LAHDEN AMMATTIKORKEAKOULU
Lahti University of Applied Sciences

VIETNAMESE CONFECTIONERY MARKET ANALYSIS AND ENTRY PLAN,

Case: Candyking Finland Oy

LAHTI UNIVERSITY OF APPLIED SCIENCES
Degree programme in International Business
Thesis
Spring 2013
Nguyen, Duc Quang
Ha, Thi Thu Phuong

Lahti University of Applied Sciences
Degree Programme in International Business

NGUYEN, DUC QUANG: Vietnamese Confectionery Market Analysis and Entry Plan,
HA, THI THU PHUONG: Case: Candyking Finland Oy

Bachelor's Thesis of Degree Programme in International Business, 92 pages, 9 pages of appendices

Spring 2013

ABSTRACT

The Vietnamese confectionery market has been literally known as a sweet and bitter chocolate bar in the eyes of many investors. In recent years, there is a dramatic increase in demand from this potential market as well as its influencing challenges. The international players are unfortunately not fully exposed to the internal market situation and subject to failure at first hand.

This thesis is, therefore, to assist Candyking Group- a confectionery market leader in Nordic countries, the United Kingdom and Baltic region- to decide whether Vietnam is a good choice for internationalization. In order to achieve this goal, a full external analysis of Vietnam's confectionery market; the Pick & Mix concept; Candyking's products; an entry plan are wholly studied.

The thesis uses deductive approach based on qualitative method. In the theoretical part, data is obtained from a variety of sources, mainly published texts while unpublished sources provided by Candyking Finland Oy, the internet, other legal documents and the author's own observations are utilised in the empirical section.

Finally, it is concluded that Vietnam is a highly potential market for Candyking and it is of absolute advantage for the company to become the pioneer with its Pick & Mix concept in this market. There are inevitably stumbling blocks that the company should take into consideration once the internationalization decision is made. Though obviously further research is required to get the plan off the ground and set in motion, the authors positively recommend Candyking to penetrate into the Vietnamese market.

Keywords: Candyking, Pick and Mix, export, Big C, Vietnam

CONTENTS

LIST OF FIGURES

LIST OF TABLES

GLOSSARY

APEC	Asian-Pacific Economic Cooperation
ASEAN	Association of Southeast Asia Nations
B2B	Business to Business
BTA	Bilateral Trade Agreement
CAGR	Compounded Annual Growth Rate
CDC	Central Distribution Centre
CEE	Central and Eastern Europe
CEPT	Common Effective Preferential Tariff
CIA	Central Intelligence Agency
CKI	Candyking International
FDI	Foreign Direct Investment
MOH	Ministry of Health
MOST	Ministry of Science and Technology
NDC	National Distribution Centre
RDC	Regional Distribution Centre
VAT	Value Added Tax
WTO	World Trade Organization

1 INTRODUCTION

1.1 Background

People around Sweden, Finland, Norway, Denmark and UK have got themselves indulged in the tasteful assortment of candies under the name Candy King for over two decades. The concept Pick & Mix- the idea of letting the customers select and put together their own favourite candies in one package - has proven itself a breathtaking success story. Over the last 25 years since birth, the company has established a firm position as a pioneer and market leader in all of its playgrounds. It is currently enjoying a sale of 170 million euro with a network reaching as far as 9500 stores (Candyking 2012). Yet the company is working relentlessly in its effort to branch out to other potential markets (Westerberg 2012).

Mr Becker (Vietnamnews 2008) - The General Director of Association of German Confectionery Producers- in his press release for a sweets fair trade in Dusseldorf, Germany has said that Vietnam's economy is among the fastest growing in the world. In today's tremendous swirl of internationalization, this positive sign is building a platform for the country's confectionery industry to take off. Moreover, the Pick & Mix concept is a brand new idea and is expected to succeed in this new target market.

In the author's opinion, given all the above mentioned factors, it is logical for Candyking to give a kick off to the promising market of Vietnam.

1.2 Research objectives and questions

Research objectives: *Is Vietnam a potential market for Candyking's Pick & Mix products? How can the company enter that market successfully?*

The thesis aims at providing all the needed information concerning the internal and external market situation to analyse whether it is beneficial to invest in Vietnam. If yes, what will be the most appropriate distribution method the company can use? In order to achieve these objectives, the research questions are formed as follows:

- How is the confectionery market in Vietnam? How are the competitors doing in the market?
- What are the target customers?
- What is the entry plan used?
- What is the suitable pricing strategy?

