21)

### **2.3.3 Strategic alliances**

Strategic alliances can be defined as an agreement for cooperation between companies, that might involve sharing research and formal joint ventures. Ødegård (2016, p.20) The point for collaboration in strategic alliances is to achieve mutually defined goals through sharing of resources, managerial control, and rewards in strategic areas. (Ho et al, 2022) As an entry mode strategic alliance also belongs in the group of intermediary control group of entry modes. (Boyd et al, 2012, p. 13) Strategic alliance is also useful in assisting organizations in accessing and conserving resources for innovation development and risk sharing. Successful strategic alliances usually emphasize the same essential traits such as goal integration, moving towards the same direction and synergy. (Ho et al, 2022)

In the logistics industry there are great examples of strategic alliances or logistic alliances organized by two or more companies cooperating through signing long-term contracts with each other. The purpose of these alliances is to help their members gain advantage through sharing resources and gaining complementary advantages to achieve their logistics goals. These alliances can be defined by their independence, cooperation, and risk and benefit sharing among the members. These alliances can be for example the 2M, Ocean Alliance and The Alliance from the maritime shipping industry. (Ho et al, 2022)

### **2.3.4 Wholly owned subsidiaries**

Wholly owned subsidiaries are the form entry mode where the company retains the highest level of control over their foreign subsidiaries. (Boyd et al, 2012, p. 13) Companies can acquire a foreign subsidiary through acquisition or greenfield investment. In a greenfield investment they start the company from the ground up and could require the company to

invest in new facilities. (Boyd et al, 2012) Whereas in acquisition the company looks to buy a controlling share or all of the foreign company. (Zekiri, 2011)

## **2.4 Overview of Vietnams industrial and trade structure**

A report published in 2022 by the World Bank stated that the economy of Vietnam has now successfully integrated into the Global Value Chains (GVC), but the country is now at crossroads, and in need of a comprehensive agenda and improved connectivity within the economy to enhance its competitiveness on the international level. There is currently a large amount of foreign direct investments driving growth of the country's employment for basic assembly work, with possibilities for local companies to participate in the Global Value Chain more actively through supplier contracts and long run opportunities to gain from the vast resources of the global supply-base. But there are also challenges the country faces. The international companies traditionally use the same set of suppliers globally, which might lead to difficulties for the local companies to integrate into their value chains. (Kunaka, 2022, p.2) While there are currently limited number of domestic companies with backward linkages to Foreign Direct Investment (FDI) companies in Vietnam. A World Bank report by Akhlaque (2023) believes that with the right government efforts and policies, supporting industries such as domestic suppliers and input providers to FDI companies can be enhanced. This could help further develop the private sector in the country. Based on the report currently the number of foreign owned companies using domestic input in Vietnam is lower compared to other economies in the region such as China, Malaysia, and Thailand. Kunaka (2022) believes that high concentration of assembly work in manufacturing could also lead to a low value-added trap for the country if it fails to attract or develop higher value-added functions such as innovation, design, and core components. This could pose a risk for the country to lose investments to lower cost economies over the long run.

The World Bank report by Charles Kunaka (2022) presents well the structure of Vietnams trade patterns with high concentration in the Asia-Pacific region, with economies like the US, China, and Korea as buyers for their products and Australia, Japan, China and Korea as sellers to their economy. With this Vietnam has managed to integrate well into the Global Value Chain (GVC) through regional trading partners with their import to export strategy. This has

managed to give Vietnam the opportunity to possess one of the highest trade-to-GDP ratios globally and outperform global export growth along the years and emerge as one of the manufacturing powerhouses in Asia, with high concentration in product categories such as automotive, electronics, textiles and apparel and agriculture.

While research from Kunaka (2022) and Pham et.al (2023, p 25-26) states that the Vietnamese economy has been gaining strong growth momentum and created jobs through the export-oriented strategy, the specialization has been in low value-added activities with limited linkages to domestic companies. Kunaka (2022) believes this leads Vietnam into a crossroad, where they can choose to either continue as an export platform for the Global Value Chain with specialization in low value-added assembly manufacturing, with industrialization happening with little connection to the broader economy, or they can use the current wave of growth to diversify and move up the value chain to higher value-added functions and nurture their domestic companies to innovate and create “made in Vietnam” products. The report believes that success in both requires the policy makers in Vietnam to view the situation differently with realities of the global economy in mind and align the right industrial policies as well as leverage the FDI companies to support local industries and support local and returnee entrepreneurs seeking to develop “made in Vietnam” products. While Pham et al (2023) recommends policies that are more supportive of infrastructure, logistics and industrial and economic zones to further integrate domestic supply chains into the GVC. Research on Vietnam's position in the global coffee value chain by Nhung (2022) shares the same sentiment as Kunaka (2022). The research (Nhung, 2022) states that the Vietnamese coffee industry has a lot of potential but is mostly focused on low value-added part of producing coffee beans due to lack of advanced technology in production process. Which limits the economy's participation in the global value chain in the industry. The research believes that if the Vietnamese government and businesses as well as the Coffee and Cocoa Association could find solutions and implement them successfully, Vietnam could further contribute to the global value chain.

As can be noticed from the report by Kunaka (2022), the integration of Vietnam into the Global Value Chain is highly concentrated through regional trading partners. Regardless of the European Union being one of the largest foreign direct investors into Vietnam with €6,1

billion invested in 2019. (European Commission,2022) There doesn't seem to be a strong integration of value chains between the two economies based on the information of the World Bank report mentioned above, with majority of the trading partners locating in East-Asia and the United States of America.

#### **2.4.1 Assessments on Vietnams trade structure**

While the trade between European Union and Vietnam is highly concentrated westward with the EU importing from Vietnam with 38,5 billion euros in 2021 and 34,5 billion euros both in 2020 and 2019 respectively. (European Commission, 2022) There are some research that support the idea that there are also opportunities for companies in European key industries such as automobile (Vu & Pham, 2017) and pharmaceuticals (Vu, 2016) to expand their operations into Vietnam.

Vu & Pham (2017) assessed that given the large population size, economic growth, and an increasing GDP per capita in Vietnam, the country could be a prominent market for automobile sales in the region for European car companies. Based on their research there has been growing demand for European cars in Vietnam ever since the early 2000's, with the value of sales growing steadily over the years to reach its peak in 2015 with more than 172 million dollars in sales, with most of the cars being imported from countries such as Germany, the UK and France. Regardless of the growing trend, there seems to be little diversity in terms of car types. With majority of the cars imported being sedans with engine sizes between 1500cc and 3000cc. The research suggests that there doesn't seem to be large representation of utility cars sold to Vietnam from Europe. The research was conducted using the SMART analysis which uses data from the World Integrated Trade Solution (WITS) database jointly provided by the World Bank and United Nations Conference on Trade and Development. The SMART analysis itself is a partial equilibrium model that can be used to assess trade, tariff revenue and welfare effects of an FTA. The model was used to create two scenarios in which the first scenario represents Vietnam eliminating tariffs from automobile imports from the EU without considering other FTA's while the second scenario takes into consideration their FTA with the ASEAN+3 partners (ASEAN, China, Japan, and South-Korea). The research suggested that in both scenarios' automobile exports from the EU to Vietnam

would increase considerably. With 63,67% increase from the initial level of the base year in scenario one. Equivalent to USD94,47 million. While in the second scenario the number of automobiles Vietnam would import from the EU would only rise by 42,22% translating USD62,63 million. The research suggests that due the tariffs being removed from the ASEAN+3 region, part of Vietnams automobile imports would be transferred to regional car brands because they are relatively more affordable than their EU counterparts.

Research by Vu (2016) states that the trade of pharmaceuticals rose steadily 2001 – 2014 between the EU and Vietnam despite the global headwinds of the early 2010's. In 2014 pharmaceutical imports from the EU stood at USD1108 million. Up more than ten times from 102 million it was in 2001. Majority of the pharmaceuticals were imported from France, Germany and Italy. Representing over half of the pharmaceutical imports from EU to Vietnam with France representing 23%, Germany 18% and Italy 11%. With the EVFTA Vietnam agrees to lower tariffs and let the European companies participate into pharmaceutical bidding contracts and price negotiations of pharmaceutical distributors, thus giving the European companies an advantage over other foreign pharmaceutical company. While Vu's (2016) research reflects a positive sentiment towards trade in the pharmaceutical sector. There have been some concerns raised by the European Commission (2019, p 16) regarding the implementations of Vietnams WTO commitments as well as the countries market authorization procedures. With Vietnam agreeing on October 2020 to implement the Circular 8 to recognize EU single market for pharmaceuticals and all EU member states 'regulatory authorities as "reference regulatory authorities". (European Commission, 2022)

