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Faculty of Business Administration Lappeenranta
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Vietnamese coffee in the path of international integration

Case: The United States export market analysis

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ABSTRACT

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Vietnamese coffee in the path of International Integration. Case: The United States export market analysis, 82 pages.

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The purpose of this thesis was to provide information about Vietnamese coffee industry, explore the potential export of this commodity to the key market, the United States and its contribution to the worldwide market.

The data in the theory part were gathered from the literature. The theory part is written according to literature. This section included market analysis tools which support to study more about the business environment.

The empirical part was created by collecting available data and official sources from Vietnam and the USA. This part deals with experiences the two countries. The section is experiences, the explanation for the theory.

Firstly, the thesis will analyze the Vietnamese coffee industry compared to other countries in the same field about coffee production, export volume and value. Secondly, it figures out the United States' import trend and preference, these finding will indicate Vietnam's position in the USA. Thirdly, some market analysis tools will support the reader to understand potentials, opportunities and current obstacles that control the development in coffee production.

Key words: coffee export, cultivation, market analysis, the United States, Vietnam.

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1. INTRODUCTION

1.1. Study background

In recent centuries, it is undeniable that coffee has played an extraordinary important part in the human society. To be more precise, the researchers show that over 400 billion cups of coffee are consumed each year, and over 2.25 billion cups of coffee are consumed worldwide every day. As reported by the World coffee production statistic in 2015, the worldwide production estimate amounted to about 152.551 million 60 kilogram coffee bags. The USA, for example, imports 16 to 20 million bags annually to serve more than half of the U.S population. (Brog 2012.)

These numbers are a reliable evidence to proof that coffee has been the most popular drink in recent decades and also a famous product in the international trade. Over 90 percent of coffee production is harvested in developing countries, while consumption mostly comes from industrialized economies. Undoubtedly, this black beverage is partly connected to the human daily life especially in industrial countries. The growing demand in black beans industry is an essential factor to promote the increase in coffee production. (Ponte 2002.)

Vietnam geographically locates in the belt of Northern Hemisphere where the tropical climate contain perfect weather conditions - temperature, sunlight, humidity for growing coffee trees. They provide such an aroma favor for Vietnamese coffee. The term coffee was introduced to Vietnam by French colonists in the middle of 19th century between 1865 and 1866. Since then, the coffee cultivation area in Vietnam has never stop and expanding from 13,000 ha of coffee (1975) (output around 6,000 tons of production) to 670,000 ha of total coffee area (Nguyen and Ward 2015.)

According to the International Coffee Organization (ICO), it was surprising that Vietnam quickly became the world's second largest supplier of coffee just after Brazil. There are two popular types of coffee: Arabica and Robusta. Brazil remains as the largest Arabica beans exporting nation while Vietnam is commonly known

as the world's largest producer of Robusta beans and became a leader of this type. (Mai 2015.)

After consultation the statistics of Vietnam's annual export report in 2015, coffee export volume reached 26.43 million bags. It was imported to nearly 60 countries in every territory in Asia, Europe and the US. It was undoubtedly to say that coffee industry brings such an enormous profit to the Vietnamese economy. (Nguyen and Ward 2015.)

Moreover, coffee is one of the dominant agricultural commodities of Vietnam just after rice and rubber. Exporting coffee brings a very huge amount of foreign currency to Vietnamese economy every year, approximately 500 million USD. This major creates 600,000 – 700,000 jobs for the unemployed, accounts for 2.93 percent of total employment in the agricultural sector and accounts for 1.83 percent of total employment across the national economy. (Luanvanaz 2013.)

1.2. The purpose of the thesis and the main questions

The purpose of this research was to introduce Vietnam's coffee industry in general. The research will explore Vietnam's coffee production and its commodity cultivation, profitability, current main markets, potential export markets as well as examine various impediments during the path of international integration. Notably, understanding these factors helps readers figure out why coffee became Vietnam's key export product and how it could be the fundamental step towards improving performance of Vietnamese coffee image in global market.

Based on the purpose, this investigation aims to looking for the answer for the following questions:

- What is the current business situation and the future trend of Vietnam's coffee bean industry and its contribution to global market.
- What is the position of Vietnam's coffee compared to other players in the same field?
- What is the image of Vietnamese product to worldwide?

- Why has the USA become a main market of Vietnamese coffee export?
- What kind of obstacles that limit its performance in foreign market? Domestic and foreign obstructions will be discussed.

1.3. Thesis structure

The structure of the study will be divided into two parts: theoretical framework and empirical research, in order to describe the detailed picture of the Vietnamese coffee industry.

Specifically, the theoretical part will discuss the business environment in the USA, some necessary tools to explore the study, focus on the industry situation which include PESTLE and SWOT analysis, five forces and strategic management and export market.

On the other hand, the empirical part contains the applications of PESTLE analysis in the potential market, the United States, the effective in coffee cultivate area, Vietnamese commodity performance and exporting plan.

1.4. Scope and limitation

The research methodology was be carefully planned in line with narrow time, money and access. The entire information was be collected from trustworthy sources and valid official data.

The scope of this thesis was limited in the main export markets, the United States. For additional information, Vietnam and Brazil that are involved in coffee producing are going to be listed as a substantial data in the study. It seems that Brazil is the Vietnam's biggest competitor in exporting and producing coffee, according to the coffee export volume every year. This is the reason why Brazil is mentioned as useful data. Typical Vietnamese well known corporations are noticed as an example. Moreover, most of the industrialized economies cannot cultivate coffee by themselves, but the import of coffee from developing countries are also mentioned. (Statista 2014 a)

Several obstacles in recent years will be analyzed from gained data from annual reports, official policies, taxation, etc. To be more precise, problems remain in both domestic and foreign sides, for example; farming methods, environment conditions, trading policies, social trends, etc. The author will find out common element factors which control and bring disadvantages to Vietnamese coffee development.

Because of the macroscopic characteristic of the topic analysis, the data were collected from public sources, known as secondary data. The important information was gathered from the report of International coffee organization, Markets and Consumption in the Global Coffee Chain, together with legal department, particularly such as the Socialist Republic of Vietnam Government, International Coffee Organization (ICO) and other official sources. For some additional sources, textbooks, articles and researches which relate to target objective are considered as useful data.

2. THEORETICAL FRAMEWORK

2.1. Market analysis

In order to understand the main idea of the thesis, it is very essential to learn about the object, just like to figure out every angle of the Rubik's cube. This part is one of the paramount aspects of any startup project or strategy to enter the United States market

In order to outline strategic management and for decision making, PESTLE, SWOT, Five forces model and strategic management are recommended to be used as a crucial market analysis tools in this industry.

2.2. PESTLE

The acronym PESTLE is known as a very necessary tool to describe a general framework of certain macro environmental factors and to identify future trends in six separate angles. It is extremely crucial for business analysis in order to find out advantages and disadvantages, capacities and limitations. (Johnson & Scholes & Whittington 2009 p. 25-27.)

PESTLE, on the other hand, is mentioned as a much more comprehensive version of the SWOT analysis. In the same way, some researchers show that the PESTLE diagrams are introduced to be more logical, rationale and convincing than the traditional PEST analysis. (Johnson et al. 2009.)

According to the study of Paul Newton and Helen Bristoll in the year 2013, they consider PESTEL analysis is an essential tool to identify external factors within the business environment which give impact to company operation. The experts also noted that the PESTEL analysis should be used when the organization: have a plan to introduce new product or service, explore effective way to market and expand the business scale in a new country or region.

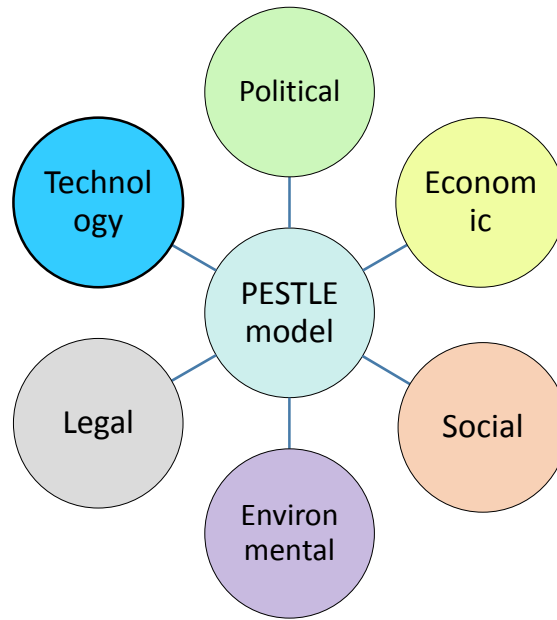


Figure 1: PESTLE model

Specifically, PESTLE is a mnemonic of six main types which is a combination of p. for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental (Figure 1) This tool is definitely useful to support entrepreneurs to deeply analyze ongoing market growth or decline, current business operation, potential and outline strategies for target countries. Those factors not only give the companies a clear view in potential export market but also challenges, such as the United States. (PESTLE analysis 2015.)

Those factors are separated, however, it still has a particular linkage together, for example: the development of technology particularly has some significant change in economic, social, environment. For this reason, their interrelationships quite complicated in case that taking a further analysis. (Johnson & Scholes & Whittington 2009.) (Johnson et al. 2009.)

In addition, the key drivers for change is a terminology of environmental factors which has a significant impact to success or failure of strategy. Analyzing key drivers for change support managers to “focus on the PESTLE factors”, therefore

it easier to determine which is important and pinpoint it as the highest priority. (Johnson & Scholes & Whittington 2009 p. 25-27.) (Johnson et al. 2009.)

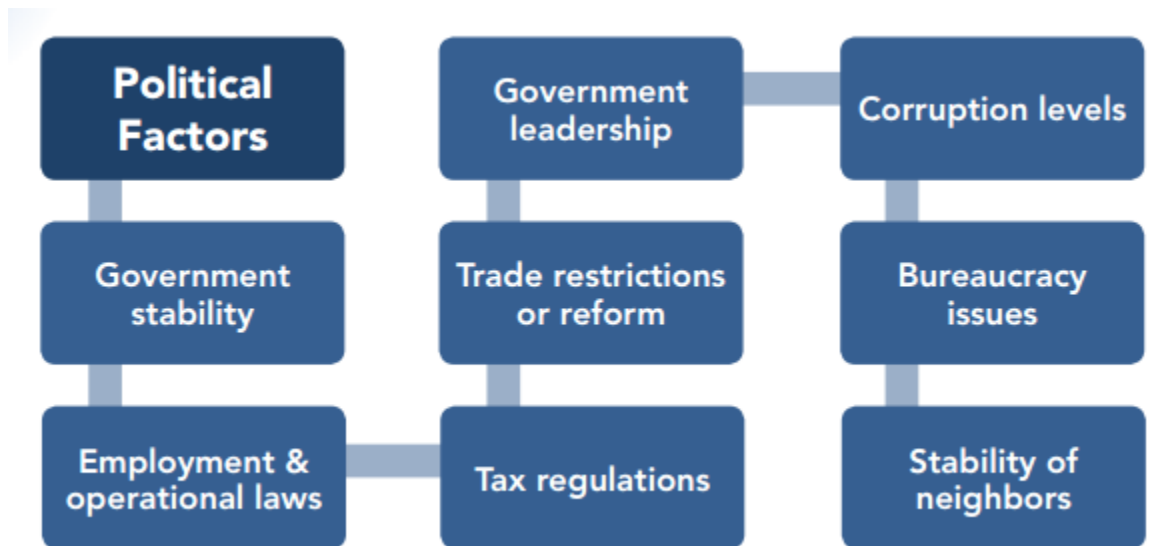
2.2.1. Political factor

These factors determine the influence of government's policies in the economy or certain industry. Political factors, for example, include tax policies, labor laws, trade restrictions and trade tariffs. No doubt that these factors are the first element to be analyzed, the government's role is extremely extensive in growing business, improving international trade and in domestic trade. Political factors have some direct or indirect impacts to national economic. (PESTLE analysis 2015.)

The term Politics, it focuses on the role of governments, explores politics and legal factors that affect to business environmental regulations and development like: tax policy, labor law, trade restriction, tariffs and political stability. (PESTLE analysis 2015; Johnson at al. 2009, p. 25-27.)

According to the study of Newton and Bristoll (2013), even a country with the most stable political situation still has some changes in policy which bring serious impact to the whole nation. Picture 1 describes the common elements which are considered as government priorities. (Newtonm & Bristoll. 2013, p. 12-13.)

Those elements relate to political factors which could be changed and under control of a certain government. Those elements are government stability, employment and operational laws, government leadership, trade restrictions or reform, tax regulations, corruption levels, bureaucracy issues and stability of neighbors. (Newton & Bristoll 2013, p. 12-13.)



Picture 1: Political factors (Newton & Bristoll 2013, p. 12.)

2.2.2. Economic factor

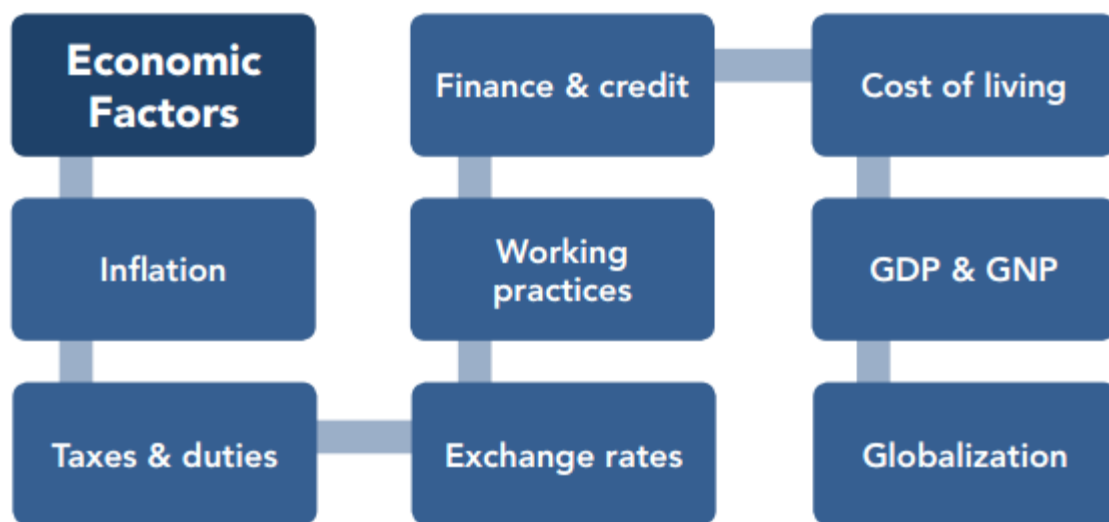
Economics is mentioned as very common macro-economic factors relate to economic such as economic growth, business cycles, monetary value, interest rates, exchange rates and inflation rate. (PESTLE analysis, Johnson et al. 2009, p. 25-27.)

Economics factors strongly affect to entrepreneurs' decisions, some elements that belong to this term are economic growth, interest rate, exchange rate and inflation rate. These factors would affect the way companies' price their products and services, the cost of export and import goods. Therefore it gives great effects to customer behavior in purchasing power which relate to the adjustment of supply/demand models in economic. (PESTLE analysis 2015.)

Picture 2 describes another concept of Newton and Bristoll, the study has some similar aspects with Johnson, Scholes and Whittington's concept about the inflation and exchange rates in economic. Nevertheless, Newton and Bristoll believe that there are some economic aspects essential for any enterprise to

keep.in mind when they attempt to set foot in a new land or making important decisions for the long term future. (Newton & Bristoll 2013, p. 13.)

As stated by Newton and Bristoll, Picture 2 describes in more detail about the elements that are included in Economic factors taxes, working practices, availability of finance and credit, cost of living of target, GDP.(Gross Domestic Product), GNP.(Gross National product) of a certain country and globalization. (Newton & Bristoll 2013, p. 13-14.)