1.3 Research methodology

An overview of this study's research methodology is presented in the figure below:

Research Approach	• Deductive
Research Methods	• Qualitative method
Collection Methods	• Primary sources: Interviews and observations • Secondary sources: Books, journals, reports, articles

FIGURE 1. Research methodology

Ghauri et al. (1995, 32) represented the differences between inductive and deductive methods, which are illustrated in the following figure:

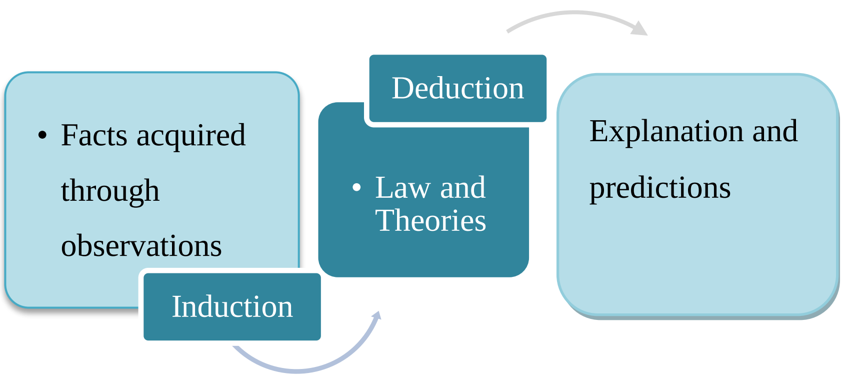


FIGURE 2. Induction and deduction (Ghauri et al. 1995, 32)

According to Burney (2008), induction reasoning favours specific observations leading to theories and broader generalizations, whereas deduction reasoning works the other way around, from theories narrowing down to particular explanations.

During the process of this thesis, the authors mainly use their practical observations and logical thinking to analyze the current trends and make predictions for the case company. The deductive approach is, therefore, employed.

Webb et al. (1966) emphasises the importance of choosing the appropriate methodology that could affect the range of possible results and conclusion of the research. In most cases, qualitative and quantitative are among the most common directions chosen.

Qualitative research collects information that is not in numerical form such as personal interviews and observations. It uses mainly data which will make analysis harder to achieve. Quantitative research, on the other hand, gathers numerical data which can be easily categorized and measured in units. (McLeod 2008.). Since the authors use mainly interviews, individual observation, articles and reports to for the integral analysis, it is acknowledged that qualitative is utilized.

1.4 Scope and limitations

There remain two significant targets in this thesis: to provide a full confectionery market situation in Vietnam and to sketch out a distribution plan for Candyking company. In order to make the decision of entering the market, the company is advised to take into consideration many other influencing factors including logistical, cultural, technical, seasonal issues, etc.

It should be noted that Vietnam in particular or the developing markets in general have so far not been regarded as the flagship investment of Candyking. The company is currently and in the long run strongly committed to its Nordic target markets. As requested from the company, the thesis is performing as a broad guideline that sets up the first steps for their brand new market exploration. As the developing markets are hugely potential and the shift of international investment towards those markets is relentless, it is good for the company to get to know a new one, namely Vietnam.

In the broad scope of a complete corporate strategic planning overview which includes production, finance, marketing and distribution, the authors choose to analyze the distribution plan in depth for the company. Other elements are, therefore, suggested for further research from the company or from other researchers. In the entry plan, the authors analyse the possible entry modes to enter the target market. Finally, one most suitable mode will be advised, yet other legal issues concerning making it practical would be ignored. The company thus needs further assistance of their own legal experts to support the processes.

The marketing mix presented in this thesis would focus on one aspect: pricing strategy and the other elements would be left out. The price level suggested would be roughly correct due to hardship of import-export costs calculation. The authors then expect the company to carry on further research concerning pricing strategy.

As confectionery is a broad area, the process of integral market analysis would be challenging for the authors. It requires thorough data and reports collection in order to provide a most updated and detailed final. As most of the reports or data are not freely public, the lack of information would be also one big stumbling block unfortunately.

In spite of all the difficulties foreseen, the authors assume that Candyking will be successful in Vietnam’s market with an appropriate distribution plan.