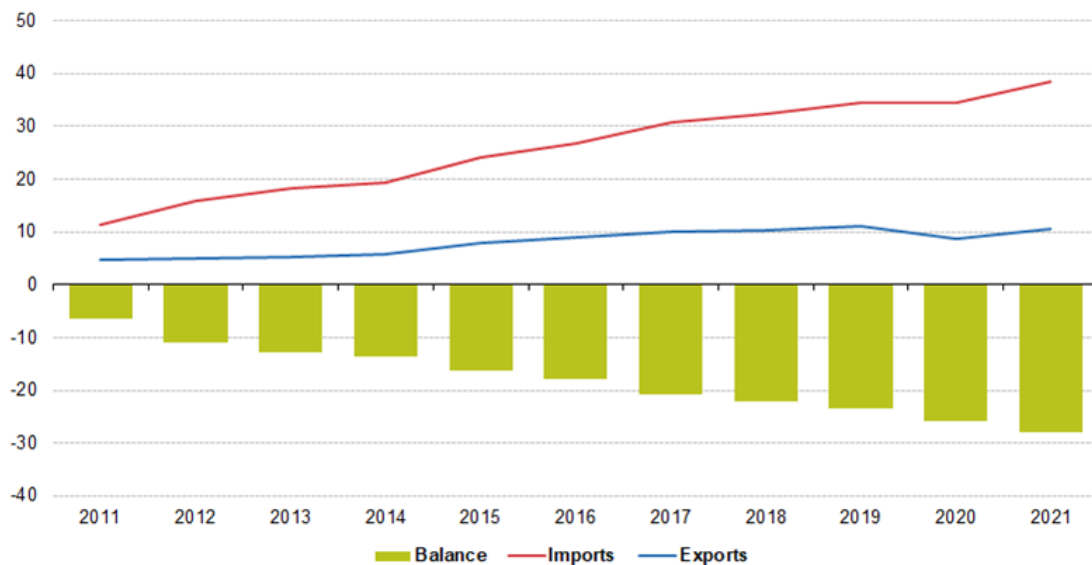
Industries such as textiles and apparel, research from Vo et.al (2018) suggest that the EVFTA could facilitate more export to the EU from Vietnam. The research was conducted using the WITS-SMART analysis. The research suggested that reducing tariffs to 0% could increase Vietnams textiles and apparel (T&A) export to the EU to USD4,22 billion in 2026 from the USD2,97 billion it was in 2015 which acted as the base year for the analysis, marking an 42% increase. Through this Vietnam is expected to gain more T&A exports to the European Union than other non-FTA members that engage in textile and apparel trade with the EU due to duty elimination. While research by Marinov (2017) suggest that the Bulgarian economy could benefit from the EVFTA due to tariff elimination of pharmaceuticals and machinery

and facilitate more exports to Vietnam and possibly offer Bulgaria access the wider ASEAN region.

Based on the mentioned research (Marinov, 2017; Vo et.al, 2018; Vu, 2016; Vu & Pham, 2017) there seems to be expectations for an increase in flow of trade between the EU and Vietnam. While the mentioned research only covered a number of product categories traded between the two parties, it can be observed that there are some positive sentiments towards the EVFTA on both sides. Given that based on Eurostat (2023) the bilateral trade between the two parties has been growing steadily during the 2011 – 2021 period (figure 4). It can be assumed that there are some justifications for the sentiment. While increasing volume in trade and flow of goods doesn't necessary directly translate into business opportunities for new logistics companies such as the case study company. It can be a good reference point on what to expect and for future evaluations.

### EU trade in goods with Vietnam, 2011-2021

(€ billion)



Source: Eurostat (online data code: ext\_st\_eu27\_2020sitc and DS-018995)

eurostat 

Figure 4: Eu trade in goods with Vietnam, 2011-2021

The figure 4 illustrates the volume of trade between the European Union and Vietnam between the years 2011 – 2021. The blue line represents exports from the EU to Vietnam, while the red line represents imports from Vietnam to the EU. The green bars are the trade balance between the two parties.

While there is research supporting the positive sentiment regarding the flow of trade, it doesn't come without concerns. The report by the European commission (2019) has expressed, that there are European stakeholders that are worried about counterfeit products and IPR (Intellectual Property Rights) infringements in industries such as jewelry, textile and apparel and photographic equipment, and lack of training of IP officials such as customs authorities to oversee the situation. The report nonetheless believes that the EVFTA will facilitate more trade in goods and services due to the reduced trade costs.

#### **2.4.2 Entering and operating in Vietnam**

While the requirements of entering Vietnam under the EVFTA varies to certain extent between different industries. For this research we will only view the requirements from the perspective of the logistics industry. Due the purpose of this research, we will be viewing the current situation of the Vietnamese logistics market, the benefits of the EVFTA regarding the logistics industry and possibilities for a logistics company from Finland to enter Vietnam.

Based on the report on the EVFTA by the European Commission(2019, p 29) Vietnam has committed to cargo handling, customs brokage and ground handling operators access to the authorized economic operator (AEO) status and new market access to freight transportation and maritime freight transportation, and also increase the foreign equity share for European companies from 49% to 70% as well as provide feeder services between Vietnamese ports and re-position their leased/owned empty containers. This could offer European companies a clearer and more reliable business environment. The sentiment for possibilities to provide logistics solutions to Vietnam is also shared by Team Finland (Team Finland, 2023), a Finnish organization that provides networking opportunities for companies that wishes to expand their operations to international levels. In their recent country outlook Team Finland listed logistics as one the industries they are expecting to grow in Vietnam and could provide



business opportunities for Finnish companies. The position is also shared by Nguyen (2020) and Pham et al (2023, p 27-29) in research, stating that the Vietnamese logistics industry is still in much need of development for both hard and soft infrastructure, and logistics services.

While the EVFTA is expected to ease out the entering process into Vietnam as well as the business operations there, through commitments to reduce bureaucratic barriers and improved market access. There are still possibilities for underlying risks for businesses such as the case study company that wish to start or expand their operations into Vietnam. Thus, the subject is worth further research and analysis.

### **2.4.3 The factors that could affect business operations in Vietnam**

Even though there are a lot of favorable conditions for businesses in Vietnam with the entering of the EVFTA into force. There are still a lot of challenges that logistics companies might face when they enter Vietnam. One of the reoccurring themes of these challenges seems to be the lack of infrastructure to support the domestic logistic industry such as roads, rail and maritime transportation networks as mentioned by Nguyen (2020, p. 674-674) in their research. The research believes that transport infrastructure is crucial for logistics activities and the development of multimodal transport, and for this purpose Vietnams infrastructure is still underdeveloped and it could be an obstacle for Vietnams integration into the global economy. The research suggests that due to 90% of the value of goods in Vietnam are transported via maritime transportation. It could be beneficial for Vietnam to further develop their seaport systems and maritime infrastructure such as wharves, warehouses, and inland clearance ports, while focusing their investments into deepwater ports at the same time. The research believes that it would be more useful for Vietnam to focus on investing into a few large seaports rather than small investments into smaller ports. In terms of Inland waterways, the research believes that by improving the quality of services and infrastructure for river routes and inland waterways, Vietnam could take advantage of their dense river and canals to develop multimodal transport routes that are connected to sea and railway routes as well as highways. As for rail transportation, the research suggests renovating and upgrading existing rail routes, as well as building new

additional railway lines such as the North-South railway line. For the air routes the research believes that it could be developed by buying more cargo planes as well as means for loading, unloading and transport, and expand domestic and international routes to destinations with high demand for airfreight. Road infrastructure could be developed to meet logistical needs by repairing and upgrading existing roads and constructing new roads that are suitable for transportation of containers, as well as building new bridges and tunnels to ease out the overall congestion in the country.

#### **2.4.4 Global Value Chain integration**

The opinion on the needs of infrastructure development of Vietnam is also shared by Kunaka (2022, p. 13-14) who states that while Vietnam performs well on the connectivity metrics in general, the environment in the Asia-Pacific is becoming more and more competitive and requires Vietnam to upgrade their quickly and comprehensively. Currently the exporters are suffering from high transportation costs due to low logistics performance, and upgrading infrastructure is critical for the country to enhance GVC integration. The second issue that is brought up by Kunaka (2022) is the regulatory environment in the logistics industry, which is believed to be administratively fragmented both on the provincial and government level and should be streamlined to enable service providers to offer a full spectrum of services so that companies could connect to the global value chain. The opinion for the need to improve the regulatory environment of the logistics industry is also shared by Pham et al. (2023, p 57-59) who states that by improving connectivity policies and investments into transport infrastructure by making them more trade-orientated, Vietnam could improve their trade competitiveness. The research states that by enhancing the transport infrastructure in key trade corridors and gateways for Vietnams top industries such as electronics, textile and garments, motor vehicles and aquaculture could further improve the economies GVC integration. The research suggested that these trade-orientated infrastructure and investment policies should be guided by a four-pillar framework. Consisting of regulatory framework and standards, trade related infrastructure and connectivity quality control, regulations for logistics services and logistics services providers and an institutional framework for inter-agency coordination and implementation. The regulatory framework and standards pillar would be mainly meant to customs, border management and trade-

related agencies. While second pillar that focuses on trade-related infrastructure and connectivity quality would be overseen by different ministries of the government such as Ministry of Transport (MOT), Ministry of industry and trade (MOIT), Ministry of Finance (MOF) and Ministry of planning and investment (MPI). These ministries would be responsible for related policies, investments, and intermodal coordination. Pillar three revolves around regulations for logistics services and logistics services providers which mostly consist of the private sector. The pillar four would consolidate the interagency cooperation the government leaders and actors from the three previous pillars, and implement the arrangements, establish different mechanism for consultation and partnerships with the private sector and divide roles and responsibilities between stakeholders as well as monitor the performance.