Picture 2: Economic factors (Newton, Bristoll, 2013, p13.)

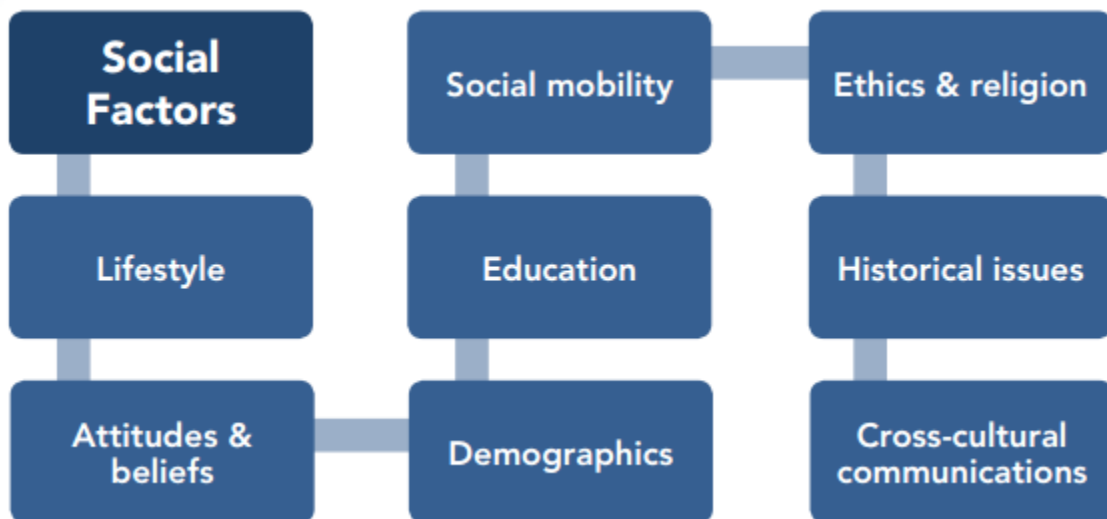
2.2.3. Social factor

Social factor, one of the essential factors, refers to changes in culture and demographics. It strongly affects to annual consumption and it includes customer behavior aspects, population, age distribution and career attitudes. (PESTLE analysis 2015; Johnson et al. 2009.)

Social factors, in a different manner, comprise cultural aspects, demographic and population analytics. They directly affect customer consumptions. Understanding social environment before determining strategic management is very essential for companies and organizations. They need to outline culture and demographic in

order to understand social trends. Plenty of companies have to adjust their management strategies just to fix with citizens tendency. (PESTLE analysis 2015; Johnson et al 2009, p. 26.)

In addition, the study of Newton and Bristoll (2013) which is illustrated in the Picture 3 provide, brief but detailed information about the essential elements included in social factors. For example, it is always advisable for entrepreneurs to keep an eye on lifestyle of citizens, their attitudes and beliefs, social mobility, education, demographics of a certain country, Ethics and religion are also important aspects, historical issues and cross-cultural communications also bring significant affect to business operations. (Newton & Bristoll 2013, p. 15-16.)



Picture 3: Social factors (Newton & Bristoll 2013, p. 15.)

2.2.4. Technological factor

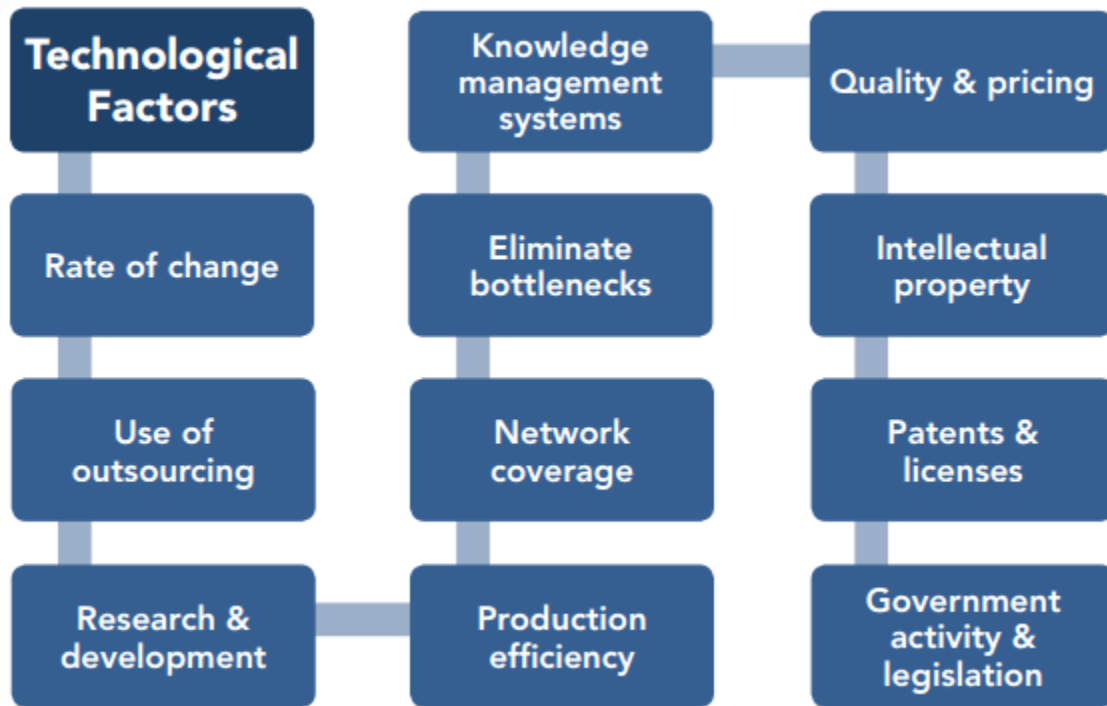
These factors become one of the fundamental elements in this concept because innovations in technology play an important segment in industry, improve production efficiency and cut down manufacturing costs. This element mostly pays attention to the way how companies operate their business industry rely on technological awareness. (PESTLE analysis 2015.)

Technological factor focuses on technological aspects such as the internet, nano-technology or the innovation of new materials, Research & Development activity, automation and the rate of a technological change. (PESTLE analysis 2015; Johnson et al. 2009.)

According to the study of Newton and Bristoll, technological factor is a key factor for firms to organize the business systems and becomes very essential in the long run of business. The factor is divided into two parts: manufacturing and infrastructure. Developing both of them in term of technological may cause some significant changes in business movement such as improve quality of products and save costs. It is also useful for outsourcing, better control manufacturing costs. (Newton & Bristoll 2013, p. 16-17.)

There are some elements which relate to Technological factors is summarized in the picture 4. Those elements are rate of change, the use of outsourcing, research and development, knowledge of management systems, eliminating bottlenecks, network coverage, production efficiency, quality and pricing, intellectual property, patents and licenses, government activity and legislation. (Newton & Bristoll 2013, p. 16-17.)

Additionally, the Newton and Bristoll concept also noted that enterprises that are not able to keep up with the pace of technological development may leave ample opportunities for opponents or new entrants. On the contrary, if the business situation is under control by managers, it is possible to say that firms are attaining a better competitive advantage. (Newton & Bristoll 2013, p. 16-17.)

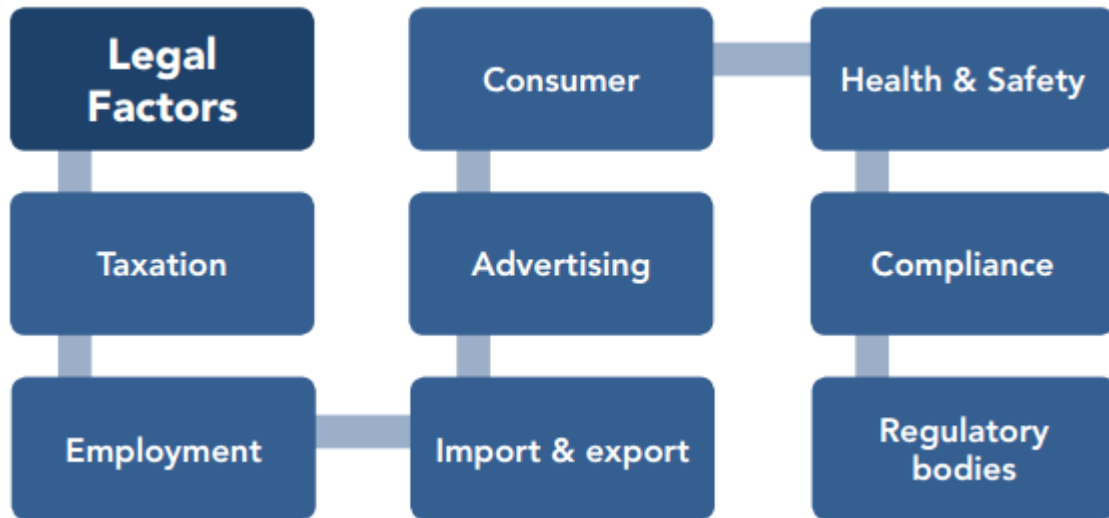


Picture 4: Technological factors (Newton & Bristoll 2013, p. 16)

2.2.5. Legal factor

Legal factor also encompasses legislative constraints or restrictions on company. The extra element remains both external and internal sides. These factors include every certain regulations that probably affect to business environment. It even analyzes more deeply in legal aspect in certain country as well as learning certain policies remain in some companies. (PESTLE analysis 2015, Johnson & Scholes & Whittington 2009.)

In Picture 5, there are some aspects in this section which are similar or relate to political factors. This factor in the study of Newton and Bristoll implies current and impending legislation in certain society. Some elements which may receive vital changes are taxation, employment, consumer, advertising, import and export, health and safety, compliance and regulatory bodies. (Newton & Bristoll 2013, p. 18-19.)



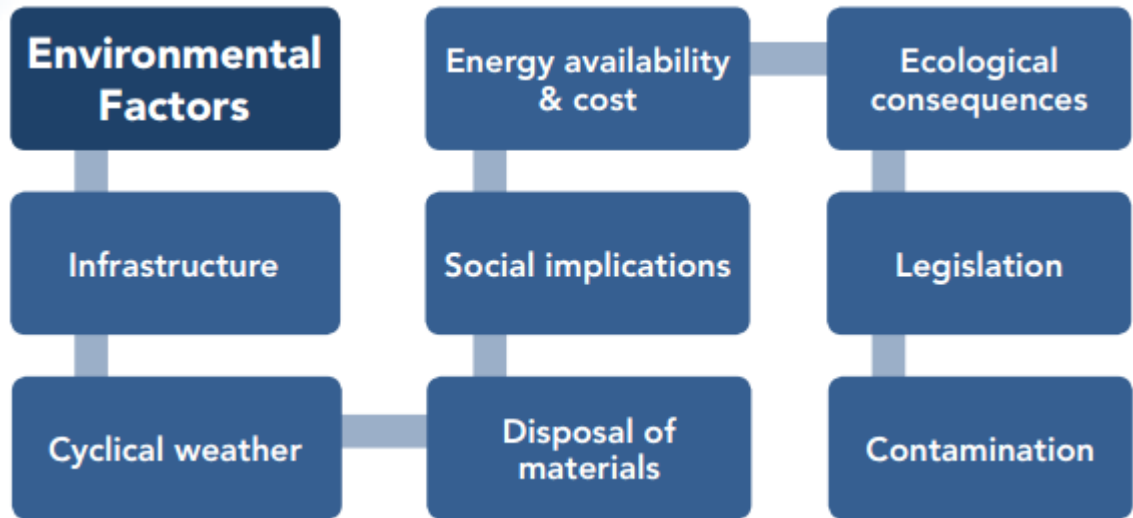
Picture 5: Legal factors (Newton, Bristoll, 2013, p. 18)

2.2.6. Environmental factor

The last element includes every aspect that influence or are determined by the surrounding environment. It is quite essential to mention environmental factors in this study because of its serious implication on source material. Strong awareness in this part may lead entrepreneurs to the intuitiveness in social trend. This factor is rarely remarked especially in developing countries, in order to eliminate unexpected consequences. People build up and promote industries and factories without acknowledgement its danger to environment and all elements surrounding them. (PESTLE analysis 2015.)

Environmental influences refer to all factors that rate to green issue, contamination or waste energy. (Johnson et al. 2009.)

Additionally, in Picture 6, another theory from Newton and Bristoll consider this section needs to mention infrastructure, cyclical weather, energy and cost, social implications, clearance of materials, ecological consequences, legislation, environment pollution in furtherance of understanding surrounding environmental elements. (Newton & Bristoll 2013, p. 20-21.)



Picture 6: Environmental factors (Newton & Bristoll 2013, p. 20-21.)

2.3. SWOT

During the 1960s – 1970s, the Stanford Research Institute used data from Fortune 500 companies in order to investigate the cause of implement planning failure. The SWOT analysis is the special terminology which originated by the group of economic experts. The function of SWOT analysis may be used in any decision making situation, predict and prevent crisis problem during business venture. The tool is also useful to evaluate feasibility of a project. (Mind tools.)

The framework is only useful if it has a linkage with competitors. In other words, four elements of SWOT – strengths, weaknesses, opportunities and threats need to be used as an evaluation method in comparison. (Johnson et al. 2009, p. 81-83.)

In addition, the tool toward enterprises' benefit by identifying suitable marketing strategies for certain circumstance of company and remove covering from "potentially harmful disagreements." (Hollensen 2010, p. 237-243.)

To clearly identify the terminology, SWOT analysis has a second name as SWOT matrix. It takes into four factors namely Strengths, Weaknesses, Opportunities and

Threats that entrepreneurs currently face (Figure 2.) Understandably, Strengths and Weaknesses reveal internal factors while Opportunities and Threatens relate to external elements. For that reason, SWOT is called Internal – External analysis and SWOT matrix has an alternative name as IE matrix. (Mind Tools.)

SWOT analysis template is an extremely important tool as well as the PESTLE. In order to evaluate companies situation the writer counts on four aspects, which are illustrated in Figure 2, for a better understanding of staff's aptitudes. This tool, furthermore, is used for business planning, strategic design, competitors appraise and decision making. Thus entrepreneurs can find out the accurate way how to maximize Strengths and Opportunities while minimize those Weaknesses and Threats. (Business Ball.)



Figure 2: SWOT analysis

The framework allows firms to see through the main points in industry, forecast the future and support for new strategies. There still remains several side effects such as the analysis describes a long lists of apparent strengths, weaknesses, opportunities and threats. However, it cannot emphasize which one is more or less

important, or determine which one should be set up first. In other words, the SWOT analysis tool quite general and it requires managers to utilize addition tools in order to develop strategies. (Johnson et al. 2009, p. 81-83.)

2.3.1. Strengths

Strengths focus on positive factors within business. Those factors can be under entrepreneurs' control, then should be understood well and are able to be utilized for certain benefits. Strength is considered as positive points that help company to get over difficult issues or counteract weaknesses within business environment. In addition, strengths are remained as internal factors which can support entrepreneurs to build advantages and more confidence than competitors in the same industry. (Mind Tools; Johnson et al. 2009, p. 81-83.)

Those factors mostly imply where they are good at, their advantages, different features or outstanding characteristics. Those factors are not only limited in tangible objects like strong finance, well-known reputation, existing customers but also remain in intangible one such as: brilliant workforce and high capacity of team or group. (Mind Tools.)

2.3.2. Weaknesses

Similar with Strengths, Weaknesses are considered as an internal factors which you have to control over and then mostly exist as common problems. This factor, however, is the opposite of Strengths. Weaknesses include negative aspects that place company at a competitive disadvantage, "prevent the organization from overcoming problems associated" (Johnson et al. 2009, p. 81-83.) It indeed partly controls business system from implementing performance at the optimum level. (Mind Tools.)