1.5 Thesis structure

The thesis structure is illustrated as follow:

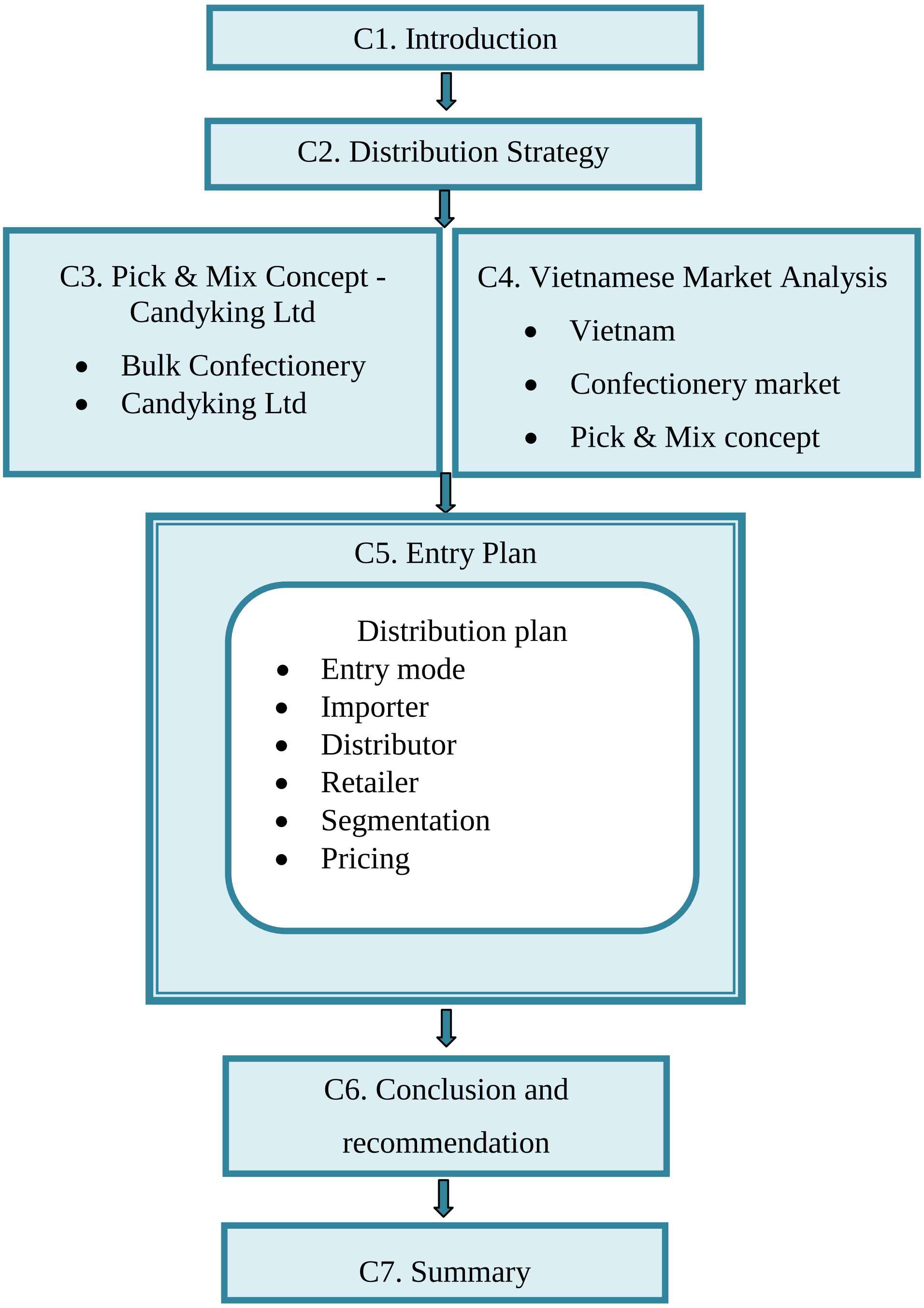


FIGURE 3. Thesis structure

This thesis includes seven chapters, focusing on two main parts: theoretical and empirical section. The theoretical part is in chapter two, where an overview of the distribution strategies needed in internationalization decision making is provided.

Those models act as tools for the empirical part later.

The empirical part contains three chapters. In chapter three, an integral analysis about Candyking and its business operation is presented, followed closely by chapter four which deals with the Vietnamese confectionery market. In the part of confectionery market, the authors deepen into the competition situation as requested from the case company. Chapter five focuses on the entry plan in which a detailed analysis of the possible distribution alternatives is presented. All those alternatives will then be calculated in order to put forward one best distribution channel. Finally, the authors will develop a pricing strategy suitable for the product in the Vietnamese market.