Multiple types of research seem to support the idea of trade volumes growing due to the trade facilitation effects of the EVFTA across a wide range of product categories. (Vu & Pham, 2017; Vu, 2016; Marinov, 2017; Vo et.al, 2018; European Commission, 2019) While there seems to be a relative consensus on the possibilities the EVFTA could offer for companies on both sides of the bilateral agreement, there have been some valid points presented regarding the possible challenges as well. (Nguyen, 2020; Kunaka, 2022) For the case study company to better prepare for a possible entry into Vietnam. It would be useful to conduct an analysis on the possibilities and risks of the Vietnamese logistics market as well as the general macroenvironment for businesses in Vietnam, to be able to choose and adapt the correct entry mode choice. The analysis will be in a form of a SWOT-analysis, as well as PESTLE and Porter's five analysis, to support in choosing of a suitable entry mode choice.

## **2.5 Analysis techniques**

The analysis techniques used in this research is aimed to evaluate the macroenvironment and external business environment as well as a SWOT-analysis to assess the viability of the business venture for the case study company and support strategic planning for the entry mode choice.

### **2.5.1 SWOT-analysis**

A SWOT-analysis is described by Moniz & Bishop (2016) as an analysis for strategic planning used for evaluating strength, weaknesses, opportunities and threats of a project or a business venture. While Cadle et al(2014, p 14) states that SWOT-analysis is used to consolidate the results from external and internal business environment analysis and summarize key issues when analyzing an organizations business situation and to identify strategies for future by identifying opportunities for improvement and issues that might create threats for the business to able to take correct action in these situations, and to identify areas of threats and possibilities. Moniz & Bishop (2016) states that some internal factors can be viewed as both strength and weaknesses depending on organizations objectives. External factors may consist more of macroenvironmental issues, such as macro-economic matters, legislation and change in technology.

The SWOT-analysis itself doesn't come without shortcomings. For example, Moniz & Bishop (2016) argues that the analysis might persuade companies into compiling lists rather than think about what is important for achieving company objectives. Cadle et al (2014, p 15) shares the same sentiment and states that in some situations such a brainstorming session the SWOT-analysis can be too informal and there is risk of missing important factors such as looming threats or major areas of weakness for the organization, and the SWOT-analysis is better being used with other techniques like Porter's five and PESTLE to form a more analytical basis for the work.

In this research SWOT-analysis is being used to evaluate the viability of different entry modes and assess how suitable each of the entry modes are for the case study company, given the current phase and objectives of the company.

### **2.5.2 PESTLE analysis**

While there are many variations of this analysis such as PEST, PESTEL and STEEPLE. (Cadle et al, 2014, p. 3; Bishop & Moniz, 2016) This research will be using the PESTLE variation of the analysis for its suitable framework for the case study company to gain a good overview on

the Vietnamese economy and society, and to better understand the possible macro business environment of the company in Vietnam.

Cadle et al (2014, p.3) describes PESTLE analysis as a framework for investigating and analyzing the external environment of the organization to understand and identify the source of change. While Bishop & Moniz (2016) states that it's part of an external analysis than can be used for conducting a strategic analysis and market research, to get an overview of the macroenvironment through different factors that could influence the company.

The framework identifies six different key areas to be considered to identify these sources of change, for evaluation of the most likely external factors that could affect the organization or company, to be able to take the correct course of action. When using PESTLE, it is important to recognize that the factors considered fit two criteria. They should be outside the control of the organization, and they should have a level of impact on the organization. Cadle et al (2014, p.3)

The key areas to take into consideration when making a PESTLE analysis based on Cadle et al (2014) are as shown below.

- Political

Political factors usually that could create potential change are from the government. These could be for example changing policies, government priorities or a new initiative. These changes could sometimes be limited to the country the company operates in, but in some cases development bodies might have an effect on several countries such as the EU.

- Economic

Economic factors are also sometimes limited to a certain country but due to global trade difficulties in certain economies might have wider ramifications and worldwide impact. These factors could be economic growth or overall confidence within the economy for example.

- Socio-cultural

Socio-cultural factors are those that involve customers or potential customers. These factors could be demographic changes or changes in consumer behavior. These changes can be at times subtle and difficult to predict but may have major impact.

- Technological

Technological factors could be rising development of technology within the economy. There can be two different types of technological development: development in information technologies (IT) or development in certain industries such as manufacturing. Technological developments such as IT can have a wider impact across all industries and business domains.

- Legal

Legal factors are important to take into consideration. Sudden changes in laws and regulations might mean significant changes to the operating environment for the company or organization. While laws and regulations are mostly from national governments but there are also some regulations and laws that might require wider compliance, such as the global accounting regulations.

- Environmental (Ecological)

Factors regarding the natural environment such as pollution and untreated waste.

This research will use PESTLE analysis to view the overall macroenvironment of Vietnam due to the compatibility of the framework for the case study company's needs to understand the operational macroenvironment and the economy of Vietnam.

### 2.5.3 Porter's five

Cadle et al (2014, p 6-8) describes Porter's five or sometimes also depicted as Porter's five forces as an analysis on external business environment with different focus from PESTLE analysis. The Porter's five analysis focuses on assessing business domain or an industry in which the company operates in and identifies the business pressure the company might face. The analysis is usually applied to a suite of products or services to identify possible sources of pressure. These can be divided into five categories which are industry competitors, new entrants, substitutes, buyers, and suppliers. Understanding and having answers to these categories can help the organization to identify the possible factors that can either have a positive or negative effect on the organization from within the industry. While Porter (1998, p.3-5) viewed it as a structural analysis on the industries in which companies operates in to help formulize an appropriate strategy. Based on Porter (1998) the key aspect of the company's environment is the industry in which it competes, and the structure of the industry has a strong influence over the available strategies the company has at their disposal, while the forces outside of the industry merely have relative effects, due to it effecting every company within the industry.

Based on Porter (1998) and Cadle et al (2014, p 6-8) the five categories could be explained as follows.

- Industry competitors

Industry competitors view the level of competition within the industry for the product or service that the company looks to provide. Being able to understand the level of competition helps the organization to know their position and the position of their possible competitors.

- New entrants

The new entrant's category aims to understand the possible barriers to entry and what might be needed for an organization to offer their products or services, and the likely hood of new entrants in the industry.

- Substitutes

The substitutes category views the already existing products or services that could possibly act as a substitute for the companies offering, and their range of these substitutes. It helps to understand the products or services' position compared to their substitutes.

- Buyers

The buyer's category depicts the power relationship between the buyer and the supplier, and whether they can switch suppliers easily and the availability of options of the buyer.

- Supplier

The supplier category looks to answer on the availability of suppliers for the company and the competitive situation between them, as well as the power relationship between the suppliers and the company.

For this research Porter's five will be used to assess the situation in the Vietnamese logistics market. To gain a better understanding on the companies that are currently operating in Vietnam as well as local companies and their positions, and how it all might reflect on the case study company's intention to expand their operations there.

## **2.6 PESTLE analysis on Vietnam**

### **2.6.1 Political**

While there are many political factors that could affect the case study companies' business operations in Vietnam. For this analysis the research will mainly focus on recent policy changes and commitments under the EVFTA and potential policy implications.



Based on the report by the European Commission (2019, p.15-17) while tariff elimination reduces tariff related trade barriers. There are also other concerns regarding the business environment in Vietnam, such as non-tariff barriers (NTB) that could result from Vietnams policy if intervention that could unintentionally or intentionally effect bilateral trade in goods and service. These could be for example Vietnams request for independent risk assessment on mad cow's disease for beef from the European Union, rather than adapting the World Organization for Animal Health (OIE) standards. Other concerns might include the openness of the retail sector and intellectual property (IP) rights.