Leader and manager are able to find out their weak points by making a list in order to match solutions. Furthermore, entrepreneurs probably have chances to overcome challenges by understanding competitors' vulnerabilities. Weaknesses

may remain as: unskillful labor forces, undeveloped technology, shortage capital or poor location. (Mind Tools.)

2.3.3. Opportunities

Opportunities are external forces which are beyond peoples' control. Opportunities are basically positive factors that bring such a good sight for new projects, create ideas and build strategies. These factors reflect potential prosper which relate to firm's ability to achieve its objectives. If entrepreneurs are able to recognize benefits and attain full advantage of obstacle arising from business environmental change, it is possible to say that they will have a significant boost to revenue, sales and reputation. (Mind Tools; Johnson & Scholes & Whittington 2009, p. 81-83.)

In addition, opportunity factors imply external factors such as: weather circumstances, economic condition, government role and existing policies. If those factors capable turn to brightly trend, it may develops into company's strength and vice versa. (Mind Tools.)

2.3.4. Threats

Last but not least, Threats have some points similar to Opportunities. Threat considered as external factors and outside of the business's direct ability to control, and they may arise for certain reasons. On the contrary, this factor reflect possible risks that may depress corporation to sad consequences, ruin business plans and destruct strategies. (Mind Tools.)

In more detail, the key of the last element in SWOT analysis is to give hypotheses for possible risks that may arise. This aspect seem to be a necessary part forasmuch as it allows entrepreneurs take distant vision, know problems beforehand, thus solutions are given to avoid unfavorable circumstances and minimize damage to lowest level. Unexpected incidents are for example climate change, war encounter, rising prices, pressure from government or loose advantages from competitors. (Mind Tools.)

2.4. Five Forces Model

The Porter's Five Forces Model is an analysis scheme named after Michael E. Porter the founder of Harvard business school in 1979. (Chartered Global Management Accountant 2013.)

Porter strongly believes that even every industry has an unique structure and different operations. However, with the five forces framework, it allows a firm to have a clear view on complexity and highlight essential factors that are critical in competition in its industry. In addition, it emphasizes all elements that able to drive the competition in industry. Those factors are extremely important in determining profitability due to its affectability to product price, manufacturing costs and "required investment of firms in an industry". (Porter 1985, p. 5-9.)

According to Fabian Dalken (2014), five elements in this tool are able to describe a general picture of complexity interactions within competitors in an industry by evaluation and examination.

It is extremely useful for understanding "the attractiveness of particular industries" and realize potential threats from competitors. (Johnson et al. 2009, p. 30-35.)

The framework does not limit a firm in finding a new way to improve competitive advantages. On the contrary, it guides leaders the ability to see through industry structure; quickly find out their strengths and weaknesses. Thus they probably create intensive strategies to advance the energy for long run profitability after analyzing those elements. (Porter 1985, p. 5.)

The tool is frequently used to identify area of competitive power which lie in a business situation. It helps organization more understanding their strengths while performs the same product, marketing campaign and service quality in market. Entrepreneurs have a different vision to decide whether to enter the industry, and

determinate effective strategic activities. (Chartered Global Management Accountant.)

To clear-cut the objective, the tool has five essential forces (Figure 3) that specify competitive power within business situation. The Five Forces stands for Supplier power, Buyer power, Competitive rival, Threat of substitution and Threat of new entry. (Chartered Global Management Accountant.)

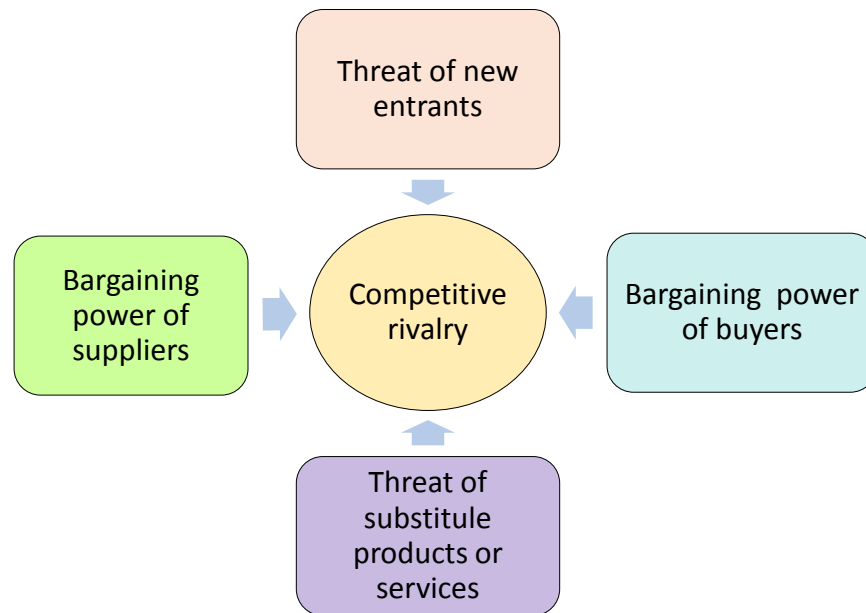


Figure 3: The Five Forces model

2.4.1. Threat of new entry

The common force describes another aspect of the Porter's Five forces tool. As stated by Porter 1985, the factors clarify the possibility of new firms approach in an industry who are able to rise the similar value of products or services or offer better deals to customers by reducing prices and simply dissipating if they can find a better way to control manufacturing cost in an industry. (Porter 1985, p. 5.)

Furthermore, no one is able to dominate a certain industry forever. The more bargain you get, the more likely of new entrants are interested in this business.

Thus the easier way to enter market, the more competitors you get. For the sake of existing competitors, strict berries is extremely useful to protect them from new players who try to enter in. (Mind tool, Johnson, Scholes, Whittington 2009, Ch.2, p. 30-32.)

It has to be mentioned that there are a number of common barriers that keep newcomers from their goal, such as:

- scale and experience
- supply or distribution channels
- expected retaliation
- legislation or government action
- differentiation. (Johnson, Scholes, Whittington 2009, p. 30-32.)

2.4.2. Threat of substitution

According to the study of Micheal E. Porter, the threat of substitution emphasizes the possibility of new or similar products and services meet the right customers in the right time at the right place and basically satisfy the customers' need with reasonable fees that buyers are willing to pay. It could be simply understood as the battle of firms within an industry in attempt to attract consumers. (Porter, 1985, p. 9.)

As stated by Johnson et al (2009 p. 30), there are two main points about substitution that should be kept in mind: price or performance and extra - industry effect.

To be more precise, the first phase, even a substitution does not owe any price advantage, as long as it remains an extremely great performance, then no doubt the substitution still has an effective threat in particular industry. (Johnson et al. 2009, p. 32-33.)

Turn to the second phrase which is also should bear in mind, extra – industry effects are considered as “the code of substitution concept”. It forces managers

clearly observe outside industry in order to determine potential threats. (Johnson & Scholes & Whittington 2009, p. 32-33.)

The rise of substitution brings such a significant impact to establish products which relates to failure profitability. It is particularly important if performance substitute products can work as well as yours, this issues, may weaken your power. Customers probably get attracted and consider an alternative choice if they cannot get a good deal with you. (Mind tool.)

2.4.3. Buyer power

The power of buyers is the third force that has the equal pressure to supplier power, it probably directly affects to the entire production activities of industry. Their power is reflected through ability to demand the better level of products or higher quality of services and "play competitors off against each other", while only leave modest profitability for firms. (Porter 1985, p. 5-9.) Their power is independent on the number of buyers in the market, substantial buyers also have power to dictate terms to your business. (Mind tool.)

From the other side, as Porter's (1985, p. 5-9) explanation, the power of buyer is the combat between customers and dealers whereas buyers exert remain their benefit or any "value created for themselves" while give strong efforts in diminish firms' profitability.

To be more specific, the buyers become powerful when they are able to purchase an extremely large volume of products. Therefore, they will have prerogative to force down price and demand addition services. The products are standard and too many alternative choices are available and thus buyers will start to compete and switch if needed. The products they need become too costly then the buyer prefers to find something more favorable price and purchase selectively. The products are not valuable enough to create high profitability, then there are less opportunities to be purchased. (Porter 1979, p. 140-141.)

Power of buyer is higher with some typical conditions, are as follows:

- concentrated buyers
- low switching costs
- buyer competition threat (Johnson et al. 2009, p. 33-34.)

If the producers have lack of buyer, they are regularly forced to reduce profit, increase quality and satisfy customers' need accordingly in order to collect more advantage than someone else in market. (Mind tool.)

2.4.4. Supplier power

The power of a supplier is considered as threat from suppliers. This is the main factor which strongly affects the value of final products. (Porter 1979, p. 140.)

Therefore we can say that customers are provided the quality, value of products or services by suppliers rather than firms or any third party (Porter 1985, p. 5.)

This factor can be simply explained as a largely influence of suppliers in any industry, price of product will be drove up base on the descent of suppliers which relate to profitability drop down. (Porter 1985, p. 5.)

The suppliers become powerful if their dominance in a market with few competitors or is concentrated than others in the field. They provide unique materials, products or at least show the specialty. The supplier groups work individually and do "not obliged to contend with other products" in the industry. They create the common threat of integrating forward into the industry's business. Finally, the supplier understands so far that the certain industry is not a priority customer. (Porter 1979, p. 140.)

The power of a buyer becomes uplifted due to the following conditions:

- concentrated suppliers
- high switching cost
- supplier competition threat (Johnson et al. 2009, p. 34.)

In addition, if a supplier increases the price of raw material or transportation costs, it leads to the eroding of profitability. Thus it determines the likelihood of losing competitive advantages within the field of industry. (Mind tool.)

Thus, it seems that the less supplier choices you have, the more you need them and the more powerful they become. Notwithstanding, the more quality your supplier gives you, you can offer to the more unique products or services. (Mind tool.)

2.4.5. Competitive rivalry

This section is the center of all factors, however it has some similar functions with the threat of entry. It could be understood as the battle between existing competitors within industry. The rivalry will reflect who are able to create breakthrough ideas, better performances or provide unique services, they absolutely win the competitive advantage in the field. (Porter 1985, p. 9.)

It can be simple to explain that this is the rivalry between players in the same field of industry. The existing numerous competitors who introduce similar products and equally quality services absolutely create pressure to your business. Thus clients are easy distracted away from your products by plenty of attractive offers and bargains. (Mind tool.)

Severe rivalry is reflected in this case: there are numerous of competitors entering in market, appearing in identical size and power or opponents are able to provide the similar products or services and high opportunity turn into potential alternative choices. The rivals are diverse in strategies, origins and “personalities””, therefore each firm will decide the best strategies in other to attain the better advantages in competitive rivalry. (Porter 1979, p. 142.)

There are numeral factors that directly affect to competitive rivals such as:

- competitor balance
- industry growth rate

- high fixed cost
- high exit barriers
- low differentiation (Johnson et al. 2009, p. 34.)

The winning key in this point is the breakthrough of new ideas or making yourself different from others. (Mind tool.)

3. EMPIRICAL PART

3.1. Coffee cultivation area

The area of Vietnam is 332,698 square kilometers, of which roughly 116,777 square kilometers, accounted for 35.1%, was under arable in 2013. Some reports estimated that coffee cultivation area is approximately 584,600 hectares of the total farming sector, accounted for 17.57% of national land (The World Bank 2013; Statista 2013.)

In the Figure 4, as reported by Statista Portal survey in the year 2013, we can see the top five ranking of coffee cultivation areas. In general, there are only two continents in the list: America and Asia in which Brazil, Colombia and Mexico represent America, while Indonesia and Vietnam which are also rated among the top coffee producing countries, come from Asia. (Statista 2013.)

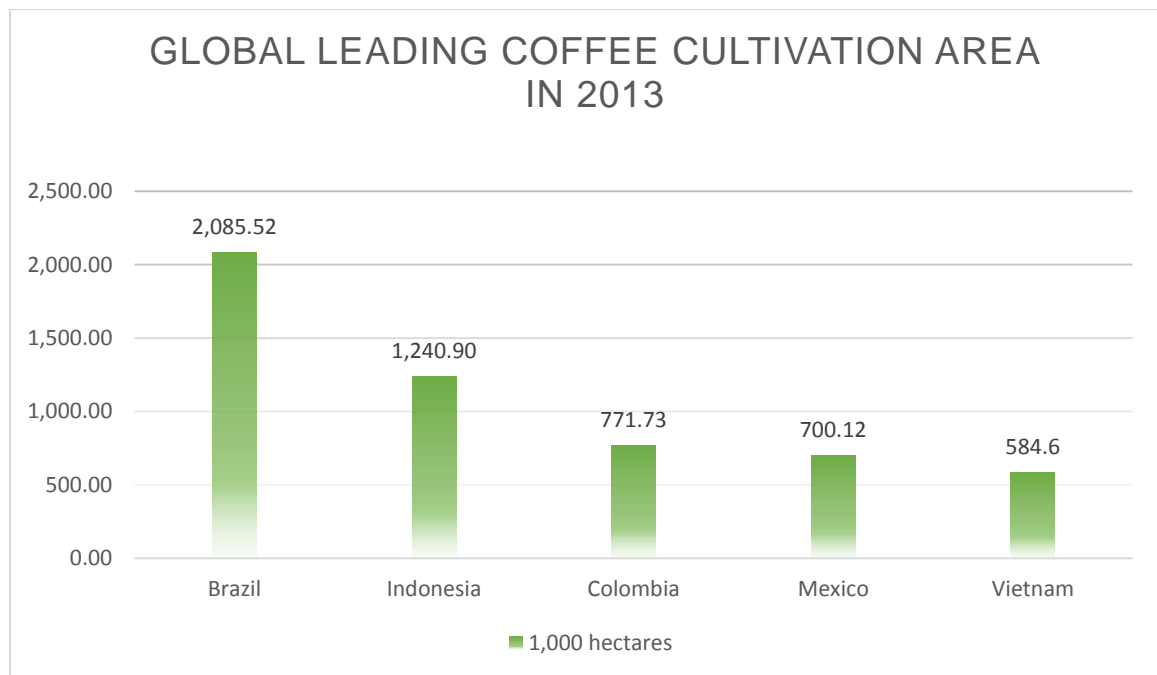


Figure 4: Global leading countries based on coffee area harvested in 2013 (in 1,000 hectares.) (The Statista Portal 2013.)

Brazil was the leader with approximately 2,058,520 hectare coffee farming areas and became the greatest player in coffee field. The next countries are Indonesia, Colombia and Mexico which had invested in farmland for black bean industry with 1,240,900 hectares; 77,730 hectares and 700,120 hectares respectively. Vietnam was standing in the last position in the top five countries, just around 583,600 hectares of cultivation area. Brazil's farming land is 3.5 times of Vietnam's area. (Statista 2013.)

Triennial Average				
	Area harvested (ha)	Production (tonne)	Yield (kg/ha)	Export value (1,000 USD)
1961-1963	23,537	4,207	1,794	221
1971-1973	16,667	6,700	4,065	1,846
1981-1983	10,803	5,433	5,064	4,267
1991-1993	79,033	118,433	14,937	278,743
2001-2003	482,167	777,933	16,158	406,177
2011-2013	567,022	1,434,302	25,267	2,758,961*

Table 1: Coffee in Vietnam. Area, Production, Yield and Export (1961 -2013.)

(*): the number using data from 2010 to 2012. (FAOSTAT data 2015.)

Table 1 describes brief information about coffee area harvested, production, yield and export value from 1961 to 2013 based on the gathered data from Food and Agriculture Organization of The United Nations Statistics Division (FAOSTAT) in 2015.