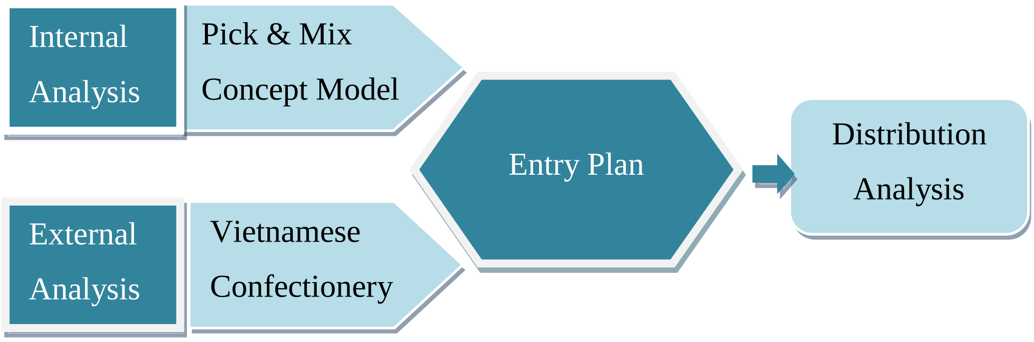


FIGURE 4. Thesis framework

Chapter six brings out the conclusion and recommendation for the company from the authors. Chapter seven stays close behind with the summary.

2 DISTRIBUTION STRATEGY

2.1 Strategic Planning

As any classic strategic studies stated, the earliest initiative of corporate planning should analyze the relevant internal factors (Rushton & Croucher 2010, 85). A typical useful tool, which is commonly utilized, is SWOT analysis (strengths, weaknesses, opportunities and threats). This simple analysis provides corporate the opportunity to scan the overall companies' internal situation which includes: the position of the corporate in comparison of the market environment, the products it provides, the demand for its products and the intensity of competition (Humphrey 2005, 47).

Another important analysis, which should be taken into consideration, is external environment where the company decides to internationalize. An approach to review those external factors which influence the company strategy significantly is usually used is PEST analysis. The typical factors of this analysis consist of political, economic, socio-cultural, and technological elements. Such combined external factors assists corporate in evaluating and reviewing potentials opportunities as well as risks that they will cope with in the target market. Subsequently, a suitable strategic planning would be drafted based on those influences (Christopher and Peck 2003, 62).

The theories of SWOT and PEST analysis will be discussed later in Chapter 4. Within the scope of this thesis, the authors employ 7S McKinsey model to analyze the corporates' internal factor instead of SWOT analysis to map a more detailed picture of company status.

Rushton and Croucher (2010, 85) suggested that after conducting a comparison of the internal and external analysis, the corporate would evaluate the potential opportunities to internationalize to the target market. As the result, corporate objectives and strategy will be set according to the internal resources and external requirements. Then, competitive strategy and functional strategic plans will be addressed in order to fulfill the stated objectives.

An overview of corporate strategic planning is illustrated by Christopher and Peck (2003, 62) in following figure:

FIGURE 5. Corporate strategic planning (Christopher and Peck 2003, 64)

2.2 International market entry strategies

2.2.1 Market entry concept

After choosing the suitable market for internationalization, the company must deal with another question: *"How to enter that market?"* (Bradley 2002, 243). This is the question about market entry. The definition of market entry concerns with the level of challenges which the companies will face when entering a new foreign market (Gannon 1995, 149). According to Yip (1982, 85), entry is an essential tool to evaluate the firms' competitive ability. The age of competing in familiar world has gone by far, and in the modern business life today, the firms have to move the competition to new territory. In deciding the entry modes for internationalization, firms must cope with two problems:

- Resources commitment level.
- The controlling level.

The answers for these two problems are barely based on the risk level in the target country that management expects they may encounter (Brouthers 1995, 10). In other words, in high-risk countries, companies seem to be not willing to commit resources. On the other hand, in low-risk countries, the firms tend to be ambitious in controlling over the foreign operation as the domestic one. As the result, risk perception becomes the prerequisite for the selection of entry mode.

In general, modes of entry include exporting, strategic alliances and foreign direct investment.

2.2.2 Foreign market entry modes

As Bradley (2002, 245) mentioned in his book, different foreign market entry modes are affected by numerous factors. Those factors such as the product nature, the know-how of target market or company's resources will determine the level of internationalization that company commits. Indeed, the principal foreign market entry modes used by firms are:

- Export:

  (i) Indirect export – sales to foreigners in the domestic market.

  (ii) Direct export via a foreign agent or distributor.

  (iii) Direct export via a foreign located sales subsidiary.

- Contractual entry modes:

  Licensing, franchising, contract manufacture, technical agreement, co-production agreements

- Investment:

  (i) Joint ventures

  (ii) Foreign direct investment (FDI) and acquisition.

2.2.3 International market entry analysis

Gannon (1993, 47) suggested that four groups of factors are considered to be crucial in determining the entry mode choices include marketing strategic planning, organization, industry and target country (figure 6).