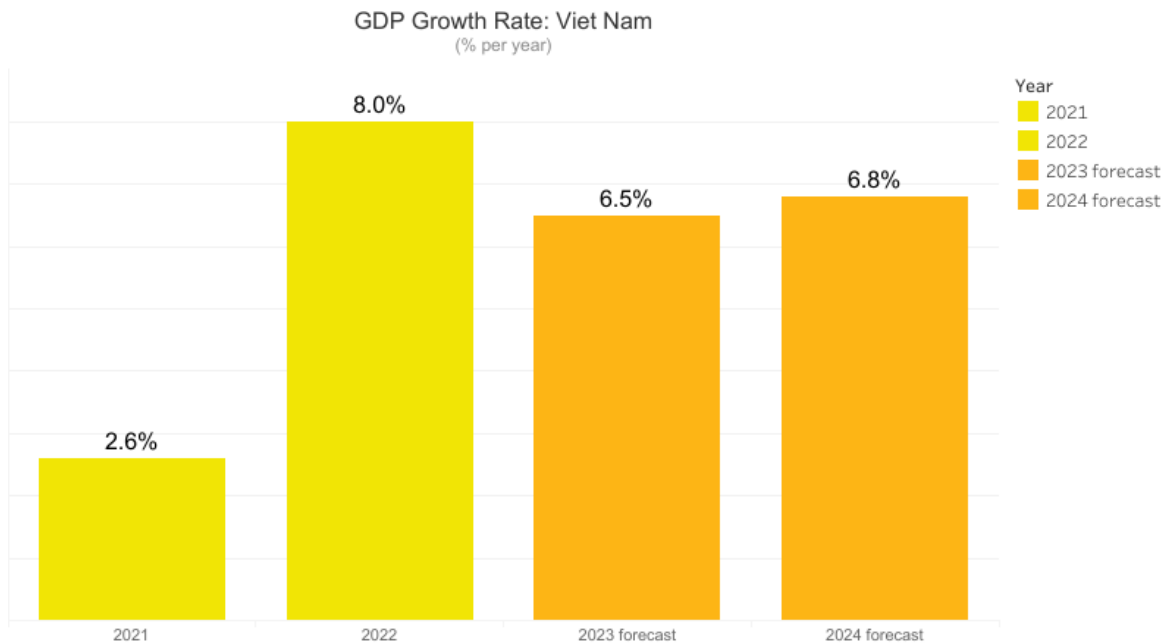
The sentiment for the strictness of the service sector is also shared by the World Bank (2023, p.16) which states that some service sectors such as telecommunications, logistics, aviation, and banking and insurance are still quite restricted. For example, in freight transport such as waterway and road freights foreign companies can only own 49% and 51% of the companies respectively. The World Bank recommends reducing restrictions to FDI companies for further innovation and technology adaptation, as well as to improve the business environment for enhancing competition and better access to finance for domestic companies. It is notable to take into consideration that under the EVFTA the owners of foreign owned companies in the logistics industry can be now 70% based on the report by the European Commission (2019).

### **2.6.2 Economic**

Since the 1986 when Vietnam started the Đổi Mới economic reforms incorporated with the benefits from the global trends. Vietnam has managed to rise from one of the poorest countries in the world to be a low-middle income country in just one generation. Between 2002-2021 Vietnam was able to increase their GDP per capita 3,6 times to almost \$3600 and declining their poverty rate from 14% from 2010 to 3,8% in 2020. (World Bank, 2023)

During the 2010-2019 period Vietnam managed to grow at 6,3% pace on average fueled by a buoyant domestic consumption, rising middle-class and an export orientated manufacturing economy. During the Covid-19 years Vietnam managed to weather through with 2,9% growth, standing among the highest of the Asia-Pacific region. The economic growth was slightly hindered by the Delta variant in 2021 with marking only 2,6% growth for the year.

(Asian Development Bank, 2022) By 2022 the economic growth of Vietnam managed to rebound to 8,0% with expectations by Asian development Bank to grow 6,5% and 6,8% in 2023 and 2024 respectively (figure 5). (Asian Development Bank, 2023) With the International Monetary Fund sharing similar sentiment for growth, with the forecasted growth for 2023 being 6,2%. (IMF, 2023) While the World Bank projects growth of 6,3% for 2023 and 6,5% for 2024. (World Bank, 2023, p.13)



Source: Asian Development Bank. Asian Development Outlook 2023 (April 2023)

Figure 5: GDP growth rate: Vietnam

Figure 5 illustrates the GDP of Vietnam in the years 2021 and 2022 in the yellow bars, while the orange bars are Asian Development Banks forecasts for the coming 2023- and 2024- years GDP`s.

### 2.6.3 Socio-cultural

While Vietnam has been enjoying over a decade of strong economic growth. (World Bank, 2023) Based on a World Bank (2021) report there are still believed to be expected some underlying changes in demographics of the nation in the foreseeable future. The report states that while Vietnam is currently enjoying a window of opportunity in terms of working

aged population, with median age being 29 and the largest part of the population belonging in the 20-34 age group. Falling fertility rates and rising life expectancies could mean that Vietnam will become an aged society around 2035. This might mean that Vietnam will have to go through this period at an earlier economic development stage than other countries. The report argues that even though Vietnam's window of opportunity is still open, Vietnam should take key actions in terms of reforms and policies to prepare for an aging society ahead of time to mitigate challenges and maybe even reverse process.

#### **2.6.4 Technological**

Based on the report by the World Bank (2023) the small-scale firms in the service sector have a low technology adaptation rate, and Vietnam should encourage companies to further adapt digital technologies to spur innovation. The report recommends give focus to on upgrading companies' capabilities through technology adaptation, support technology transfer to small and medium size enterprises, and give support and funding to a larger number of companies engaging in the innovation process and adapting existing technologies. The report states that it could be one of the ways Vietnam could strengthen the development of the service sector and could help companies in the sector scale by transacting with customers beyond geographical boundaries by using digital platforms such as Fiverr, Upwork and Freelancer.

#### **2.6.5 Legal**

On legal changes under the EVFTA for the logistics industry. As mentioned in chapter 2 by European Commission (2019) Vietnam has agreed to give customs brokerage, cargo and ground handling related companies access to authorized economic operator (AEO) status, as well as new market access for cross border transportation and maritime transportation. Increased foreign ownership percentage in the logistics industry from 49% to 70%.

### **2.6.6 Environmental**

Based on the World Bank report (2022, p. 9) on Vietnam's climate challenges, the country's economic rise the past three decades has led to a significant increase in emissions. In 2020 the country's energy sector represented 65% of the emissions the country was producing, with agriculture coming second with 19% followed by transportation and industries. The increase in GHG has contributed to air pollution in major cities leading to health and productivity costs. At COP26 Vietnam pledged to halt deforestation and ending all new investments on coal power projects and scaling up renewable energy as well as phasing out of coal by the 2040s.

## **2.7 Porter's Five analysis on the Vietnamese logistics market**

Due to the case study company being a starting logistics company. The operations of the company in Vietnam are yet to be defined. There for research will look to investigate and analyze the Vietnamese logistics market from a wider point of view to be able to get better overall understanding on the situation.

### **2.7.1 Industry competitors**

Based on Nguyen et al (2023) there is 29 694 companies that has registered to be operated in the logistics industry in Vietnam. The Vietnam Logistics Association (VLA) has 515 members, from which 428 are official members and 87 are associated with the 58 members who are FDI companies. More than 80% of the companies are small and medium-sized enterprises (SME). Companies such as Transimex, Gemadep, Sotrans and Saigon Port are large companies. Because most of the companies in Vietnam are small and medium-sized enterprises the research believes that the need for cooperation with companies overseas remain large in fields such as logistics centers and specialized logistics centers.

Besides local companies' multinational corporation (MNC) such MSC's subsidiary TIL is also looking to expand their presence in Vietnam. With the proposed 6-billion-dollar super port to be built in the southern city of Can Gio. (Loadstar, 2022; Port Technology, 2022)

While MNC's have a presence in Vietnam. Based on Nguyen et al (2023) most of the companies still seem to operate in the SME sector of the logistics industry. With the economy of Vietnam expected to continue to enjoy a strong growth momentum. (IMF, 2023; World Bank, 2023; Asian Development Bank, 2023) Combined with Vietnams plans to further integrate into the Global Value Chain. (Kunaka, 2022) We can estimate that there will be increasingly more business opportunities for logistics companies in Vietnam with the EVFTA acting as a suitable platform for entry.

While the case study company is still at it in its starting phase. The Vietnamese logistics market does offer interesting options for the company. With Majority of the companies operating in the SME sector, combined with the expected economic growth. The case study company could find opportunities to establish a good position in Vietnam.

### **2.7.2 New entrants**

The logistics service industry is comprised of companies that specialize in different services. Therefore, this analysis will take a broader approach to view the Vietnamese logistics market and the looks at the overall sentiment the market has on entrants. Based on the American real estate service firm Cushman and Wakefield (2022) Vietnam has currently five million square meters of ready built warehouses with an occupancy rate of 76% as of last quarter of 2022, with more expected in 2023. This could refer to Vietnam's expectations for more companies venturing into the logistics industry this year. Based on Nguyen et al (2023) due the Vietnam's logistics companies mostly operating in the SME sector. The willingness to work with foreign companies is good, with most of the areas of cooperation revolving around logistics centers and specialized logistics centers, for example through mergers and acquisitions. Besides logistics infrastructure Vietnam is also looking into cooperate on scaling up their logistics services in regions such as ASEAN, Northeast Asia, and Europe.

The overall sentiment in Vietnam for entrants seems positive based the research by Nguyen et al (2023) and there seems to a reaction from the logistics real estate sector to cope with the needs of logistics companies.

### 2.7.3 Suppliers

Besides SME that make up for the 80% of all the logistics companies in Vietnam. (Nguyen et al, 2023) The large international companies also have a presence in Vietnam. While it could prove to be quite hard define the case study companies position in the Vietnamese logistics market at this point. It is still useful to mention the larger domestic and international companies' logistics services providers, as they usually can provide the largest range of logistics services to customers.