According to statistics in the year 2014, Figure 5 provides brief data of the top five coffee producing countries based on the volume of harvest between 2012 and 2014. In general, the top five ranked from the highest to lowest agricultural yield, from right to left, respectively Brazil, Vietnam, Indonesia, Colombia and Ethiopia. (The Statista Portal 2014.)

Looking at the details, we can easily see that over the period Brazil stayed on top of producing coffee, the trend stable increased in the number sacks of coffee from 45,342,000 bags to 50,826,000 bags in 2012 and 2014 respectively which accounted for 40 percent of the total global coffee supply. (The Statista Portal 2014.)

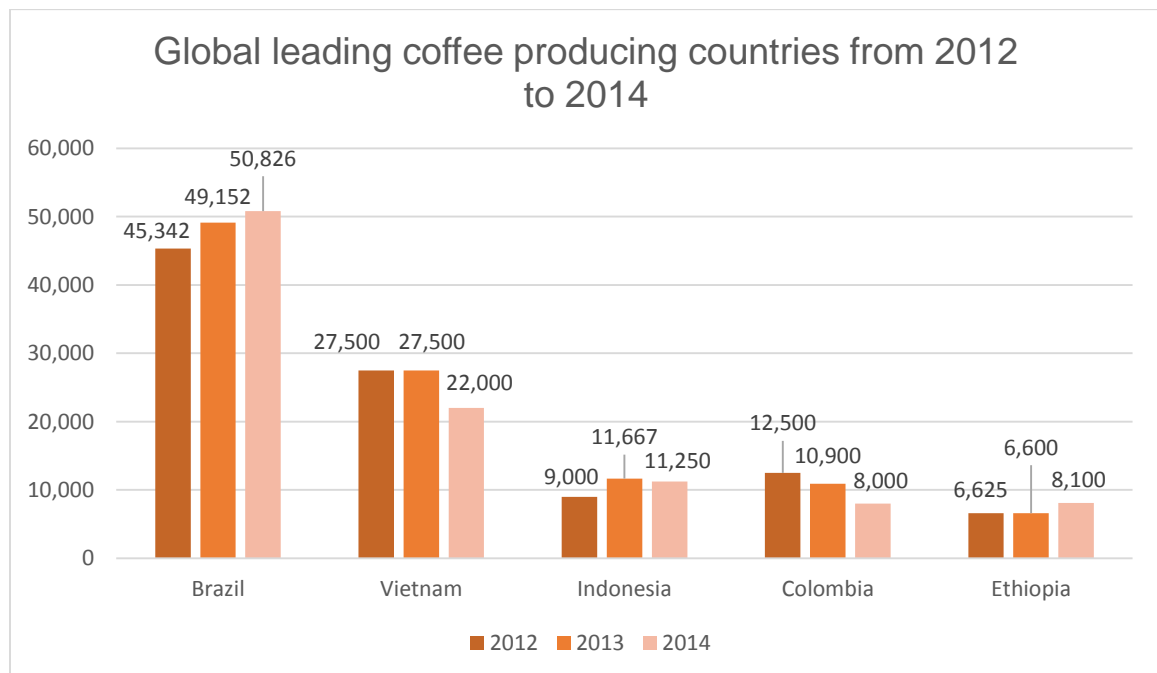


Figure 5: Top.5 Global leading coffee producing countries from 2012 to 2014 (in 1,000 bags 60 kgs.) (The Statista Portal 2014.)

Furthermore, in the same period, runner-up Vietnam, nevertheless, has the quantity of production similar in two years 2012 and 2013 with nearly 27,500,000 coffee bags. In the following year especially low in consequence of bad effects from climate change the volume in 2014 decreased 20% from 27,500,000 bags to 22,000,000 bags of coffee. To be more precise, the El Nino phenomenon lead to the shortage of water which is the cause of 20% losses in total harvesting in 2014. (The Statista Portal 2014; bao chinh phu 2015.)

It can be seen that Brazil is one of the most prolific industry in the term of coffee production, accounting for 40% of the world coffee production. That is absolutely

a considerable challenge for Vietnam to get over the giant opponent while Vietnam's position in the world market share accounted for 20% of total coffee production. (Statista 2014.)

As stated in Figures 4 and 5, the Table 2 shows the results of coffee harvested per hectare in 2013 conforming to available data of cultivation area and agriculture output in the same year. (The Statista Portal 2013 and 2014.)

	Cultivation area (1,000 hectare)	Production (1,000 bags)	Coffee harvested per hectare (1,000 bags)
Brazil	49,152	2,085.52	23.57
Colombia	10,900	771.73	14.12
Indonesia	11,667	1,240.90	9.4
Vietnam	27,500	584.6	47.04

Table 2: Vietnam's coffee production per hectare in 2013 (1,000 bags.)
(The Statista Portal, 2013 and 2014.)

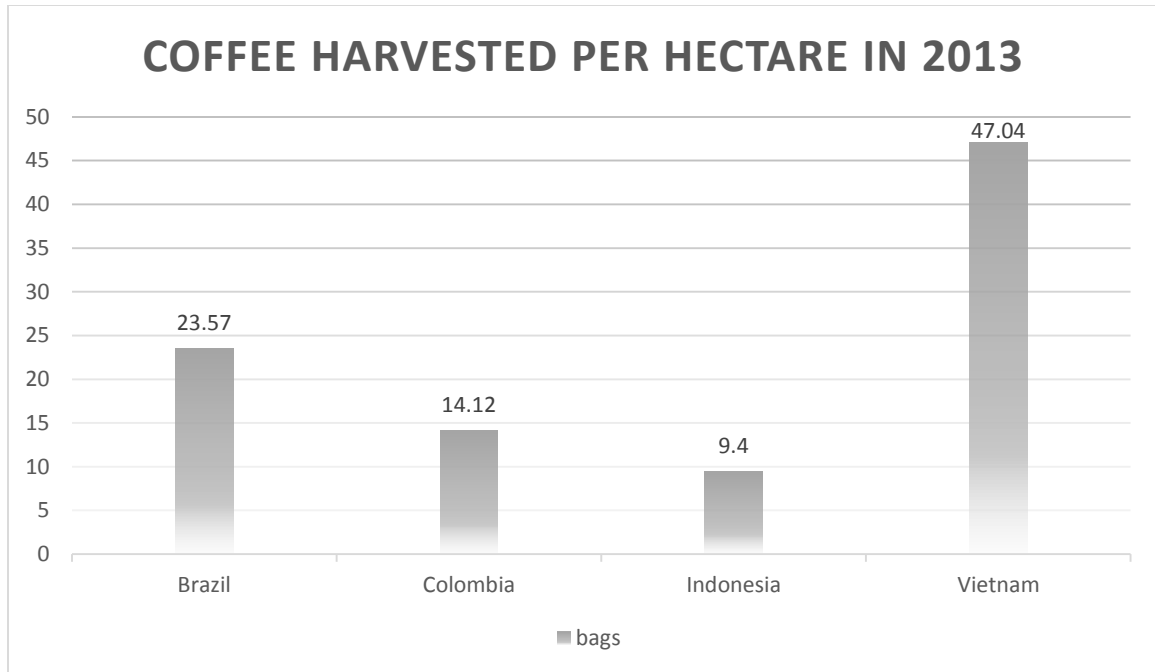


Figure 6: Coffee harvested per hectare in 2013 (in 1,000 bags.) (Statista, 2013.)

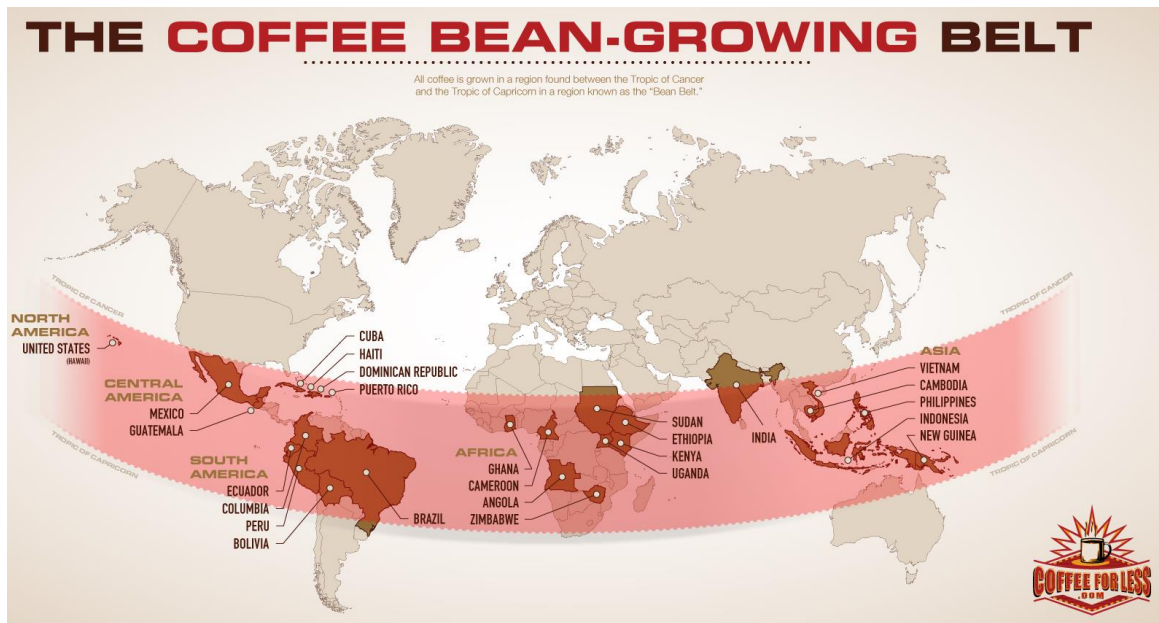
To be clearer, the Figure 6 is designed in order to illustrate the data in Table 2. It shows the fact that comes as a surprise to most of coffee consumers, although Vietnam was standing in the last position that invested land for coffee plants. This country became the number one who had effectively exploited cultivation area. In the year 2013, Vietnam harvested 47,040 60kg bags per hectare, two times of Brazil's capacity (23,570 bags per hectare.) The next position was Colombia and Indonesia with 14,120 bags and 9,400 bags per hectare respectively. (Statista, 2013.)

To conclude, thanks for the location in the fascinating topography, Vietnam has a great advantage farming area in the Southeast Asia together with advanced growing techniques. Vietnam is the country which is the most effective in using farming area. Therefore, the Vietnam Coffee and Cocoa Association - VICOFA need to consider how to increase coffee exports, control impact from disasters, replant coffee trees, avoid pollution from coffee industry and protect environment.

3.2. Coffee producing countries

The map below in Picture 7 illustrates precisely the coffee bean growing belt which indicates the group of coffee producing countries in the world. Thus it is not difficult to realize that most of coffee producers locate in the belt of Northern Hemisphere. (Café Pamamera 2014.)

According to the ranking of Statista in 2014, there are totally three continents joint in that belt in which Brazil, Columbia and Mexico represent for South America. While Ethiopia and Uganda are located in the middle continent, Africa, become Africa is country representatives. Lastly another players in the same field are Vietnam, India and Indonesia that represent Asia. Those countries together stayed in top.ten of coffee growing and exporting worldwide in 2014. (National Coffee Association USA Statista 2014a.)



Picture 7: The coffee bean growing belt map.(Café Pamamera 2014)

3.3. Vietnam's main coffee export countries.

It is indubitable that it is quite crucial to mention Vietnam's main export markets in furtherance of more understanding the development of Vietnam coffee industry and its regular customers, especially the United States.

3.3.1. Exports situation

Profitability from coffee crop should no doubt be considered as one of the essential part in Vietnamese coffee industry analysis. The profitability is not only gained from domestic consumption but also from export volume of coffee products and its value year after year.

	2011/12 (10/2011-9/2012)		2012/13 (10/2012-9/2013)		2013/14 (10/2013-9/2014)	
	Quantity (thousand tons)	Value (million USD)	Quantity (thousand tons)	Value (million USD)	Quantity (thousand tons)	Value (million USD)
Total	1,600	3.397	1,426	3.041	1,674	3.416

Table 3: Coffee exports all kinds of Vietnam.

(Science and Technology Information Net – STINET. 2015; Vietnam Customs.)

As reported by the Vietnam customs, Table 3 provides the analyzed data of coffee exported from the season 2011/12 to 2013/14. In general, we can take a quick observe about the similarity between quantity and value which have upward and downward trend moved in the same direction.

The export trend is analyzed according to the changing of volume and value year after year. The export volume in the season 2011/12 stood at 1,600,000 tons of coffee, gained around 3.397.000 USD. Then both volume and value decreased significantly to 1,426,000 tons and 3.041.000 USD respectively in the year after.

Nevertheless, the quantity of commodity rose again at approximately 1,674,000 tons of coffee beans with almost 3.416.000 USD in the season 2013/14. (Vietnam Customs.)

3.3.2. Export countries

As stated by the official statistics of Science and Technology Information Net - STINET, Table 4 indicates the comprehensive list of top.10 countries which import Vietnamese coffee in the first 6 months of 2014 from October 2013 to April 2014. Furthermore, the table provides the ranking list from 1 to 10 in line with the sales volume of coffee exported in each countries. Accordingly, it became easier for exporting enterprises to determine the target market. (Science and Technology Information Net – STINET 2015; Vietnam trade promotion agency. 2014.)

No	Market	10/2013 – 4/2014 (tons)
1	Germany	134.874
2	The United States	105.930
3	Belgium	89.312
4	Italy	71.034
5	Spain	61.111
6	Japan	46.615
7	Algeria	37.847
8	Russia	28.370
9	France	21.169
10	Philippines	18.614

Table 4: The main coffee export markets of Vietnam, 2013/14.
(Science and Technology Information Net – STINET. 2015.)

In other to clearly indicate the Vietnam’s main export market, Figure 8 is created according to the brief data in table 4. It illustrates the top customers importing

Vietnamese coffee in pie chart in furtherance of clearly describe the market share of selected countries in percentage.

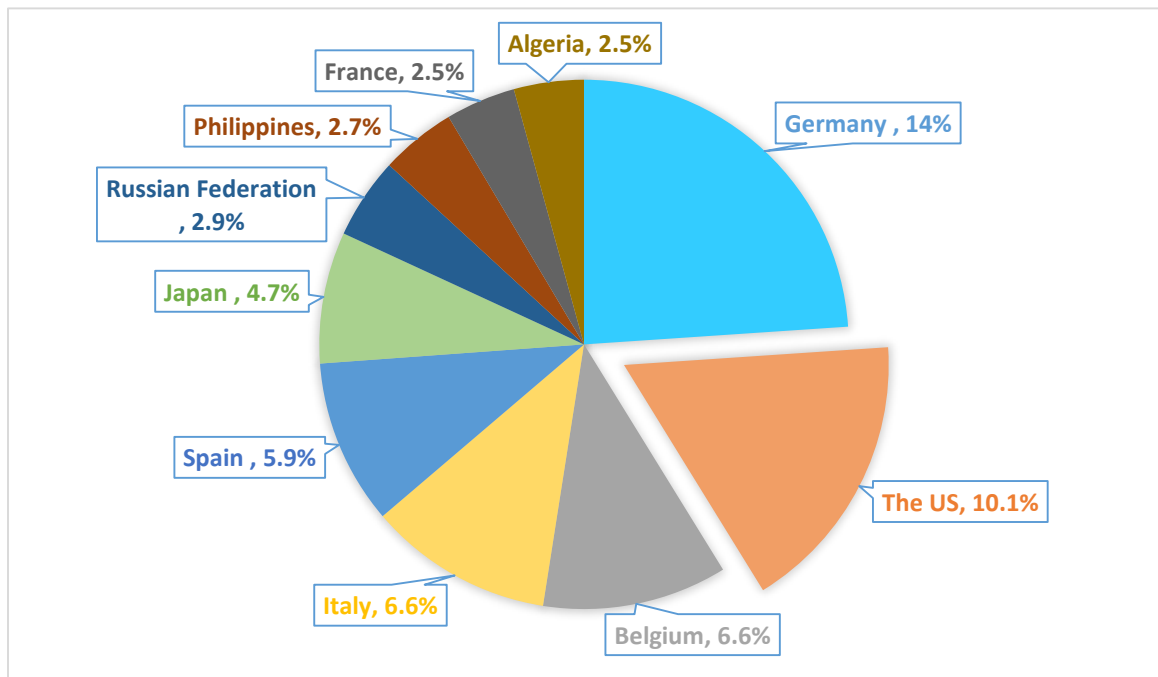


Figure 7: Vietnam's coffee export structure by market in first 6 months of 2014.