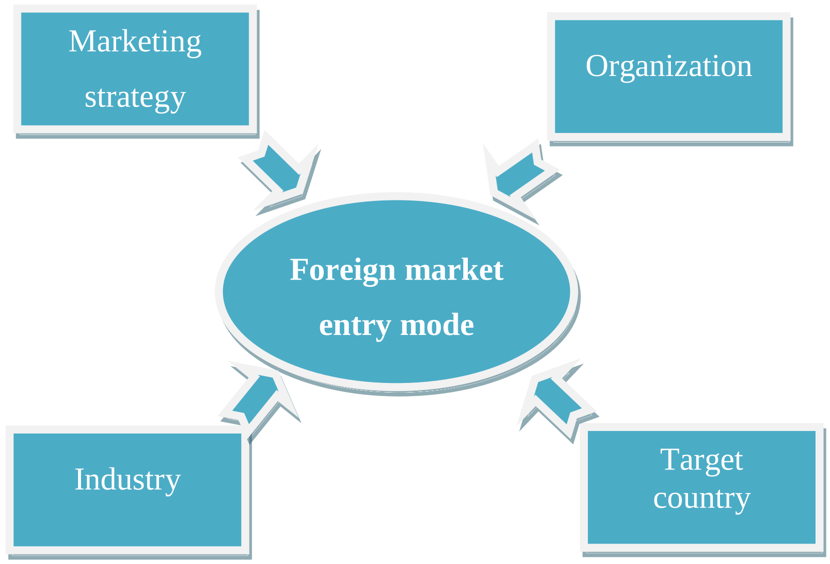


FIGURE 6. Foreign market entry decision framework (Gannon 1993, 48)

a. Generic entry strategies

The company faces two generic market entry strategies in international market: *Concentration strategy, diversification strategy* (figure 7) (Ayal and Zif 1979, 86)

Market concentration strategy is the strategy which the firm puts more effort on few seductive markets. The firm pursuing such a strategy tends to select available international target markets which are easy to enter while shrinking risk and investment. The mode of entry is most frequently used in companion with this strategy is exporting or licensing (Ayal and Zif 1979, 86)

On the other hand, market diversification strategy will bring long-term development opportunity to the firms. The firms following a market diversification strategy are more likely to choose a high-control entry mode (Bradley and Gannon, 2000)

According to Ayal and Zif (1979, 86), a diversification strategy in the long term will have the tendency to reduce the number of markets due to the inefficient markets. However, either market concentration or market diversification has its own strengths and weaknesses which need to be taken into consideration in finding the correlation between the firm's situation and a possible strategy.

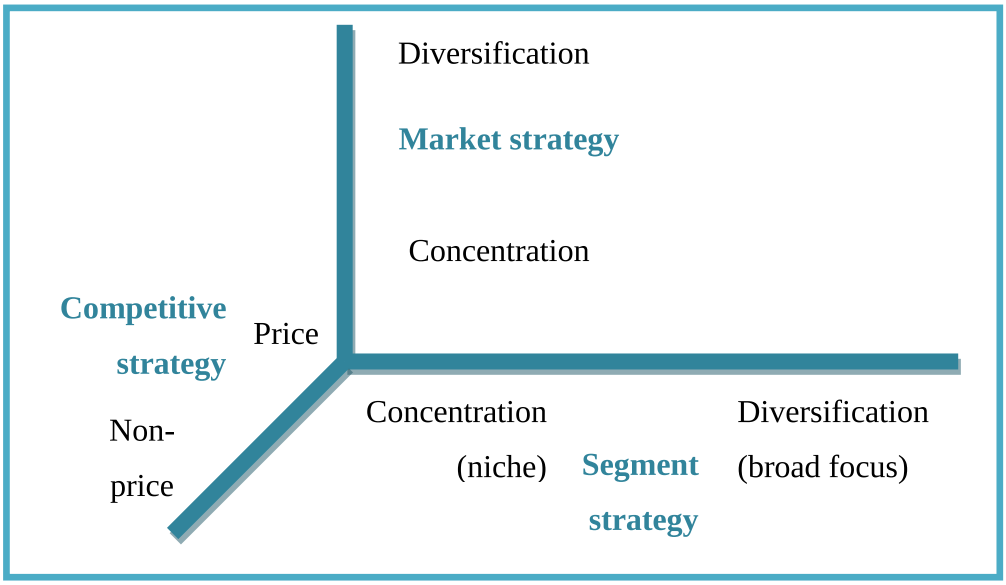


FIGURE 7. Market segment and competitive positioning (Ayal and Zif 1979, 84-94)

b. Linking market strategy, complexity and entry

The complexity of a particular market refers to the difficulties arises when the firm internationalize to that market. Those factors can name as: customer, competition, government, culture, etc. The market complexity decides the level of commitment when the company faces the entry modes selection: from exporting via strategic alliances to foreign direct investment (Bradley 2002, 249)