Based on the Vietnamese financial company Vietnam Credit (2022) the top 10 largest logistics companies in Vietnam are as follows:

1. Viettel Post Joint Stock Corporation
2. Expeditors Vietnam Company LTD
3. Vietnam Maritime Corporation
4. DHL Global Forwarding (Vietnam) Corporation
5. Kuehne+Nagel Company LTD
6. Transimex Corporation
7. Bee Logistics Corporation
8. IN DO Trans Logistics Corporation
9. Schenker Vietnam CO., LTD
10. VinaFreight Joint Stock Company

#### **2.7.4 Buyers**

Companies that engage in international business might require logistics services for their freight. With that in mind it is relatively hard to know the exact power relationship of these companies and whether they can switch contracts easily, due to the terms and length of the contracts can sometimes be undisclosed to outside parties.

Even though there seems to be large European logistics companies such as DHL, Schenker and Kuehne + Nagel operating in Vietnam (Vietnam Credit, 2022), the possible trade facilitation effect between EU and Vietnam, (Marinov, 2017; Vo et.al, 2018; Vu, 2016; Vu & Pham, 2017; European Commission, 2019) could offer more possibilities for new logistics companies entering Vietnam. With research such as Nguyen et al (2023, p. 322) supporting the sentiment for more logistics cooperation from various regions from which Europe being one of them. It could indicate that buyers are also inclined to have additional logistics service suppliers in Vietnam.

#### **2.7.5 Substitutes**

For evaluating possible substitutes for the case study company's services. There must be a more defined service model in mind, due to the large range of different logistical services that can be provided by Logistics Services Providers (LSP). At the moment, for the case study company evaluating possible substitutes might be premature, but the base on the large selection of services the large MNC provide. There might be similar services in their selection.

### **2.8 SWOT analysis on entry mode choices**

In this chapter the thesis will evaluate and analyze the characteristics of different entry mode choices by using the SWOT-analysis. Each of the entry mode choices will be investigated and analyzed based on their strengths, weaknesses, opportunities, and threats to assess their viability for case study company for entering Vietnam. The data for this

analysis will be drawn from the previous chapters of this thesis and used to define the characteristics of each entry mode choice.

### **2.8.1 Export**

- Strengths
  1. Requires little commitment of resources from the company.
- Weaknesses
  1. The company may have little control over their services overseas.
  2. It could be harder to find customers in Vietnam without representation.
- Opportunities
  1. The EVFTA could facilitate more trade and thus business for the company.
- Threats
  1. customers can change service providers more easily due to lack of representation in Vietnam.

### **2.8.2 Strategic alliance**

- Strengths
  1. The company could gain local knowledge and representation overseas.
  2. Doesn't require a lot of commitment of resources from the company.
  3. Could be easier to find customers in Vietnam.



- Weaknesses
  1. Limited control over the services provided in Vietnam.
  2. The gains from Vietnams economic growth might be limited.
- Opportunities
  1. Gain valuable knowledge from the Vietnamese logistics market.
- Threats
  1. Alliances could change.

### **2.8.3 Joint venture**

- Strengths
  1. The company could gain local knowledge and representation overseas.
  2. Could establish a foundation for long-term business operation.
  3. Larger benefits from the economic growth of the economy
  4. Could be easier to find customers.
  5. Larger control over the overseas operations and services.
- Weaknesses
  1. Requires a lot of company resources to be committed.

2. More responsibility over operations overseas.
  3. Possess larger risk for the company.
- Opportunities
    1. Can gain valuable knowledge from the Vietnamese logistics market.
    2. The company could benefit more from the economic growth momentum.
  - Threats
    1. The company's estimations might materialize to the expected level.
    2. Committed resources for the venture might be lost in worst case scenario.

### **3 Research methodology**

#### **3.1 Methods & methodology**

In this chapter the thesis will view the different methods and methodologies used in this thesis and how can they be applied and what research strategy will be used to conduct the research. Saunders et al. (2009, p34) describes methods as techniques and procedures to obtain data, which can include questionnaires, observation, and interviews in which both quantitative(statistical) and qualitative(non-statistical) analysis can be used. While methodology focuses more on the theory of how research should be undertaken.

The research was conducted as qualitative research by using an interview between the period of 27.4.2023 – 25.5.2023. To gain a better understanding on the current sentiment of the Vietnamese companies on new foreign entrants into the logistics industry as well as the cooperation willingness of these companies. These are meant to aid the case study company

in their entry mode selection into Vietnam. The interview itself was conducted as an in-depth semi-structured interview. This method was chosen due to the thesis being an explanatory study and the method provides an opportunity to gain deeper knowledge on the subject, which could prove to be helpful for the company in entry mode selection. The objective of the interview can be further clarified as shown below.

- To identifying variables that the case study company must consider when making decision on entry mode choice.

The qualitative data for this research was collected from two interviewees by email due to time limitation from the interviewees. The interviewees were chosen for the interview based on their knowledge regarding the subject. The interviews protocols were provided to the interviewees by email, which were returned with answers with an option for follow up questions. This method enabled the interview to be conducted in a relatively in-depth way regardless of the tight schedule of the interviewees. The first interviewee was contact through reaching out to the Finnish networking organization Business Finland which recommended contacting their Vietnam office. While the second interviewee was contacted through the networking social media LinkedIn.

The interview itself was conducted by interviewing two different people, from two very different positions relating to entering Vietnam. The first interviewee (interviewee 1) for the thesis was a talent manager for Business Finland's Vietnam office that is specialized in education, economic development, and start-up consultation. While the second interviewee (interviewee 2) was a deputy manager for a logistics company in Vietnam with extensive experience in the logistics industry. With a difference in work experience and position of the interviewees. The interview aims capture the sentiment regarding related questions and themes from different perspectives. Both interview answers can be found in the appendix 1 of this thesis.

The interview itself will be focusing on three related themes. The answers will be examined and analysed in the later chapters of the thesis. The three themes are as shown below.

Themes:

1. Sentiment towards new entrants.
2. Possibilities for new entrants in the Vietnamese logistics industry.
3. Identification of risk and opportunities.

As for the protocol of the interview itself the thesis will adapt the interview protocol defined by Jacob & Furgerson (2012), which states that an interview protocol is more than just a list of interview questions and also extends to procedural level of interviewing and includes a script of what the interviewer says before and after the interview, and prompts the interviewer to collect informed consent and reminds the interviewer on the information they are interested in collecting, and act as a guide for new qualitative researchers through the interview process.

### **3.1.1 Explanatory study**

Saunders et al (2009, p 139-140) describes explanatory study as something when you try to understand what is happening and find new insight on the subject. It is especially useful if the goal is to clarify understanding on certain problems if you are unsure of the exact nature of the problem. Explanatory studies are great due to having an advantage of being extremely flexible and adaptable to change. While conducting an explanatory study the researcher must be able and willing to change the direction of their research as new information presents itself or find new insight from the existing data. This flexibility does not mean that explanatory studies doesn't have direction. It only means that researchers start initially with a broader study and progressively narrows it down as they conduct the study. Based on Sekaran and Bougie (2016, p 43) explanatory study questions are usually developed when not much is known about a phenomenon or if there are serious limitations and unclear results. The topic can also highly complex or there is a lack of theory available to develop a theoretical framework.

Explanatory study was chosen for this research because the research subject is relatively new. Since the EVFTA was only signed in recent years and not all the parties of the

agreement have yet ratified the EVFTA. This method gives the research the necessary flexibility to study the subject and as well as the possibility to gather from a wider range of data to use for the research.

### **3.1.2 Case study**

Saunders et al (2009, p. 145-140) describes case study as an empirical investigation of a particular temporary phenomenon with real life context using multiple sources. It also highlights the importance of context. In case study the phenomenon and the context that is being studied is not clear, and the ability to explore and understand context is limited to a few variables. While Sekaran and Bougie (2016, p 98) states that case study focuses on collecting information about a specific event or activity, such as a business unit or organization. Based on Sekaran and Bougie (2016, p 98) the case itself can be an individual, a group, organization, or a situation that the researcher is interested in. The idea is to obtain a clear picture of the problem by observing real-life situations from different perspectives and angles by using different methods for data collection and can be defined as a research strategy that involves an empirical investigation of particular contemporary phenomenon within its real-life context through different methods of data collection.

Therefore, the case study research strategy gives this research the necessary framework to study and understand the effects that the EVFTA agreement that might have on business opportunities. The research will be conducted from the perspective of the case study company, which is a starting logistics company from the European Union.

### **3.1.3 Pragmatism**

This research takes a pragmatic point of view. Saunders, M et.al (2009, p. 109) states the most important the determinant is the research question itself. Rather than focusing on just epistemology which is a study of knowledge or ontology which is a study of reality and facts or axiology which tries to explain the worth and value of things, pragmatism believes that it is perfectly possible to work with different variations of the three. Saunders, M et.al (2009, p. 109) states that pragmatism believes that it is possible to use both quantitative

and qualitative in a study by using mixed methods. It is argued that pragmatism gives researchers an opportunity to study what interest them and in different ways that they deem appropriate, rather than engaging in debates on truth and reality.