(General Department of Vietnam Customs 2015; Vietnam trade promotion agency 2014.)

In general, it can be seen in the Table 4 and Figure 8 that in the year 2014, 134.874 tons of Vietnamese coffee was imported most in Germany, due to the marvelous quantity. It was holding the largest proportion accounting for 14.0% of sales volume. (Science and Technology Information Net – STINET; General Department of Vietnam Customs 2015; Vietnam trade promotion agency 2014.)

As presented in the table and pie chart, it is clear undoubted that the United States become the second biggest importer with 105.930 tons of coffee, the country took 10.1% of the market shares. The next importers, who also perform as Vietnam's importers are Belgium, Italy and Spain with 89.312 tons, 71.034 tons and 61.111 tons of the black beans respectively. Again, the share pie of these countries are

6.6%, 6.6% and 5.9% respectively. (Science and Technology Information Net – STINET. 2015; General Department of Vietnam Customs. 2015.)

Additionally, in the year 2013, the United States was the leader in imports and Germany was the second runner-up. In 2014, their position completely switched over. To sum up, those two countries which represent for America and Europe continent still become the key export markets of Vietnamese coffee. (Science and Technology Information Net – STINET 2015.)

3.4. The USA coffee imports

Turn to the target market, it is extremely important to analyze the United States' importing trends year over year. This chapter will deal with the coffee trading situations in the USA. To be more precise, the writer will analyze import volumes, value; sources of commodity and market shares.

3.4.1. Import trend

As stated by the United States Department of Agriculture in the year 2015, the statistics data will be illustrated in the Figure 9. The chart indicates the coffee volume collected from foreign countries from the season 2011/12 to 2015/16. (United States Department of Agriculture – Economic Research Service 2015.)

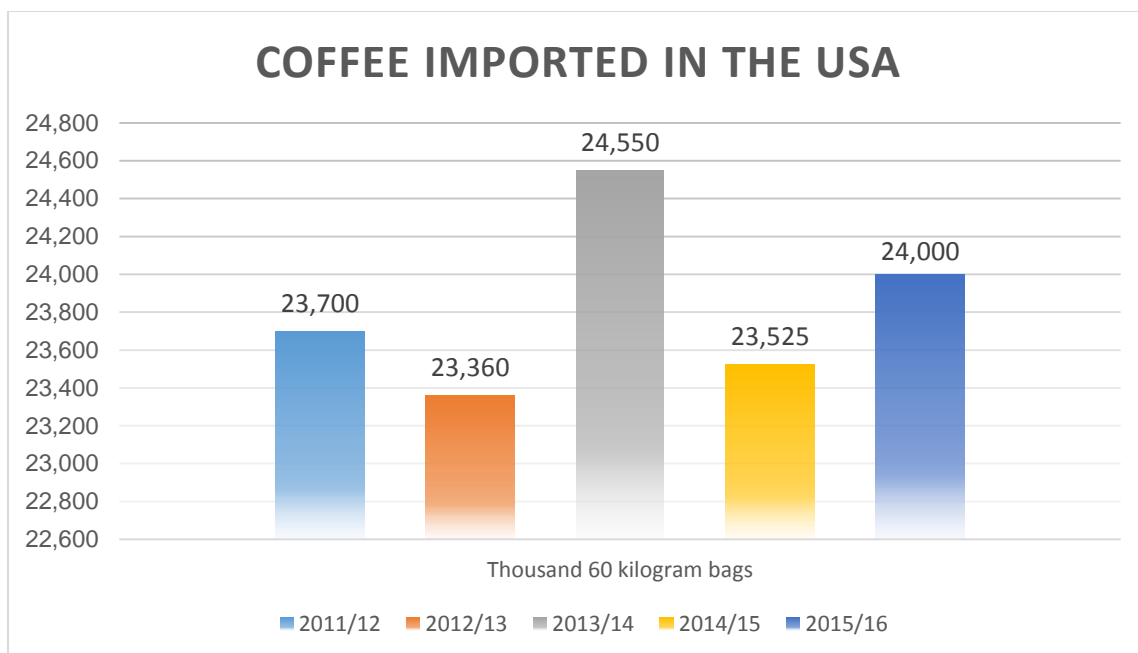


Figure 8: Coffee imported in the United States (2011/12 - 2015/16.)

(United States Department of Agriculture – Economic Research Service. 2015.)

In general, it is easy to realize that over the period, there was a fluctuating trend in coffee importing volumes which approached in the United States market place. Looking at the details, the volume in 2013/14 decreased from 23,700,000 to 23,360,000 coffee bags. Notably, it sharply increased to 24,550,000 bags (60 kilogram per bag) in the year after, the number also reached at the highest point in figure 8. Until the season 2015/16, the number remarkably dropped down again around 23,525,000 coffee bags, but it rose significantly in the end at approximately 24,000,000 (60 kilogram) bags. (United States Department of Agriculture – Economic Research Service 2015.)

Additionally, it is quite essential to figure out the volumes of coffee imported from Vietnam by the United States. In accordance with the statistics in the Vietnam's main coffee export from season 2012/2013 to 2014/2015 (Table 4), the United States was considered as the frequent importer. Notwithstanding, in these recent years, there were some uncertain changes in value and quantity of in this agricultural commodity.

U.S. Coffee Product Imports from Vietnam (All Types)

Product	MY 2012/2013		MY 2013/2014		MY 2014/2015	
	Value ('000 \$)	Qty. (MT)	Value ('000 \$)	Qty. (MT)	Value ('000 \$)	Qty. (MT)
Coffee, Not Roasted (HS code 090111)	457,973	215,728	424,076	205,790	344,672	162,505
Coffee Not roasted Def. (HS code 090112)	39,141	12,983	48,228	15,675	43,769	15,088
Coffee, Roasted (HS code-090121)	4,841	1,349	5,715	1,341	4,796	1,035
Coffee, Roasted, Def. (HS code 090122)	1,578	478	139	26	0	0
Coffee Extracts, Instant coffee (HS code 210111)	6,389	927	7,907	1,220	6,135	1,173
Coffee Extracts & Preparations (HS code 210112)	5,025	1,561	6,224	2,019	6,664	2,023
Total	514,952	233,027	492,302	226,074	406,119	181,841

Sources: *GTA, Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics*

Table 5: The United States coffee product imports from Vietnam.

(GTA, Department of Commerce, U.S. census Bureau, Foreign Trade Statistics. 2015.)

Table 5 gives detail information about the U.S coffee product imports from Vietnam. The table describes the quantity of Vietnamese coffee in all types of coffee: coffee not roasted, coffee roasted; coffee extracts and instant coffee, coffee extract & preparations and its import value from the season 2012/2013 to 2014/2015.

Additionally, Figure 10 is created in pursuance of data in table 5, It provides a brief summary about the trend trading between Vietnam and the target market which was evaluated through commodity value (thousand US dollar) and import volume (million tons.)

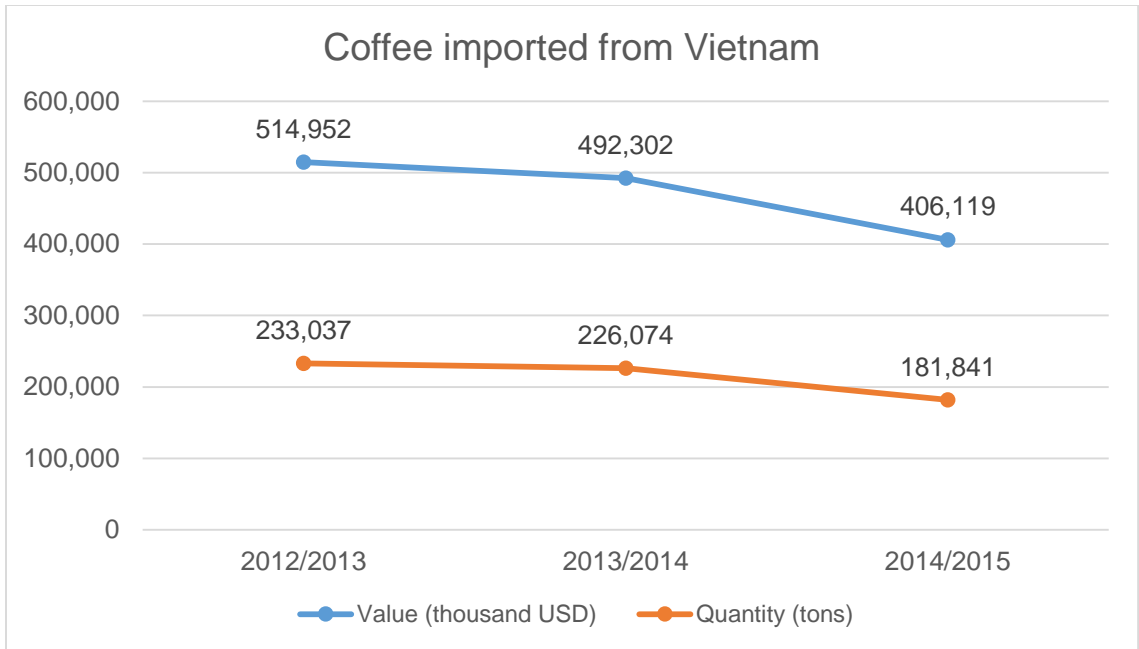


Figure 9: Coffee imported from Vietnam from 2012/13 to 2014/15.

(GTA, Department of Commerce, U.S. census Bureau, Foreign Trade Statistics 2015.)

Overall, from the Figure 9 it is very clear to see that in over the period, the line chart shows the downturn in value and quantity from the season 2012/2013 to 2014/2015. Both lines in the chart gradually dropped down. Looking at the details, the import volume of Vietnamese coffee stood at approximately 233,037 tons of coffee in 2012/2013, then decreased to 226,074 tons and 181,841 tons in the season 2013/2014 and 2014/2015 respectively. (United States Department of Agriculture – Foreign Agricultural Service. 2015. b.)

Similarly, the value of coffee products regularly decreased from 514,952,000 USD in 2012/13 to 492,302,000 USD in the season after. In the last season 2014/15, it sharply dropped to 406,119,000 USD for this export commodity. (United States Department of Agriculture – Foreign Agricultural Service 2015. b.)

There are plenty of reasons that lead to the downturn import trend in the United States which causes the invisible confusion to Vietnamese entrepreneurs, particularly to those entrepreneurs who take part in coffee industry. One of the

factors that could be mentioned in this section is the change in buying behavior. In accordance with the survey from Statista and YouGov in the year 2015, the research found that coffee consumption has been changed among local people, especially the younger Americans. (Statista. 2015; YouGov. 2015b.)

As a result, there are 62% to 70% of older Americans from the age 45 who still remain as loyal customers of the black beverage. The tea trend, on the contrary, is growing among younger generation in the group from 18 to 29 year olds. They choose tea as preferred beverage due to its benefit for health. People who are under 30 took a survey of choice between tea and coffee, it was accounted for 42% equally for each type of drink. Therefore, people can say that a little switch in customer behavior can cause a strong effect in coffee consumption which directly affects coffee's traditional dominance in the United States and an indirect impact on Vietnam coffee industry particularly. (Statista 2015; Yougov 2015b.)

To sum up, according to the trend, it is definitely not good news for the Vietnamese agriculture, particularly for Vietnamese coffee industry when the import volume is decreasing year after year. It does not only bring such a damage for Vietnam's economy due to the loss in profitability, but also alert potential threats in cooperation between countries.

3.4.2. The US market share

For the last analysis in this section, it is agreed that in any market analysis, it is very crucial to mention the sources of the material and to know where it comes from. Therefore it is possible to evaluate how the market place depend on commodity providers. Thus it allows for economic experts to attain a better vision in business situation and support them for design new strategies.

Table 6 and Figure 10 provide the brief information about the market share of import coffee products into the United States in the year 2014. It identifies the coffee sources from around the world. Table 6 shows import volume by countries.

Market share	2014	
	Volume (MT)	%
BRAZIL	1,438.3	23%
COLOMBIA	1,234.9	20%
VIETNAM	513.0	8%
MEXICO	397.9	6%
CANADA	396.3	6%
GUATEMALA	360.6	6%
INDONESIA	326.5	5%
REST OF WORLD	1,661.2	26%
TOTAL	6,328.6	100%

Table 6: Coffee market share in the United States in 2014.
 (United States Department of Agriculture – Economic Research Service. 2015.)

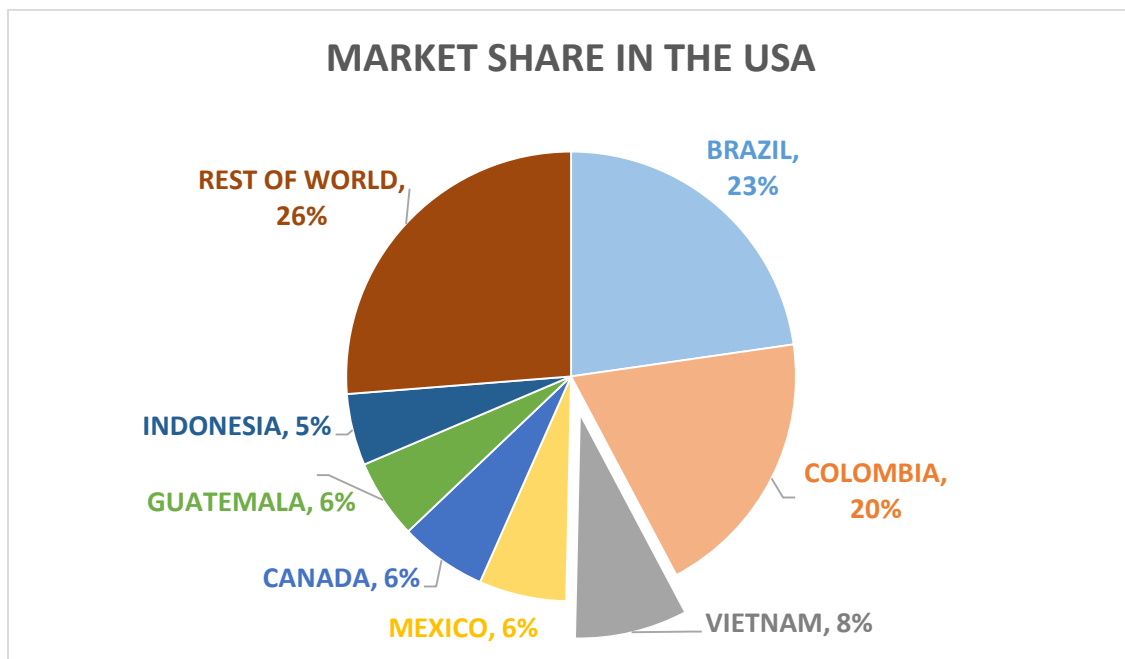


Figure 10: The United States coffee market share in 2014. (%)
 (United States Department of Agriculture – Economic Research Service. 2015.)