- Low market complexity: Export
- High market complexity: it is advisable to acquire local firms
- Market concentration strategy: FDI

The relationship between the market complexity scales and different market entry mode choices will be illustrated in the following table:

TABLE 1. Market strategy, complexity and foreign market entry (Bradley 2002, 250)

Market Strategy	Market Skimming	Export	Strategic alliances
	Market penetration	Strategic alliances	FDI
		Low	High
		Market complexity	

2.2.4 Selecting mode of international market entry

a. Foreign market entry decisions

Agarwal and Ramaswani (1992, 14) have provided several entry alternatives for the firm to enter foreign market namely: export, strategic alliances, FDI and acquisition. Those alternatives emphasize the level of commitment to international market by the firm. The mode selected for foreign market entry depends on:

- The clarification of market know-how in foreign market
- The greater explication of market know-how, the more likely companies will use the export entry mode or other non-investment entry modes
- When knowledge is extremely difficult to gain, investment entry modes such as joint ventures or FDI are mostly used.

b. Determining optimum entry strategies

Indeed, there is not any special combination of product-market situation and entry strategy. However, it is necessary to realize the interaction among them in selecting modes of entry (Agarwal and Ramaswani 1992, 16). In addition, Hirsch and Lev (1973, 81-88) also added that, in fact, there is not any ideal model of strategies suitable for all new businesses. In familiar markets, any approaches could be adopted and exporting or acquisition is seemingly most appropriate. However, in unfamiliar markets, such approaches are risky and market knowledge must be obtained more considerable. Instead, the variety investment entry modes should be cultivated. As the consequence, in making the decision for foreign market entry, the firm must consider the risk, the controlling level as well as the resources requirement in order to balance those factors (Figure 8).

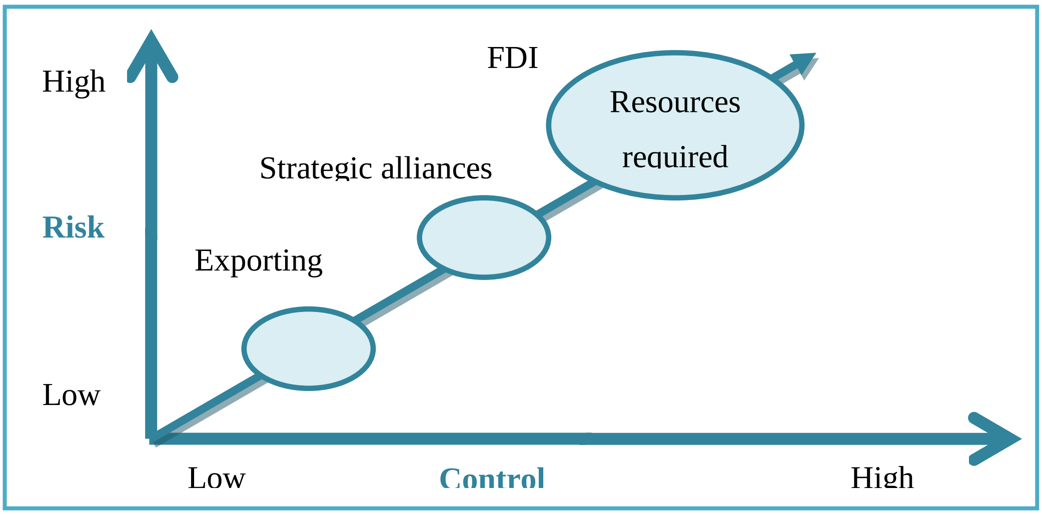


FIGURE 8. Foreign market entry, risk resources and control (Argawal and Ramaswani 1992, 17)

2.3 Distribution channel analysis

2.3.1 Channel alternatives

As Christopher et al. (2006, 277-287) mentioned, in practice, there are several physical distribution channels that can be used to transfer the products from manufacturer to end users. Figure 9 will depict a typical map of the major alternative channels for a consumer product being delivered to retail store physically from a production point of supply. In addition, Rushton et al. (2010, 51) also acknowledge that there are, of course, other channels are used in reality such as:

- Industrial supplier – industrial customers channel
- Direct channels to end user

However, within the limitation of this thesis, the authors will not mention about them.