For this research pragmatism offers the necessary flexibility in research methods and approach to conduct the research on a more grounded way. Due to the research subject itself being very pragmatic.

The thesis itself will take a deductive approach to the findings. As there are many ways to define deductive approach. This thesis uses the deductive approach defined by Saunders et al. (2009, p. 61) which describes deductive approach as way to use literature to help identify theories and ideas that can be tested using data to develop theoretical and conceptual framework.

## **3.2 interview analysis**

### **3.2.1 Sentiment towards new companies from abroad**

Based on the interviews the sentiment towards new companies entering the Vietnamese logistics market varies to some extent depending on companies. In general, the local companies prefer collaboration, partnerships and market expansions, but there might be a negative sentiment towards foreign entrances from the SME sector, if they are perceived as competitors to local companies due to the number of companies operating in the industry.

### **3.2.2 Possibilities for new entrants in the Vietnamese logistics industry**

The possibilities that were stated by the interviewee 1 lies in “industries such as Freight Forwarding, Warehousing and Distribution, Supply Chain Consultation and Optimization, Cold Chain Logistics and Technology-Driven Solutions”. While there are possibilities for new companies to enter these industries, it is important to notice that there are existing services providers and companies looking to enter Vietnam is recommended to have “niche” to differentiate themselves from other companies as mentioned by interviewee 2.

The sentiment towards the prospects of the Vietnamese logistics market is positive from both interviewees. The Vietnamese logistics market itself is described as “dynamic and on international level” as described by interviewee 2 but requires understanding of “local business culture, regulations and logistics practices” as mentioned by the interviewee 1. The market is believed to be on the path of “growth, especially in Asia’s emerging markets” as mentioned by interviewee 2 and can “hold a lot of promises for companies that possess their unique advantages and employ appropriate strategies” as depicted by interviewee 1.

### **3.2.3 Identification of risks and opportunities**

The business environment in Vietnam is depicted as “stable in politics” by the interviewee 2 and “characterized by rapid growth, positioning it as one of the most promising markets in Southeast Asia” by the interviewee 1. While there are a lot of possibilities in Vietnam, there were also challenges mentioned by both interviewees such as infrastructure, and regulations and formalities such as customs clearances. The risks mentioned were both macro environmental and operational, such as politics and competition, and delays due to formalities and unexpected expenses.

## **4 Results**

Vietnam’s strong economic growth the past decades has helped the country rise from one of the poorest countries in the world to become a middle-income nation in just one generation. (World Bank, 2023) The country is currently expected to continue to enjoy a strong growth momentum with GDP estimated to grow between 6,2% to 6,5% this year depending on the institution (World Bank, 2023; IMF, 2023; Asian Development Bank, 2023) While economic development and growth is still very much so on the horizon for the country. It doesn’t come without challenges. With the environment on the agenda of many countries. Vietnam has also been one of the countries to make pledges to improve economy in a more sustainable way. With pledges such as the halting of deforestation and phasing out of coal by 2040s. The country must adapt to be able to scale up renewable energies. (World Bank, 2022, p. 9) Besides adapting to new environmental pledges, the country could also be facing demographic changes in the long term. (World Bank, 2021)

While the economic growth has been fueled by foreign direct investments for past decades The linkages to local companies has remained relatively weak. (Akhlaque, 2023; Kunaka, 2022; Pham et al, 2023) The country now stands at crossroads on whether to continue to develop the economy as a low value-added assembling hub for FDI companies. (Kunaka, 2022) Or to try to move up the Global Value Chain by installing the right policies in place. (Kukana, 2022; Akhlaque, 2023; Pham et al, 2023) Besides manufacturing, one of the sectors suggested for further development by the World Bank (2023) was the service sector. The service sector is believed to benefit from further technology adaptation and could use it to create innovation for the economy.

The answers from the interviews support the positive sentiment of the research mentioned above. With both interviewees expecting the logistics industry to continue to grow in the coming years and opening new opportunities for companies from Europe in certain areas of the logistics industry such as “Freight Forwarding, Warehousing and Distribution, Supply Chain Consulting and Optimization, Cold Chain Logistics, and Technology-driven Solutions” as interviewee 1 mentioned. While the interviewees stated that the Vietnamese logistics market can hold possibilities for companies from abroad, they did mention about possible barriers that companies might face such as “infrastructure limitations, relatively limited support ecosystem compared to EU countries” by interviewee 1 and “documentation/formalities” in operation as mentioned by interviewee 2. Besides barriers, when asked about risks and challenges. The reoccurring theme in both answers for risks were “operational risks” (interviewee 1) and “risk of delays due to formalities” (interviewee 2). While things such as the development stage of infrastructure were seen as challenges by the interviewees. Based on the interview analysis from the previous chapter the thesis estimates the sentiment of the interviewees in three different categories which can be seen in the table below.

The sentiment towards each theme is divided into three groups. Which are positive, negative, and neutral. The positive sentiments are on the left and neutral sentiments are in the middle, while negative sentiments are on the right.



<b>Interpretation of themes</b>			
<b>Themes</b>	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>
<b>Sentiment towards new entrances</b>		Neutral	
<b>Possibilities for new entrants in the Vietnamese logistics industry</b>	Positive		
<b>Identification of risks and opportunities</b>		Neutral	

While the general sentiment is relatively positive it is important to note that there were also areas of concern such as perception of local SME companies towards new entries, and the sentiment might only be positive towards cooperation in certain key areas of the logistics industry such as Cold Chain Logistics and technology driven logistics solutions where the possibilities are said to be. The second important note is the scope of the interview. Due to the fact there were only two interviews conducted by this research. It is not possible to get a clear overview on the general sentiment of the Vietnamese logistics industry towards these subjects, thus setting limitation on these estimations.

The thesis set out to research on suitable entry mode choices for the case study company for entering Vietnam, and to evaluate the opportunities and risks from entering Vietnam. For the research to better understand the macro business environment in Vietnam as well as the characteristics of each of the possible entry mode choices. The thesis will further evaluate

the differences of each entry mode based on the analysis made in the previous chapters and set out recommendations.

## **5 Recommendations**

### **5.1 Recommendation 1**

Out of the entry mode choices, export is considered to have the highest level of control if executed as a direct export, (Ødegård, 2016; Boyd et al, 2012) and requires the least amount of commitment from the company but also the company can expect least benefits from this entry mode choice. (Ødegård, 2016; Boyd et al, 2012; Clausson & Johansson, 2011) Based on the analyses made on chapter 3, the research estimates that whiles the exporting may require the least commitment out of the entry mode choices, it could also hinder the case study company's entering process due to the lack of representation in Vietnam. While the positive sentiment towards the trade facilitation effect of the EVFTA (Vu & Pham, 2017; Vu, 2016; Marinov, 2017; Vo et.al, 2018; European Commission, 2019) could possibly translate into more business opportunities for the case study company. Getting and retaining costumers might be challenging without any representation in Vietnam.

As mentioned by one of the interviewees Vietnam is a very dynamic logistics market now but requires local knowledge on the business culture and regulations to be able to navigate through the local business macroenvironment. But at the same time by choosing export as an entry mode the case study company can mitigate the risks such as unforeseen payments and other operational risks.

As an entry mode choice, exporting can be viable option if the case study company wants to keep their risk level relatively low and not commit too much of their resources into entering Vietnam. Whiles economy of Vietnam is expected to continue its growth momentum over the next years, (Asian Development Bank, 2023; IMF, 2023; World Bank, 2023, p.13) and its possible for the case study company benefit from this growth momentum through the

EVFTA. Exporting may still be a suitable option as an entry mode choice if excessive commitment translates into unnecessary risk.

## 5.2 Recommendation 2

Strategic alliance is considered an intermediary control entry mode choice, (Boyd et al, 2012, p. 13) and can help the case study company to gain valuable knowledge from overseas markets. (Zekiri, 2011; Boyd et al, 2012) Strategic alliance can also be beneficial for risk and resource sharing between companies. (Ho et al, 2022) Which might lead to a more eased entry barrier for the case study company to enter Vietnam.

While a strategic alliance may offer some advantages for the case study company over entry modes such as exporting. Based on the analysis of this research there are still some issues to be taken into consideration while considering this particular entry mode choice. While it may require less commitment from the case study company compared to high control level entry mode choices, sudden changes in the strategic alliance may lead to a change in the company's business model and overseas operations. Which may prove hard to replace with a short notice of time. Strategic partners with their deep understanding of local market and industry, (Zekiri, 2011; Boyd et al, 2012) can provide the case study company with important knowledge, and access to local networks and customers in the industry. Any sudden changes in the relation with strategic partners may lead the company to a situation where their relationship with the customers might be reevaluated.

While there are some concerns regarding strategic alliance as an entry mode choice. It is important to note that based on the interviews the local logistics companies in Vietnam is more inclined to work with companies with cooperative entry strategies, and the case study company could be perceived as less of a threat for the local SME's which might have concerns about new foreign entries.