As it is clearly presented in Figure 10, Brazil became the biggest coffee exporter with around 1,438.3 tons of coffee and accounts for the majority of the market share with 23% of total coffee imported. Vietnam was standing on the third position just after Colombia which provided approximately 513.0 tons of coffee beans and received 8% in market share, while the second country, Colombia, which provided nearly 1,234.9 tons of coffee, took 20% of the pie chart. The next candidates are Mexico, Canada and Guatemala that have the same percentage in the pie chart. Their export volume run around from 360.6 tons to 397.9 tons of coffee products. The last candidate is Indonesia which took the smallest part in figure 11; it is only 5% in total market share with 326.5 tons of export volume, even though so the country still keep a vital role in wholesaler diversity. (United States Department of Agriculture – Economic Research Service 2015.)

In conclusion, it is apparently surprising to realize that the market share of Brazil and Colombia are respectively 2.8 times and 2.5 times of Vietnam share. The result may cause some vital impacts to Vietnamese enterprises who intend to approach the huge country. In other words, what they need to face is two gigantic competitors, Brazil and Colombia. It is undeniable to say that it is extremely crucial for Agricultural department of Vietnam and especially coffee companies need to design effective strategies to attract buyers and improve export volume in the United States.

3.5. PESTLE analysis of Vietnam coffee industry in the United States market

The PESTLE in empirical part is a subsequently part just after the theoretical framework. In this section, the mnemonic is not repeated in theory but in experiences, collected examples and reality applications.

3.5.1. Political factor

Political factor is one of the greatest factors which determine the development of Vietnamese coffee industry. Current policies of certain countries carry both advantages and disadvantages to Vietnamese coffee industry. According to the US-Vietnam bilateral trade agreement (BTA) in 2001, it gave permission for Vietnamese goods to enter the American market. However, two groups of tariffs were mentioned: low import duties or equal to 0 percent of tariff and the group have higher import tariff. Vietnam is not in the group that is able to receive the non-tariff export coffee beans. (Article 3, U.S. Vietnam trade council.)

The TPP is the acronym of the Trans - Pacific Partnership, it is a free trade agreement (FTA) within member countries. TPP negotiations were formally completed on 5th October 2015 and is considered as a greatest FTA (Free Trade Agreement) in the last 20 years. As reported by Vnexpress, in 4th February 2016, there are 12 countries who join the (TPP) will participate in a signing ceremony in New Zealand. This is combination of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. Essentially, the main positive impact on the organization to Vietnam exportation is reducing the tariff barrier. (Institute of Policy and Strategy for Agriculture and Rural development 2015.)

In addition, this issue emphasizes the extensive of intellectual property right, foreign investment laws, protects environmental standards and labor, procurement policy, competition and state-owned companies and the dispute process. (Institute of Policy and Strategy for Agriculture and Rural development. 2015; Vnexpress 2016 a.)

3.5.2. Economic factor

Turn to the economic angle, in the term of international business, the exchange rate also plays an extraordinary vital part in export profitability. The fact that the variation of exchange rate has a close interconnection with economic environment.

Any slightly switch can cause a powerful change. (International Coffee Organization – ICO 2015.)

To be more precise, oil is not only used as fuel for transport, it is also used in agricultural machinery, plastic materials, nitrogen fertilizers and pesticides. It can be assumed that the development of oil industry has an indirect impact to coffee production, enrichment of soil and provides plants nutrition. According to the study by the International Coffee Organization (ICO), the price of fertilizer and oil products have a correlation coefficient of 0.90. Because of the changing costs of fertilizers and transport, production cost rise. For this reason any movement of these price will cause an impact on the price of coffee. (International Coffee Organization ICO 2015.)

	Crude oil	New York futures
Crude oil	1	
New York futures	0.78	1
London futures	0.90	0.83
ICO Composite	0.83	0.99
Colombian Milds	0.74	0.96
Other Milds	0.77	0.99
Brazilian Naturals	0.79	1.00
Robustas	0.91	0.83

Table 7: Correlation coefficients between the price index of crude oil and the price of coffee for the period of January 2002 to December 2014.
(International Coffee Organization – ICO. 2015.)

As stated by the International Coffee Organization in the year 2015, correlation coefficients of the price index of oil and coffee (Table 7) have a bright side which run around 0.74 and 0.91. The number demonstrates that the price of coffee will

develop along with the price index of crude oil. (International Coffee Organization ICO 2015.)

Another aspect which affects coffee price is the exchange rate between the United States currency and national legal tenders of exporting countries. It is worth to bear in mind that the US dollar is considered as the reference currency which is used in the majority of international transactions, particularly in coffee trade. (International Coffee Organization ICO 2015.)

According to the analyzed data from International Coffee Organization in 2015, Table 8 describes the currency correlation between coffee exporting countries to the USA during January 1990 - December 2014. (International Coffee Organization ICO 2015.)

	New York futures
New York futures	1.00
London futures	0.83
Euro to US\$	-0.60
BRL/US\$ *(Brazilian real/US dollar)	-0.70
COP/US\$ (Colombian peso/US dollar)	-0.75
ETB/US\$ (Ethiopian birr/US dollar)	0.76
GTQ/US\$ (Guatemalan quetzal/US dollar)	-0.09
INR/US\$ (Indian rupee/US dollar)	0.19
IDR/US\$ (Indonesian rupee/US dollar)	0.11
MXN/US\$**(Mexican peso/US dollar)	0.57
UGX/US\$ (Ugandan shilling/US dollar)	0.65
VND/US\$ (Vietnamese dong/US dollar)	0.76

Table 8: Correlation coefficients between exchange rates and national currencies and coffee prices (January 1990 - December 2014.)
(International Coffee Organization – ICO. 2015.)

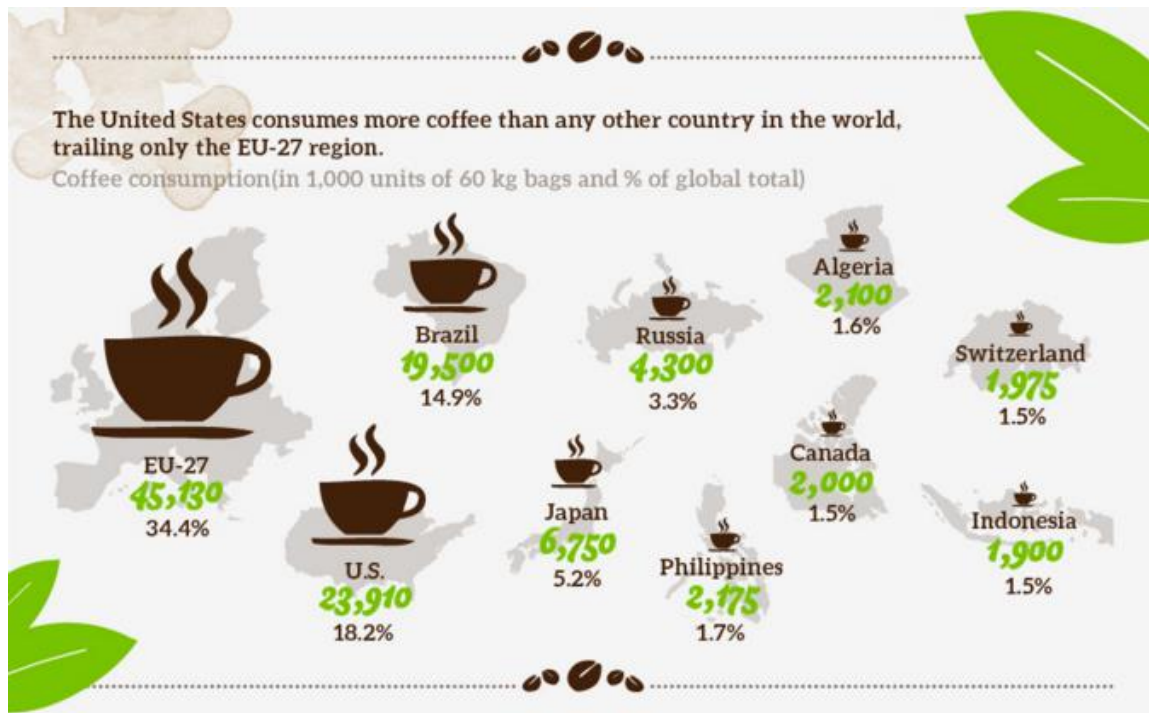
The numbers in Table 8 certainly indicate that the Brazilian real and Colombian peso have some negative impacts on the price of coffee with exchange rates are

-0.70 and -0.75 respectively. Vietnam is a typical country which still remains advantage in cost due to the parallel increase of exchange rates and coffee price. The correlation coefficients of the US dollar and Vietnamese dong provides the exchange rate 0.76 in New York futures market. (International Coffee Organization – ICO. 2015.)

In recent years, the global recession brought plenty of negative impacts on the United State economy notably: increasing inflation and the rise in unemployment. However, since the 2010, the USA economy had some significant changes when the GDP was growing from 2.6 percent in 2009 to 2.9 percent in 2010. It becomes a good sign for countries which export to the United States in particularly the export of Vietnamese coffee. (Ryu 2015.)

3.5.3. Social factor

There are some features in American life style that are different from other cultures. The American people drink coffee like a common beverage. According to the USA Today in 2013, on average the citizens can consume 1-3 coffee cups per day, 83 percent of adults drink coffee in the United States which is 5 percent higher from 78 percent in the previous year. Those numbers can lead the United States become the world's second largest coffee consumer, trailing only the EU-27 region. (Fernau 2013.)



Picture 8: Coffee consumption in the United States. (The Statistics Portal 2013b.)

As reported by the Statistics Portal in 2013, the gathered information in Picture 8 shows the amount of coffee consumed by the country. It can be clearly seen that the United States consumed 23,910,000 coffee bags which accounted for 18.2% of total world's coffee consumption. The country was trailing behind the European Union, which is the biggest coffee consumer with 45,130,000 bags of coffee. It is accounted for 34.4% of the world market share. The third position belongs to Brazil which required 19,500,000 coffee bags for national utilization, took 14.9% of total market share. The following candidates are Japan, Russia, Philippines, Algeria, Canada, Switzerland and Indonesia. (The Statistics Portal 2013b.)

Demographic angle has some points that should be noted, Figure 11 shows brief information about the age group that consume coffee on a daily basis in the United States. According to the coffee survey in Vietnam, the age group 18–24, 41 percent of them consume coffee every day, while 59 percent of people with the age from 25 to 39 have that behavior. Furthermore, in the group of people from 40 to 59 year old 69 percent drink coffee. Lastly, 76 percent of old people from 60 years old consume coffee. (Ngo 2013.)

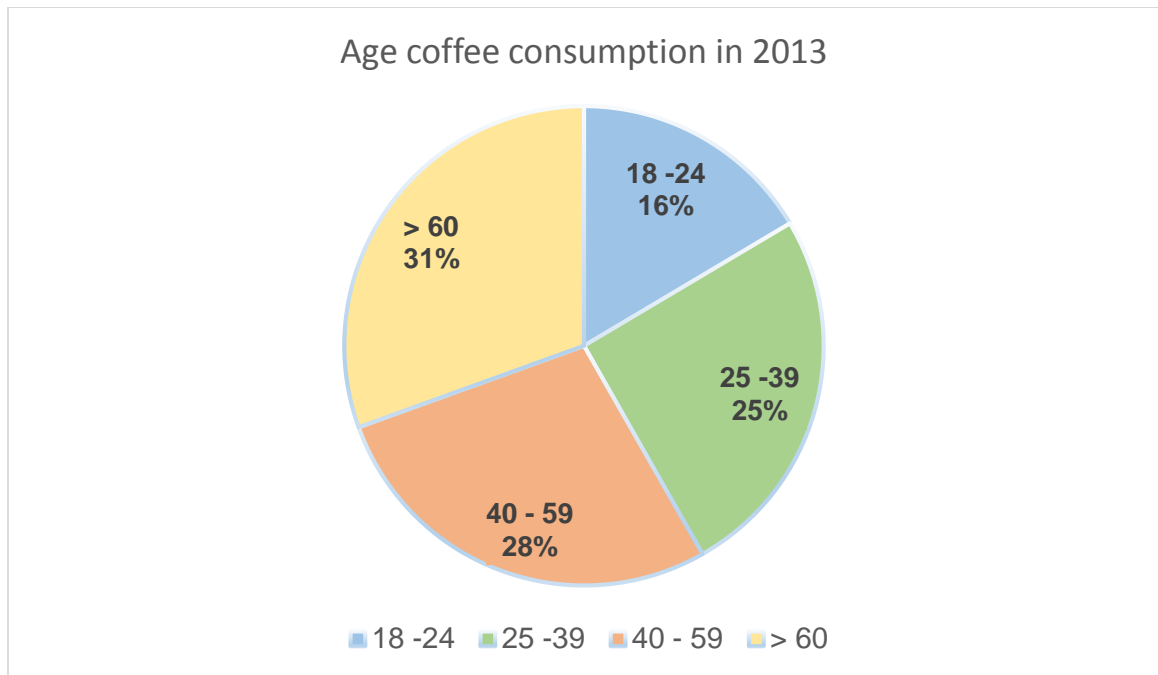


Figure 11: The age coffee consumption in the United State in 2013.
(The Vietnam coffee, 2013.)

Citizens' flavor preference is a supplementary information which should be mentioned, 35 percent of people prefer black coffee while the rest 65 percent usually add sugar or cream in their cups. (E-Imports. 2015.)

The question is "Is Trung Nguyen able to convince the American or not?" Trung Nguyen corporation absolutely has a chance to approach this market. According to the Vietnam Academy of Agricultural Sciences news (2015), Starbucks, a very widely known coffee brand name in the USA, has accepted to import Vietnamese Arabica coffee in their 21,000 stores around the world. This good news show that the Americans are willing to try a new taste. Trung Nguyen probably believes that they have their own advantage to join in the competition with Starbucks. (Vietnam Academy of Agricultural Sciences 2015.)

3.5.4. Technological factor

According to Porter (1985 p. 169), “technology affects competitive advantage” in case it takes a vital part in determining manufacturing cost. Therefore, the more we are able to take advantage of technology, the more we prevail competition in the same industry.

In furtherance of improving quality as well as quantity in coffee cultivation area, plenty of innovations have been created, for example: micro irrigation, picking machine, shelling coffee machine, etc.

Another innovation is coffee picking machine, which was created by Mr. Vo Thanh Khoa. The picking machine weighs only 0.4 – 0.6 kilograms and it is very convenient in harvesting coffee seeds. This machine is shortens harvest time, replace manual labors and keeps coffee seeds unbroken. (Nguyen 2009.)

In addition, a likewise innovation that decrease manual labor is coffee bean shelling machine. The machine was made by Mr Truong Dien Ty who used to be a blacksmith before becoming a mechanic. According to the farmers’ difficulties in peeling off coffee seeds, the innovation brings plenty of advantages to labor, reduces the producing process and improves coffee bean quality. (Bao 2011.)

Due to the reducing of agricultural protection barriers by TPP agreement, there are numerous foreign investors who desire to invest into Vietnam, instead of taking business performance in some countries which have no advantage in farming. The most benefits from foreign investments is Vietnam’s agriculture which will absorb new science and technology. The alternative technologies are expected to be more effective than the traditional way. (Institute of Policy and Strategy for Agriculture and Rural development 2015.)

3.5.5. Legal factor

In order to approach new market, it is very essential for Vietnamese entrepreneurs to show necessary documents. The companies must ensure products’ quality, safety and legal cargo when dealing with in the international trade. The export

contract must include: coffee price, quantity and the mode of transportation. The United States market has extremely strict requirements about the coffee condition, nutrition indicators, food safety certificate, etc.

UTZ Certified is a coffee program certification worldwide. With this certificate, consumers get trusted guarantee where exactly coffee originated from and whether it was produced responsibly. The diploma proof that the coffee plants grown with received a good farming method, farmers receive a right education, good working conditions and better incomes. With the UTZ Certified license Vietnamese coffee companies can build prestige to approach a market with growth potential. (UTZ Certified.)