There are 8 alternative channels are formalized in figure 9 (Rushton et al. 2010, 51):

- Manufacturer direct delivery to retail store. The supplier directly delivers the products from production point of supply to retail store via its own means of transportation. As a common rule, Bicheno (1991, 27) believed this distribution channel is used only when there are full of available transportation loads being used, therefore, it is rarely seen in today’s logistics environment.
- From manufacturer to retail store through manufacturers’ distribution activities. This channel has been one of the most popular channels for many years. In this channel, Gubbin (2003, 146) punctuated the contrary against the previous channel that the supplier keep the products in finished goods warehouse, a central distribution centre (CDC) or regional distribution centers (RDCs). The products are kept in large containers where they are stored and dispatched into separate orders which are transferred to retail store via retail delivery vehicle. All of the logistics resources are controlled by the

manufacturer. Nowadays, this type of channel is still commonly used by the brewing industry.

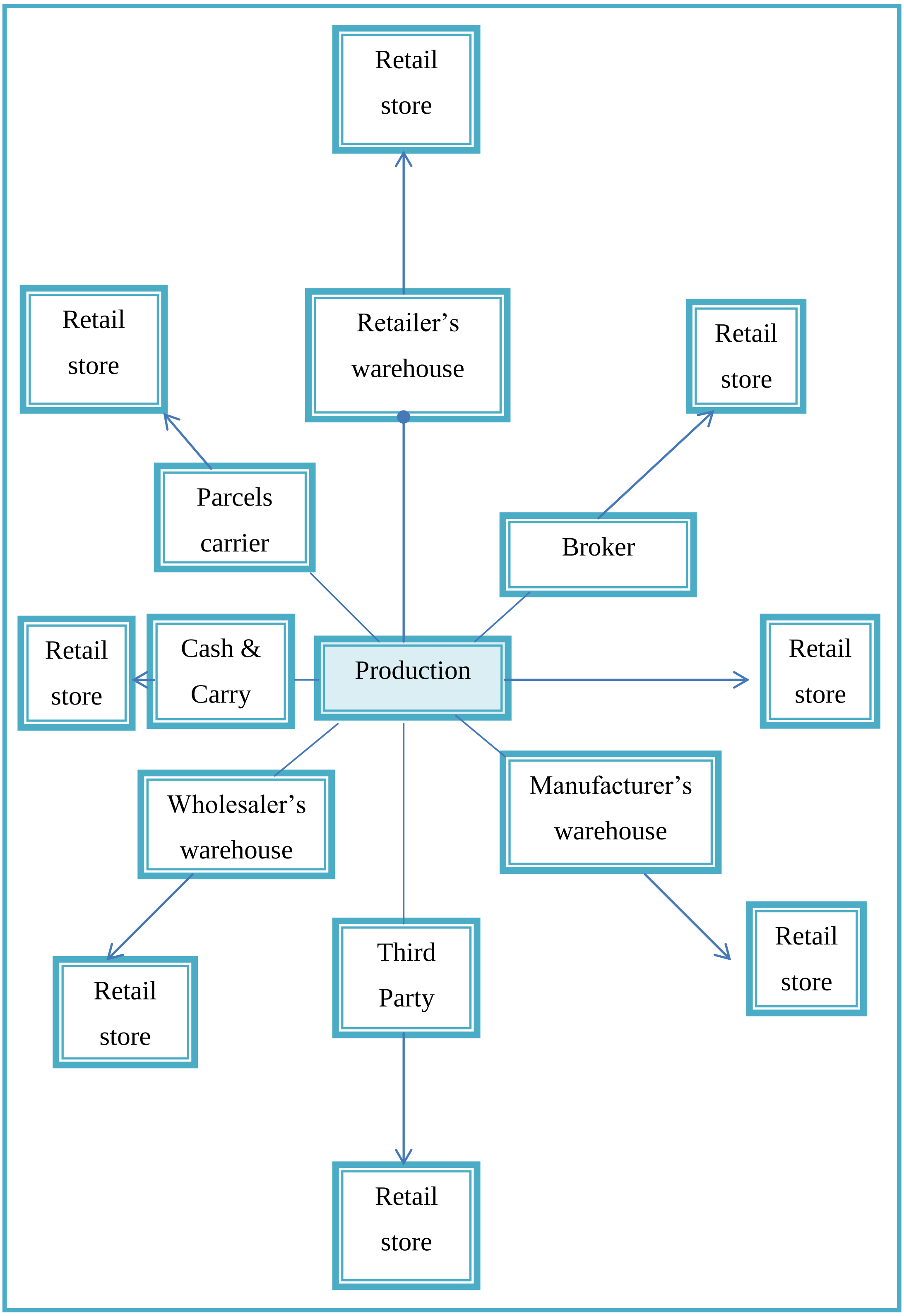


FIGURE 9. Alternative distribution channels (Rushton et al. 2010, 51)