Strategic alliance may be considered as a balanced entry mode choice for the case study company between the three recommendations, and with the suitable strategic partner the entry mode choice can be a very viable option for the case study company.

### 5.3 Recommendation 3

Joint ventures can be considered an intermediary control entry mode, (Boyd et al, 2012, p.13-14) which requires a relatively low commitment from the company to use as an entry mode choice. (Ødegård, 2016, p.21) Even though the joint venture is depicted as an intermediary entry mode, in some cases the level of control might be quite high, (Boyd et al, 2012, p.13-14) and can be started by purchasing parts of an existing company or as a new startup as a greenfield investment. (Ødegård, 2016, p.21) This gives the case study company more options than the previously recommended entry mode choices. Based on the analysis made in the previous chapters, joint ventures do require a larger commitment from the case study company as well as possibly more responsibility due to the ownership structure of the overseas operations. At the same time the entry mode choice does give possibilities to gain more valuable knowledge from the local market and the company stands to gain more benefits than in the previously mentioned entry mode choices. While this entry mode choice can be considered the riskiest out of the three recommended entry mode choices. It does bring the case study company the most benefits and could possibly be less prone to volatile changes in partnerships.

The sentiment from the interviews is to certain extent supportive of this entry mode choice. As one of the interviewees mentioned, there are opportunities for collaboration, partnership, market expansion, and professional development. The option is also the best out of the three to gain knowledge on business culture and local practices, but at the same time requires the most commitment as well as challenges regarding entry barriers from the case study company.

For the case study company, joint venture could be suitable entry mode choice if the risk bearing capabilities of the company is at the right level. Even though the commitment level of the entry mode choice is higher than the previously mentioned recommendations. It could lay out foundations for a steadier business operation for the case study company over the long run if the venture is proven to be successful.

## 6 Conclusion

This thesis sets out to research suitable entry mode choices for the case study company. To be able to better understand the current macro business environment and economy of Vietnam. The research ventured out to investigate the current trade and industrial structure of Vietnam, and the level of Global Value Chain integration of the country. The findings based on World Bank reports such as Kunaka (2022) and Akhlaque (2023) suggest that while Vietnam's integration into the Global Value Chain over the past decades has been successful. There are still a lot of challenges ahead for the country, to be able to further integrate into the GVC. These recommended measures include the right policies and infrastructure to support both domestic and foreign operated companies. While Kunaka (2022) states that Vietnam now stands at crossroads, where the country can either choose to continue as the low value-added assembly hub for FDI companies or to choose to climb up the value chain by implementing the right supportive measures and policies. One of the measures mentioned was through incorporating more local Vietnamese companies into the value chain of foreign owned companies in Vietnam, and support domestic innovation and "made in Vietnam" products.

To further contribute to the theoretical framework for this thesis. The research investigated further into the current trade relations between European Union and Vietnam based on past studies from the perspective of different product category groups as well as the current trade volume. The related research suggests that the overall sentiment towards EU – Vietnam trade seems positive. Especially now that the EVFTA has been ratified. (Vu & Pham, 2017; Vu, 2016; Marinov, 2017; Vo et.al, 2018; European Commission, 2019)

The research used PESTLE analysis to analyze the current macro business environment in Vietnam, and where it's possible heading to in the coming years. Based on the PESTLE analysis Vietnam is currently enjoying an economic up lift both in terms of economic growth and population structure, with majority of the population belonging to the 20-34 age group, but this doesn't come without any challenges ahead. Based on previous research the population of Vietnam has started aging due to rising life expectancy and the companies in the country's services sector has trouble keeping with the global technological development.

Especially companies with small-scale operations that have a low technology adaptation rate. While environmentally the country is on the path to more a sustainable way to produce energy, COP26 pledges to end coal power investments and scaling up sustainable energy.

For the Vietnamese logistics market, the research conducted a Porter's five forces analysis to get a better overview on the current dynamics within the logistics industry. Based on the analysis, while there is international companies' presence in Vietnam, majority of the companies still operates in the SME sector, representing roughly 80% of all the companies of the industry, with good willingness to cooperate with foreign companies.

The sentiment for cooperation by the local companies is shared by the interviewees even though it was mentioned that some SME companies might perceive new entrances as threats, it was still believed that there are possibilities for cooperation in areas such as Freight Forwarding, Warehouse and Distribution, Supply Chain Consultation and Optimization, Cold Chain Logistics and Technology-driven Solutions. While opportunities for business and cooperation exist, it was mentioned that companies need to find a niche market for themselves to be able to tap into these opportunities.

Based on the research the thesis was able to set out three recommendations for market entry for the case study company. Each of which comes with their own risks and opportunities.

While exporting presents itself as the lowest risks option for the case study company. It does come with its own limitation such as lack of representation in the Vietnamese market, which might lead to difficulties acquire knowledge and customers from Vietnam, but at the same time it mitigates some of the operational risks away from the company even though there might be some possibilities from the economic lift of Vietnam that the company might not be able to tap into.

Strategic alliance might be the most balanced option out of the three, and the one that the sentiment of the local companies seems to support the most based on research and interviews. With this entry mode choice, the company can gain some knowledge about the Vietnamese business culture as well as benefit from the possible economic uplift of the

country to some extent and could be able to avoid some unnecessary operational risks as such as unforeseen expenses. At the same time there are limitations on how much market knowledge can be gained and what possibilities the company is able to get access to in this entry mode.

Joint venture is the most commitment requiring option out of three, but it does enable the case study company to tap into the possibilities of the Vietnamese market the most and is great way to gain knowledge on business practices and culture in Vietnam. While at the same time the company is responsible for all the operational setbacks as well as any possible bureaucratic formalities. Given the current phase of the company, if this option is chosen, it could be preferable to consider starting a start-up as a greenfield investment.

Even though there seems to be business opportunities for logistics companies in the Vietnamese market due to strong growth momentum. There seems to be some operational risks expected as well as challenges due to the development stage of the infrastructures and supportive ecosystem for companies.

## References

Akhlaque, A. (2023). *Vietnam: Enterprise Competitiveness and Linkages. "Supporting Industries" for productivity led development: What can we learn from global experience?* World Bank Group

Asian Development Bank. (2022). *Asian Development Bank and Vietnam: Fact sheet*. Asian Development Bank

Asian Development Bank. (2023). *Vietnam: By the numbers*. Retrieved on 6.4.2023 from <https://data.adb.org/dashboard/viet-nam-numbers>

Asian Development Bank. (2023). *Vietnam: By the numbers[figure]*. <https://data.adb.org/dashboard/viet-nam-numbers>

Asian Development Bank. (2023). *Asian Development Outlook: April 2023*. Asian Development Bank

Bartha, Z., Czakó, E., Daszkiewicz, N., Gubik, A., Holienka, M., Horvath, A., Könczöl, E., Munk, M., Pilkova, A., Ropega, J., Stawasz, E., Szopik-Depczynska, K., Swiadek, A., Tomaszewski, M., Wach, K & Wehrmann, C. (2014). *International Entrepreneurship and Corporate Growth in Visegrad Countries*. University of Miskolc.

Bishop, T & Moniz, K. (2016). *Principles and Techniques of Marketing Management*. Collage Publishing House

Boyd, B., Ulrich, D., A. M., & Hollansen, S. (2012). Financial Performance of Entry Mode Decisions: Effects of Control in an Internationalization Context. *International Journal of Business and Management*, 7(24). 12-28

Cadle, J., Paul, D & Turner, P. (2014). *Business analysis techniques: 99 essential tools for success 2<sup>nd</sup> edition*. BCS learning & development Ltd.

Clausson, C-F & Johansson, D. (2011). *Entry Mode Strategy for Entering a Foreign Market with new product: A case study of a small Swedish firm and their access to the state of California. [Master's Thesis, University of Gothenburg]*

Cushman & Wakefield. (2022). *Vietnam's Economy and the Southern Industrial and Logistics Market in Q4 for 2022*. Retrieved on 12.4.2023 from <https://www.cushmanwakefield.com/en/vietnam/news/2022/12/vietnams-economy-and-the-southern-industrial-and-logistics-market-in-q4-2022>



Elsner, S (2012). *Retail Internationalization: Analysis of Market Entry Modes, Format Transfer and Coordination of Retail Activities*. Springer Gabler.

Eurostat. (2023). *Vietnam – EU International trade in goods statistics[figure]*. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Vietnam-EU -  
\\_international trade in goods statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Vietnam-EU_-_international_trade_in_goods_statistics)

Fernandez, A & Masum, M. (2008). *Internationalization Process of SMEs: Strategies and Methods*. [Master's thesis, Mälardalen University School of Sustainable Development of Society and Technology].