In addition, in order to import coffee into the United States, it is essential to pass through three government agencies: US Customs and Border Protection (CBP), Food and Drug Administration (FDA) and US Department of Agriculture (USDA.) Those legal institutes have some functions that clearly identify the country of origin, description for marking and classification of the coffee type. Then coffee products need to get certificates from fundamental institutes such as FDA and USDA, for inspection to ensure the quality and safety before they are going to be used in the whole nation. (Flexport 2013.)

South China Sea is located on the sea transport route that connects Pacific – Indian Ocean, Europe – Asia, Middle east – Asia. It is considered as the second busiest shipping lane in international trade with more than 40% of world trade carried out by across the South China Sea. Hence, this sea area is mentioned as the life blood of worldwide freight transportation. However, the expansion of China in South China Sea causes some limitations for export and import of Vietnam to global trade, particularly the United States. (Vietnamnet 2015.)

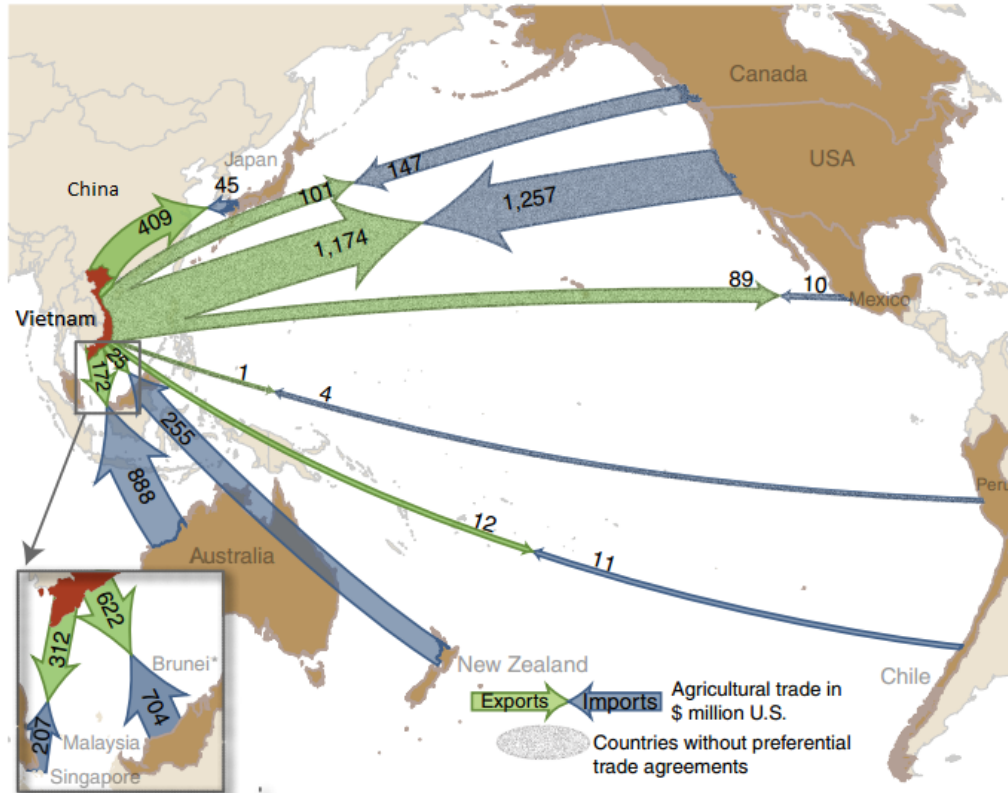
Once the Vietnam's sea routes is under China's overpowering, it remains a severe threat to maritime security and circulation of goods not only in Vietnam but also in surrounding countries in ASEAN (Picture 9.) Consequently, if Vietnam needs to implement the export of coffee, it is extremely necessary to consider the alternative

shipping lanes to ensure the safety transportation which leads to arising transport costs and time. (Bao giao thong. 2014.)

Although the big impact from China' expansion, the United States and Japan try to give an effort in strengthening economic cooperation and regional security in Asia through the TPP. China constructed and militarization in artificial islands – the Spratly Island (Vietnam's Sovereignty) illegally. There are 3,000 meters of three military airstrips which were built by Beijing in order to control the airlines and sea routes. This activity of China will exactly undermine the stability of maritime trade routes within ASIAN region. (Vietnamnet 2015.)

Furthermore, the lack of respect for international law and the increasing military modernization of China has created a threat to the security of the countries around the South China Sea in particular and the world in general. (Vietnamnet 2015.)

Vietnamese agricultural trade with potential TPP partners in 2012



*Imports too small to show on map
 *TPP = Trans-Pacific Partnership.
 Note: 2012 data are the most recent data available.
 Source: USDA, Economic Research Service using data from United Nations, Comtrade.

Picture 9: Vietnamese agricultural trade map with potential TPP partners in 2012. (United States Department of Agriculture 2012.)

3.5.6. Environmental factor

Coffee cultivation areas mostly locate in high mountains. It is advisable to note that from long time ago farmers used to over irrigation of coffee plants without knowing that lower lands will certainly damage by water shortage. Plain farming faced up.to drought because of the severely depleted river level. Force pump.in coffee farms uses more energy than required. Overwatering, furthermore, does not allow plants fully absorb fertilizers, but are totally washed out from its lateral roots. If fertilizers

can be completely ingested, it may cause pollution due to some chemicals remain in manure. (Quang 2015.)

It is possible to say that there are numerous external causes that has led to awful environmental impacts. For example, as stated in the US news, the El Nino is a typical weather phenomenon which lead to warming of sea temperatures in the equatorial Pacific, caused shortage of water and losses in coffee production. The phenomenon will have a major impact on food prices and other agricultural commodities in Southeast Asia, particularly in Vietnam. Therefore, the coffee prices could shoot up if coffee crops in Brazil and Central America also get losses. (US news 2015.)

According to the development of technology, plenty of techniques have been created to deal with problems. To be more specific, micro irrigation is also known as drip irrigation. This method allows water apply slowly and directly to the soil. This is one of the most efficient irrigation method due to diminish waste water, avoid soil borne diseases, redundant labors, time for irrigation. The innovation has been developed in Israel and was introduced to Vietnam by Trung Nguyen corporation in 2012. After applying the new model, coffee yield has annually been harvested 14,000 tons of coffee and it has increased to 30 percent compared to the year before. (Quang 2015; Irrigation Tutorial.)

In accordance with the statistics from the department of Horticulture, there are around 86,000 hectares of coffee over 20 years of age (15%), 140,000 hectares of 15 -20 years old (25%). The total area of aging coffee plantation to be replaced and replanted in the next five years is around 140,000 – 160,000 hectares. This issue is extremely essential, unless Vietnam's coffee output will be affected very badly. It is caused by lower productivity and reduced quality coffee beans. Finally, it brings a major impact on country's export competitiveness. (Cuc trong trot; nhip cau dau tu 2015 b.)

3.6. SWOT analysis of Vietnam coffee industry in the United States market

This part has a similar function with PESTEL. There are four sections in SWOT concept are written to describe the Strengths, Weaknesses, Opportunities and Threats in reality with detailed examples of Vietnam when joining the United States coffee market.

3.6.1. Strengths

Vietnam has a natural advantage because of its location in the belt of Northern Hemisphere. It has fascinating weather, high humidity, stable rain and especially basaltic soils which boost the growth, productivity and provides a unique appetizing and enticing fragrance for fresh-ground coffee. (Vietnam open educational resources - VOER.)

According to Table 2, Vietnam has a strength in coffee productivity in worldwide, particularly in Asia. When compared to Brazil, Colombia and Indonesia, coffee yield in 2013 in Vietnam is 4,704,000 bags, 2 times of Brazil (2,357,000 bags), 3.33 and 5 times with Colombia and Indonesia respectively. In addition, the average productivity in the world is 7 quintals per hectare, while in Vietnam with an area of 550 thousand hectares, which is able to yield more than 1.5 millions tons, the average yield is 2.7 tons per hectare. (The Statista Portal. 2013 and 2014; Vneconomy 2013.)

For that reason, Vietnam gained a title as the second largest coffee producer in the world, accounting for 16% of worldwide production in 2013. That point definitely attracts buyers as a result of production stability. It can be seen that Vietnam is considered as a potential supplier for any coffee corporation. (Kho tai lieu, 2011; European Coffee Federation.)

As stated by the Institute of Policy and Strategy for Agriculture and Rural development, it is clear that Vietnam definitely receives tax rate 0% (Table 9) for exporting coffee to the United States. This policy of the United States kindly supports foreign enterprises to reduce a large amount of trading cost after taking a payment for Merchandise Processing Fee and Harbor Maintenance Fee.

(Institute of Policy and Strategy for Agriculture and Rural development. 2015; Flexport. 2013.)

	Coffee
The USA	-
Canada	-
Mexico	20,0
Peru	11,0
Chile	-
Brunei	-
Malaysia	-
Australia	-
New Zealand	-
Japan	-

Table 9: Import duties for the export of agricultural products of Vietnam.
(Institute of Policy and Strategy for Agriculture and Rural development. 2015)

3.6.2. Weaknesses

Furthermore, on the contrary, there still remains several weaknesses in Vietnam which cause limited coffee production yield. Thus there are barricades that have limited Vietnam's performance in foreign market.

Even with the title "The world is second largest producer and exporter", the profit from export is not high as expected. As stated by Mr. Nguyen Thanh Tung, Bien Hoa coffee company, explains that the value of coffee exports is low due primarily to coffee export in the form of raw material. For every 1 kilogram of coffee, Vietnam gets 2 dollars, it equivalent to the average price of one cup of coffee in importing countries, while each can of coffee can make 50 cups of coffee. Furthermore, in

volume terms, Vietnam accounts for 20% of coffee in total market share, but the value is only about 2% of the world coffee market. For that reason, Vietnamese enterprises cannot earn much revenue from export and the main subject that gains less profit is Vietnamese farmers. (Agritrade 2013.)

In addition, in terms of production, farmers have a lack of technical knowledge in growing coffee. In accordance with the study by Dr. Truong Hong, the Western Highlands Agro-Forestry Scientific and Technical Institute (WASI), the research showed that the applied solution Integrated Crop Management (ICM) is able to reduce production costs, thereby enhancing the value of coffee export. According to the survey, over 50% of households in the Central Highlands use manure fertilizer more than recommended. Each year, approximately 30% of fertilizer and 32% of irrigation are wasted, as the result of increased production expenses. (Thanh Nien, 2013.)

Yet it is undeniable that coffee quality management in Vietnam is limited. In recent years, Vietnam's coffee industry has constantly adopted new technologies and science, which immediately gives a further boost to coffee output. There are several provinces in Vietnam, nevertheless, accounting for 80% of coffee output coming from households. They prefer to follow traditional processing with simple technology without any legal consultation, natural drying and use of unguaranteed machines for milling. As the result, the government of Vietnam needs to find the effective way to encourage farmers to collaborate with state-owned units and trustworthy export companies who applied modern agricultural equipment in order to replace old traditional methods and pursue quality coffee processing. (Nhịp cầu đầu tư 2015 a.)

The replanting project requires a large amount of expense which is beyond farmers' capability. It will be needed for a long time for recovering and requires a copious capital. It requires 150 – 200 million VND (approximately 6,700 – 8,965 USD) per hectare for the first 3 years. The replanted trees have to wait 3-4 years before the first harvesting. (Nhịp cầu đầu tư 2015 b; Kinh tế và Dự báo 2015.)

3.6.3. Opportunities

As reported by the Vnexpress newspaper in 2016, the TPP agreement will take effect from 2018. The organization brings a great opportunities for Vietnam is economic in general, particular for the agricultural department. There is no doubt that this change is an appetizing cake for any foreign investor. (Vnexpress 2016 b.)

To be more clear, after the TPP agreement gets into effect, the non-tariff barrier within member countries will be activated in 2018, import duty in the United States, Canada, Japan and other members will reduce to 0%. Thus it is absolutely attracts Foreign Direct Investment (FDI) to step in Vietnam's industry, especially in Vietnam's agriculture. (VTC News, 2015.)

As stated by Porter "Technology affect to competitive advantage because if it has a significant role in determining relative cost position or differentiation". (Porter 1985 p. 169.)

Thanks for the establishment of new Free Trade Agreement (FTA), in the TPP, it is undoubted that Vietnam can reduce affects from China. From a long time, Vietnam has regularly imported raw materials and engines from China without trustworthy guarantees and uncertain quality due to the breakdown of trade barriers and expand market access. For the same reason as the export of agricultural products, Vietnamese entrepreneurs tend to depend on the neighboring markets. Nevertheless when the agreement gets valid in 2018, domestic enterprises will have more choices in input sources with realizable quality. Furthermore, instead of exporting coffee to surrounding markets, traders may change target to member countries within the TPP, particularly the United States. (Vietnamnet 2015.)

Mr Kip.Cheroutes, lecturer of PR/ government relations, University of Denver, wrote an article about the ideas of Vietnamese coffee PhinDeli town. PhinDeli town original has a name Buford, it is located in Wyoming, a state in the west of the United States. A businessman Pham Dinh Nguyen found his opportunity to place

his business idea through the auction of America's best small towns. PhinDeli is also the brand name of his company. He has an ambitiousness to penetrate the US market. He tried to promote Vietnamese coffee not only by renovating gas stations and convenience stores but also on Amazon. In the near future he expects to place his products in every big supermarket where the customers can buy PhinDeli coffee anywhere in a short time. Mr Pham Dinh Nguyen is one of the typical Vietnamese pioneers who tries to enter and introduce Vietnamese coffee in the United States market place. Therefore, it is possible to say that Vietnamese entrepreneurs are able to build confidence to see opportunities for themselves in the broader market like the United States. (Brands Vietnam 2013.)

3.6.4. Threats

Every issue has side effects and TPP is not an exception. Nobody denied that the TPP agreement brings plenty of opportunities to Vietnam's agriculture, in contrast, there are also many threats. As long as the tariff border hew down, that such an enormous foreign enterprises immediately land in Vietnam coffee market. As stated by Mr. Do Ha Nam, vice president of VICOFA, the appearance of foreign investors may lead to disadvantages for domestic entrepreneurs. To be more precise, if the foreign investors build processing plants in Vietnam with the intention of long term business, domestic entrepreneurs do not get any effective strategy, perhaps 80% of Vietnamese coffee will be provided by foreign companies in the near future. (Xuc tien thuong mai - Ministry of Agriculture and Rural Development 2014.)

Another problem is that governments have some concerns about the successful of the TPP implementation. It is clear undoubted that it will be difficult to achieve expected results if the hot topics such as South China Sea dispute and the sea area expansion of China, cannot be solved. Vietnam is not an exception to avoid the negative impacts. (Vietnamnet 2015.)

There are further disadvantage issues in competition of Vietnam and another players who try to occupy the United States' market share. There are no taxes on

coffee exports from Brazil just like Vietnam, they receive duty – free in both unprocessed, roasted beans and instant coffee. Understandingly, the countries can freely export its products. As presented in Picture 1, Brazil and Colombia have a better advantage compare to Vietnam due to the location in South America. As a result, based on the analysis in Table 5, it is mostly unsurprising to know that the United States prefers to import coffee the nearest markets with shorter time and more convenience. (More than shipping 2014.)

Additionally, because of 95% of coffee is exported in the form of raw material, Vietnamese coffee cannot build an official brand name. This is a result of non-distant vision of enterprises in business operation. Vietnamese enterprises primarily focus on the quantity instead of consider how to advance quality of export products. (Tin nong 2014)

Any element that lead to erratic weather may bring unforeseen damage to international trade, crop production, on commodity prices. According to the forecast of International Coffee Organization (ICO), the weather in 2015 continued getting impact from El Nino phenomenon, it become the one of main causes of the water shortage issue for irrigation. This problem increases concern about Vietnam agricultural output continue decline from 20-25%. (Bao chinh phu 2015.)

It is worth bearing in mind that after 6 – 10 years of planning coffee, clay content in soil is going to reduce from 1 – 10% and humus content likewise is sharply dropped from 30 to 40%. It leads to the decreasing of coffee yields both quality and quantity. Without any land reclamation policy, the planting soil obviously diminished quality by cause of the shortage of protein. (Ngo, Nguyen and Ta 2003.)

Furthermore, coffee trees are gradually exhausted after every harvesting. Coffee trees which from 15-20 years and over 20 years old regularly get poor growth and average yield per year under requirement, should be replaced. The project is designed under the authority of the Ministry of Agriculture and Rural Development, a replanting scheme is running from 2014 to 2020. There are 120,000 hectares of cultivation in project in which 90,000 ha for replanting and 30,000 ha for transplant. For the sake of long term business, it is essential to replace a new generation,

even though a large amounts of coffee harvested is going to suddenly decline cause by the clear-cut old trees. However, during 3-4 years, it is possible to predict that the USA market may collaborate with new suppliers in case that Vietnam cannot guarantee the stability coffee sources. (Nhip cau dau tu 2015 b, kinh te va du bao 2015.)

There is a great concern about the loss of ripe coffee during harvesting period. Coffee theft is becoming an extremely severe issue, leading to losing benefits from harvesting. In the face of this problem, coffee growers tend to arrange harvest dates earlier in lieu of waiting for the right time. People can say without vagueness that collecting green coffee beans absolutely decreases the quality of production. Thus it is a big challenge to get over export requirements about food safety and quality. (Kinh te va du bao 2015.)

3.7. Five Forces model of Vietnam's coffee industry in the United States market

The Five Forces in empirical part is a critical point to determine whether Vietnam is able to stay strong in the international market, the United States market, compete to numerous potential competitors. This part is written for the purpose of finding out common threats in severe rivalry. Those elements focus on analyzing recent and new competitors or products which will direct or indirect affect to Vietnamese coffee industry, control the business to perform at the optimum level in the United States market place.

In addition, Figure 9 illustrates brief data about the Vietnam coffee import trend in the United States which decrease from the year 2011/2012 and extremely serious in the year 2014/2015. This part may clearly analyze and find out possible reasons for this logic.

3.7.1. Threat of new entry

It is agreed that Threat of new entry is one of the factors that is able to affect Vietnamese coffee enterprises. Vietnam's coffee industry is now being threatened by a rising of new competitors. As presented in Figure 5, Brazil and Vietnam are the two leading in producing in Arabica and Robusta respectively. Notwithstanding, there are several countries also named in the top.10 coffee providers which are located in the belt of Northern Hemisphere such as Colombia, Indonesia and Ethiopia.

For instance, Indonesia is one of the countries in the Southeast Asia which has similar weather conditions to Vietnam. For that reason, Indonesia is mentioned as the world's second largest exporter of Robusta coffee. (Sustainable coffee program 2014.)

Country	2010/11	2011/12	2012/13	2013/14	2014/15
Vietnam	19.415	26.000	26.500	29.833	29.350
Indonesia	9.325	8.300	10.500	9.500	8.800

Table 10: Coffee output Indonesia and Vietnam from 2010/11 to 2014/15 (1000 bags.)

(Science and Technology Information Net – STINET 2015.)

According to the collected information in Table 10, in Indonesia average yields from the season 2010/11 to 2014/15 was 9,285 coffee bags of 60kgs. It can be compared with Vietnam which agricultural output was 26,219 coffee bags in the same period. In spite of Vietnam's coffee average crop.2.8 times with Indonesia, the neighbor still has a major impact to Vietnam's export markets, especially in the target market. (Science and Technology Information Net – STINET 2015.)

As reported in sustainable coffee program in 2014, Indonesia has almost three times smallholder coffee farmers more in comparison to Vietnam, but only 1/3 of coffee production is collected. Indonesia cannot gain much profit as well as Vietnam because of the costly sustainability program such as technology, fertilizer.

As the result, Indonesia has to rise producing costs to be more expensive than Vietnam. (Sustainable coffee program 2014.)

However, it cannot avoid Indonesia to become the third largest coffee producer and keep the significant part in the global market share and in the United States market place. As presented in Table 6 and Figure 10, Indonesia keeps 5% in the United States market share in the year 2014, provided 326.5 tons of coffee for this country. For this reason, the country may have a role as substitution supplier in global market. (Science and Technology Information Net – STINET 2015.)

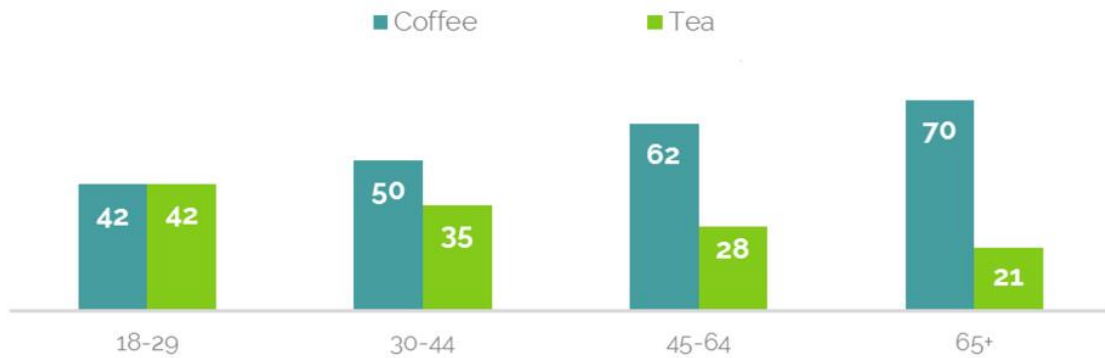
Although Vietnam is a giant in Robusta coffee producer, it has significant advantages in growing coffee condition and export commodities than the neighbor country. It is crucial for any investor to beware that if the United States suddenly changes their import preference to Indonesia coffee for unpredictable reasons. Therefore, Vietnamese entrepreneurs should find effective strategy to improve not only export quantity but also coffee quality for the sake of the key market share promotion.

3.7.2. Threat of substitution

Imported trend also gets extremely affected by the risk from substitution. As reported by the Statista in 2015 and surveyed by the YouGov, the American coffee industry face with a common threat from the rising of tea consumption. In order to explain the problem, Figure 12 is designed to summary collected information from market survey after interview thousand citizens. (Statista. 2015; Yougov 2015b.)

Coffee or tea?

Which one do you prefer, coffee or tea? %



YouGov | yougov.com

Feb. 20-23, 2015

Figure 12: Percentage of Americans who prefer coffee or tea by age group in 2015. (YouGov 2015b.)

Overall, Figure 12 illustrates social survey in order to reveal customer buying behavior in the United States. The purpose of the survey was to find out how many percents of people chose tea or coffee as preferred beverage. As a result, some experts found that there is a 20% growth in tea consumption among young people. There are thousands of local people involved in this survey and they more divided into four groups based on their age. The first group is people from 18 to 29 year olds, the second group from 30 to 44 year old, the next group is for residents who from 45 to 64 year old. The last group is for American citizens from 65 year olds. (Statista 2015; Yougov 2015b.)

To be more specific, when people were ask to vote for their drink preference between tea and coffee, people under 30 year old had an equal number, 42% for each choice, coffee and tea are equally popular. The rest three groups have some differences between two choices, the higher percentage leaning toward the coffee and proves the more popular drink. In the second group, there are 50% of people from 30 to 44 year old prefer coffee compared to 35% of tea's fans. Turn to the third group, there are 62% of older Americans choose coffee as their preferred drink while only 28% people join in other group. The last group has a biggest

difference between two type of drink, oldest citizens from over 65 year old consider coffee as their drink of choice while only 21% drink tea. (Yougov 2015b.)

To sum up, until now coffee still remains a better advantage due to numerous of loyal consumers and the tea trend only develops in young American. Notwithstanding, in the near future, the threat will grow day after day when young people grow up and replaces older generation. Since young people had found that there are some benefits for health they can find in green tea instead of the black beans, their buying behavior also gives significant affect to coffee consumption every year and the traditional dominance is being threatened by the substitution product. (Statista. 2015; Yougov 2015b.)

3.7.3. Buyer power

The main purpose of this section is to point out the power of importers that affect to Vietnamese's benefit. As represented in Figure 7, the United States become Vietnam's the second biggest coffee importer in the year 2014, which created enormous value for Vietnam economic. In spite of the fact that the import volume constantly dropped down during the season 2012/2013 and 2014/2015, the big country still keeps the large part in the Vietnam export market share, provided approximately 471,124,300 USD for Vietnam economic in the same period. (United States Department of Agriculture – Foreign Agricultural Service 2015. b.)

It is undeniable to say that the United States, Brazil and Colombia are the two biggest competitors that share the big cake together with Vietnam. According to the analyzed data in Figure 10, in 2014, the two countries captured 23% and 20% respectively, more dominant position in the US market share while Vietnam took 8% in the same year. To be more precise, it is an undeniable truth that Vietnam currently looks like a young Asian compared to two giants of Southern American. (United States Department of Agriculture – Economic Research Service 2015.)

It can be seen that with only 8% in the key market share, Vietnam has lack of power to the buyer. On the contrary, the United States has more choices to select among the field of coffee suppliers. American enterprises have a right to consider

the more favorable price and purchase coffee selectively, because they know the advantages of a big customer. Therefore, Vietnam absolutely receive an extremely heavy pressure from the huge country and faces with threat of replaced by alternative suppliers, another player like Indonesia for instance. In order to remain the stable position in the target market, it forces Vietnam entrepreneurs to reduce profit in comparison to other players in the same field or provide higher quality commodity.

3.7.4. Supplier power

Vietnam is undoubtedly a very well-known coffee provider. Vietnam usually exports coffee as original not roasted beans, roasted coffee and instant product. Nevertheless, the country has a major role in producing Robusta coffee, while Arabica coffee only takes a very small part, only 10% in total harvested in the whole nation. As the result in Table 3, it shows that every year Vietnam has to provide a very large quantity of coffee to the global market, approximately 1,600,000 tons of coffee. (Science and Technology Information Net – STINET 2015; Vietnam Customs.)

In furtherance of remain the stability of supply source and also enrich coffee diversity for national utilization, Vietnam also imports small quantities of green coffee from foreign countries, such as Indonesia, Laos and Brazil. According to the report from Global Trade Atlas (GTA) and the General Customs Office (GCO), Vietnam also imports green coffee from foreign sources. Table 11 performs the list of country from Vietnam imported green coffee during the period October – March in the season 2013/14 and 2014/15.

Market	2013/2014 (MT)	Market	2014/2015 (MT)
Indonesia	2,368	Laos	4,916
Laos	1,000	Indonesia	1,693
China	979	Ethiopia	250
Brazil	165	Brazil	182
US	99	Cote d'Ivoire	123
		US	85
Total for others	4,512		7,164
Others not listed	103		150
Grand Total	4,714		7,499

Table 11: Green coffee import trade of Vietnam for the season 2013/14-2014/15 (October - March.)

(Global Trade Atlas – GTA, the General Customs Office – GCO; Vietnam coffee annual 2015.)

As it can be seen in Table 11, the grand total of green coffee imported to Vietnam was 4,714 tons in the season 2013/2014. In the following year, the import numbers were 7,499 tons of raw material which increased to 59% compared to the total volume of the year before. Indonesia and Laos are the two countries which mostly provide green coffee for Vietnam, they also took two biggest parts in Vietnam market share. (Global Trade Atlas – GTA, the General Customs Office – GCO; Vietnam coffee annual 2015.)

There are several reasons for Vietnam to import coffee from neighbor countries. Firstly, Vietnam imports to re-export, because of the impact from El Nino phenomenon which leads to the climate change and seriously declines coffee output. Vietnamese enterprises need to import raw product ready for export orders in place of the shortfall in harvest. Then they have coffee in reserve and avoid the storehouses becoming empty. Secondly, some enterprises buy coffee for reserve and wait for the coffee price rise at the highest point, then they sell it to earn profit. Turn to the third reason, Vietnam is a leading Robusta coffee producer while

Arabica coffee only takes 10.6% in total coffee harvested in 2015. The imbalance of these in two types of coffee lead to the shortage in both domestic consumption, producing instance coffee and export orders. (Vietnam embassy - Ukraine. 2016, Vietnam coffee annual 2015.)

3.7.5. Competitive rivalry

The existence of companies in industry rivalry provide such an enormous profitability for the current market, especially when the key market is the United States. The diversity of competitors is an indispensable part in industrial country which provides the fair play for among competitors.

A Vietnamese coffee company represents the domestic product, Trung Nguyen Group Corporation that was known as Vietnam's biggest coffee retailer. The firm was established in 1996, Trung Nguyen Corporation understands that they had an extraordinary meaningful responsibility to promote Vietnamese coffee reputation to the worldwide market. Recently, the corporation has introduced their brand name to over 60 countries and territories in every continent. (Global coffee report 2014.)

To be more specific, as the report from United States Department of Agriculture in 2015, Trung Nguyen Coffee Corporation and the Global Hotel Management Group have signed a strategic partnership. Thanks to the contract, the corporation is able to expand the export their luxury coffee chain to Florida, Georgia, Kansas, Mississippi, Nebraska and South Carolina in the United States according to the Global Hotel Group's properties. (United States Department of Agriculture 2015; Global Hotel Group.)

In addition, in the same year 2015, G7 instant coffee which is one of the famous product line of Trung Nguyen Coffee Corporation, was widely introduced to American retail chains, such as the Walmart stores, after passing all their strict audits. Furthermore, by that way Trung Nguyen coffee is not only sold in the United States but also widely distributed to Walmart brand stores in every continent. (United States Department of Agriculture 2015.)

Starbucks is perhaps the biggest coffee company in the United States. It also set up their first shops in Vietnam in 2013 and continues enlarge the scale, join the competition with domestic coffee companies. Thus, Trung Nguyen's CEO, Mr. Dang Le Nguyen Vu has an ambition to challenge a huge coffee firm like Starbucks in both the United States and Vietnamese market. He said that "the fine taste of Vietnamese coffee and the right strategies will allow us to conquer the world". (Global coffee report 2014.)

4. CONCLUSION

To sum up, after analyzing the Vietnam's target market thanks to the useful market research tools like PESTLE, SWOT and Five Forces model, we are able to give overall assessments of Vietnam enterprises' capability when taking part in the huge country like the United States and join in the competition with formidable opponents in coffee industry.

It can be seen that Vietnam is still stuck in current weaknesses and faces the common threats in which strengths and opportunities are not vigorous enough to cover deficiencies. Hence, Vietnam enterprises still have some obstacles in both internal and external sources, it controls them to minimize weaknesses, threats and converse them into advantages.

Nobody denies that Vietnam's government plays an extremely vital part in national industry promotion, particularly in coffee industry. In addition to that, the Vietnam ministry of agriculture has an undeniable responsibility to figure out reason of difficulties in coffee production and export. Thus they can point out the efficient solutions which are relevant to government budget, local situations and climate characteristics.

For furtherance of better control unexpected external impacts, it is essential to admit that the collaboration within Vietnamese institutions will provide effective support to local enterprises. As a result, it definitely increases quality and export volume of Vietnamese coffee, then the product performance has a chance to improve at the optimum level not only in the key market like the United States but also in global market.

In conclusion, Vietnamese government should fully encourage domestic enterprises to build up Vietnamese coffee reputation which not only bring enormous profit for the country but also for the proud of national commodity and provide a better life for Vietnamese farmers.

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