<https://www.diva-portal.org/smash/record.jsf?pid=diva2%3A121500&dswid=-2647>

Ho, N., Nguyen, P.H., Luu, T., Tran, T. (2022). Selecting Partners in Strategic Alliance: An application of the SBM DEA model in the Vietnamese Logistics industry. *Logistics*, 6(64). <https://doi.org/10.3390/logistics6030064>

Hollander, L. (2017). *Internationalization Process of SMEs: Foreign Market Entry Mode Choice, Experiential Learning, and Host-Country Selection*. (Heinrich Heine University Düsseldorf, Dissertation)

Hosseini, M & Dadfar, H. Network-based theories and internationalization of firms: application to empirical studies. *The Business & Management Review*, 3, 182-191.

International Monetary Fund. (2023). *Vietnam*. Retrieved on 6.4.2023 from <https://www.imf.org/en/Countries/VNM>

Jacob, S. A., & Furgerson, S. P. (2012). Writing Interview Protocols and Conducting Interviews: Tips for Students New to the Field of Qualitative Research. *The Qualitative Report*, 17(42), 1-10. <https://doi.org/10.46743/2160-3715/2012.1718>

Kunaka, C. (2022). *Vietnam at crossroads: Engaging in the next generation of global value chains*. World Bank

Marinov, E. (2017). Opportunities and prospects to Bulgaria Provided by the EU-Vietnam trade agreement. *Journal of Economics, Management and Business Research*, 8(88-94).

Moniz, K, & Bishop, T. (2016). *Principles and Techniques of Marketing Management*. Collage Publishing House.

Nguyen, H.P. (2020) Sustainable Development of Logistics in Vietnam in the Period 2020-2025. *International Journal of Innovation, Creativity and Change*, 11(3). 665-682.

Nguyen, V.H., Pham, V.T., Nguyen, T.D., Le T.L. (2023) *Analysis of the business environment of the logistics and the construction industry in Vietnam after Covid-19*. *International Journal of Advanced Multidisciplinary Research and Studies*, 3(1).

[https://www.researchgate.net/publication/367180301\\_Analysis\\_of\\_the\\_business\\_environment\\_of\\_the\\_logistics\\_and\\_the\\_construction\\_industry\\_in\\_Vietnam\\_after\\_Covid-19](https://www.researchgate.net/publication/367180301_Analysis_of_the_business_environment_of_the_logistics_and_the_construction_industry_in_Vietnam_after_Covid-19)

Nhung, T.H.T. (2022). The Role of Vietnam in The Global Coffee Value Chain. *European Journal of Business and Management research*. 7(48-51). DOI: 10.24018/ejbmr.2022.7.3.1356

Pham, D.M., Hollweg, C.H., Mtonya, B., Winkler, D.E., & Nguyen, T. (2023) *Vietnam: Connecting value chains for trade competitiveness*. The World Bank Group

Pan, Y & Tse, D. (2000). The Hierarchical Model of Market Entry Modes. *Journal of International Business Studies*, 31(4). 535-554.

Porter, M. (1998). *Competitive Strategy: Techniques for Analyzing industries and competitors*. The Free Press

Port Technology, (2022). *MSC, TIL looks to build \$6 billion deal for Vietnams largest port*. Retrieved on 12.4.2023 from <https://www.porttechnology.org/news/msc-til-propose-6-billion-deal-for-vietnams-largest-port/>

Saunders, M., Lewis, P & Thornhill, A. (2009). *Research methods for business students*. Pearson Education Limited.

Shahzad, F. (2019). Patterns of internationalization of Finnish SMEs in Estonia: Preliminary survey results. *International Business Review*, 5(49-62). <http://doi.org/10.15678/IER.2019.0503.04>

Schweizer, R & Vahlne, J-E. (2021). Non-linear internationalization and the Uppsala model- on the importance of individuals. *Journal of Business Research*. <https://doi.org/10.1016/j.jbusres.2021.11.025>

Sekaran, U & Bougie, R. (2016) *Research methods for business: A skill building approach*. John Wiley & Sons LTD.

Team Finland. (2023). *Vietnamin Markkinamahdollisuudet Suomalaisyrityksille*. Retrviied on 25.3.2023 from <https://www.marktopportunities.fi/home/2023/vietnamin-markkinamahdollisuudet-suomalaisyrityksille?type=country-outlook&industry=cross-industry>

The European Commission. (2022). *Vietnam: EU trade relations with Vietnam. Facts, figures and latest developments*. Retrieved on 20.10.2022 from [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam_en)

The European Commission. (2019) *The economic impact of EU-Vietnam free trade agreement*. European Union.

The European Commission. (2022). *Following EU action, Vietnam ends discriminatory treatment against pharmaceutical products from EU member states*. Retrieved on 17.2.2023 from [https://policy.trade.ec.europa.eu/news/vietnam-ends-discriminatory-treatment-against-pharmaceutical-products-eu-member-states-2022-10-20\\_en](https://policy.trade.ec.europa.eu/news/vietnam-ends-discriminatory-treatment-against-pharmaceutical-products-eu-member-states-2022-10-20_en)

The Loadstar. (2022). *MSC looks to build super port in Vietnam despite “poor economic justification”*. Retrieved on 12.4.2023 from <https://theloadstar.com/msc-set-to-build-super-port-in-south-vietnam-despite-poor-economic-justification/#>

The World Bank.(2022). *Vietnam: Country Climate and Development Report*. The World Bank.

The World Bank.(2022). *Overview*. Retrieved on 6.10.2020, from <https://www.worldbank.org/en/country/vietnam/overview#1>

The World Bank.(2022). *Vietnam Macro Monitoring*. Retrieved on 19.10.2022, from <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099557410192212453/idu0388d28d706a0b0412708a8a08634dbfb3242>

The World Bank. (2023). *Overview*. Retrieved on 6.4.2023, from <https://www.worldbank.org/en/country/vietnam/overview>

The World Bank. (2023). *Harnessing the Potential of The Service Sector for Growth*. The World Bank

Vietnam Credit. (2022). *Top 10 largest logistics companies in Vietnam (2022 update)*. Retrieved on 13.4.2023 from [https://vietnamcredit.com.vn/news/top-10-largest-logistics-companies-in-vietnam-2022-update\\_14799](https://vietnamcredit.com.vn/news/top-10-largest-logistics-companies-in-vietnam-2022-update_14799)

Vo, T.T., Le Q.H, & Hoang T.H. (2018). Effects of EVFTA on Vietnams apparel exports: An application of WITS-SMART simulation model. *Journal of Asian Economic & Business studies*, 25, 4-28

- Vu, T.H., & Pham, M.T. (2017). An Application of the SMART Model Assess Impacts of the EVFTA on Vietnam's Imports of Automobiles from the EU. *VNU Journal of Science: Economics & Business*, 33, 1-13.
- Vu, H.T., (2016). Assessing the potential impacts of the EVFTA on Vietnams pharmaceutical imports from the EU: an Application of SMART Analysis. *Vu Springplus*, 5(1503). DOI 10.1186/s40064-016-3200-7
- Ødegård, S. (2016). *The Choice of Entry Mode for success in Emerging Market: Norwegian Business Operations in Indonesia*. [Master's Thesis, University of Adger]
- Yener, M., Doğruoğlu, B & Ergun, S. (2014). Challenges of Internationalization for SMEs and Overcoming these Challenges: A case study from Turkey. *Procedia-Social and Behavioral Sciences*, 150, 2-11.
- Zekiri, J. (2011). Factors that Influence Entry Mode Choice in Foreign Markets. *European Journal of Science*, 22(4). <https://www.researchgate.net/publication/266284373>

**Appendix 1: interview questions**

Script for the beginning of the interview:

Hello,

As you may know, I am conducting this interview as part of my Bachelor's thesis for school. The subject of the thesis is about a possible entry mode choice for the case study company that is a starting logistics company that is currently looking into possibilities and options expand their operations and cooperate with Vietnamese companies. For that purpose, the interview looks to answer a few questions related to the research.

Interview questions

- 1) Please tell me about the sentiment of Vietnamese logistics companies towards new entries into the logistics industry from abroad.
- 2) What kind of possibilities for business a starting logistics company from Europe could find in Vietnam?
- 3) How would you characterize the Vietnamese market for logistics companies?
- 4) Do you think the logistics industry is growing, or at a maturity stage?
- 5) Do you think there are barriers to entering the logistics industry in Vietnam? Conversely, are there any barriers to exit?
- 6) How do you see the future of this industry?
- 7) Can you please share 3 to 4 major challenges which were linked with market entry into Vietnam.
- 8) Can you please share 3 to 4 major risks which were linked with market entry into Vietnam.
- 9) How would you describe the business environment in Vietnam?
- 10) In the last 5 years what entry modes were used by your firm(if started business in other markets or you were the part of the team in other company earlier)?
- 11) Was there any specific reason or factor behind that choice?
- 12) Do you suggest to other companies what to consider when entering a foreign market? Or do you suggest companies follow any formal process before enter into the market?
- 13) Do you think your firm made the right choice? if yes, then why?

Script for the end of the interview:

Thank you for your participation in this interview. The answers given were very insightful and helpful for the thesis.

**Appendix 2: List of Interviewees**

Number of interviewee	Position	Organization
Interviewee 1	Talent Manager	Business Finland
Interviewee 2	Deputy Manager	Logistics Company in Vietnam