- From manufacturer to retail store via retailer distribution centre. This channel includes manufacturers even they do not supply their products to national distribution centre (NDCs) or RDCs for final delivery to retail store, or transfer them to Consolidation Centers, where goods are consolidated from different manufacturers and then moved to an NDC or RDC for final transportation. According to Gattorna (2006, 92), these centers are owned by the retail organization or their third party contractors. After that, the retailers or their third party deliver full vehicle loads to their stores.

- Manufacturer to wholesaler to retail shop. Manufacturers have been the intermediaries for many years, which connect the manufacturer and retailer in the distribution network. However, the merging of new factors such as wholesale organizations or voluntary chains recently has altered this type of channel. From the theories given by Hesket et al. (1973, 46) and Lowe (2005, 54), those wholesale organizations are developed based on their price competitiveness by buying in bulk from the suppliers. As the result, the physical distribution channel is improved because the wholesalers use their own distribution resources.

- Manufacturer via cash-and-carry wholesaler to retail shop. According to McGinnis and LaLonde (1983, 27), cash-and-carry business is one of the most remarkable developments in the distribution history. They are mostly established around a wholesaler. Instead of delivering the orders, they include a series of small individual shops which collect the orders from regional wholesalers. The existence of this cash-and-carry system assists the corporation in dealing with the problem of small order quantity of small shops instead of direct delivery. In other words, the manufacturers do not have to deliver small order quantity from small shops any more.

- Manufacturer to third-party distribution service to retail store. Recently, the distribution legislation has been changed significantly and more restrictive (Rushton et al. 2010, 52). In addition, the dramatically increase in international distribution cost is also a major factor that cause a difficult time for international distribution network. As the result, third-party distribution has appeared as a very effective and immediate solution for manufacturers as well as retailers (Langley, Capgemini 2006)

- Manufacturer to small parcels carrier to retail shop. This type of distribution channel is quite similar to third party distributors. Those provide the expertized distribution service in which the product is packed in small parcel (Rushton & Walker 2007, 42).

- Manufacturer via broker to retail store. This type of channel is relatively rare in practice nowadays. A broker plays a role as an intermediary between supplier and retailer. However, it is more concerned to marketing area, hence, it usually contracts with third-party channel (Rushton et al. 2010, 52-53)

2.3.2 Channel selection

a. Channel objectives

As Rushton et al. (2010, 55) suggested, different companies have different channel objectives. However, there are several main objectives every corporation should take into consideration when planning the distribution process as followed:

- To make the product always available for the target customers in target markets. In order to achieve this objective, the companies have to ensure that the products are placed at the right outlet through particular physical distribution channel.

- To raise the potential future sales. Deciding the appropriate choice of the channel will bring the products to good positions and displays in the store. There will utilize the ultimate support from the sales person.

- To co-operate with relevant distribution factors. Those factors consist of order quantity, means of transportation, product handling, materials flow, time concept, etc.

- Reach the target level of service. Service satisfaction is one of the scales usually be used to compare suppliers. The higher level of service, the higher influence on customer buying decision. Every corporation should establish a particular level of service and maintain it since the early stage of service planning.

- Minimize logistics and total cost. A certain selected channel will bring along a particular cost which is definitely important as it reflects on the final price to end-users.
- Receive fast and accurate feedback of information flow. Information such as sales forecast, inventory management, damage claims, service level, cost control, etc. is essential inputs for enduring efficient distribution system.

b. Channel characteristics

Together with above channel objectives, there are numerous of channel characteristics that also need to be taken into consideration. Those crucial factors will decide how distribution system should be designed as follows:

- Market characteristics:

Upon to which market the company will enter, there are different types of the distribution channel will be picked up. Lovell et al. (2005, 145) emphasized that large markets with high density of buyers require a series of distribution channels that include a variety of middle men and ware house. In contrast, small market in term of geography in accompany with small buyer population will ask for those channels with less cost and faster time (Parasuraman et al. 1994, 56).

- Product characteristics:

Rushton et al. (2010, 55) stated that high-value items are usually sold through short channel directly because the distribution cost is easily covered with high profit margin. In addition, there is less probability of loss and damage through short time distribution.

Complex products, on the other hand, require direct selling due to the necessary of the expertized sellers to directly explain the product characteristics to customers.

According to Gattorna (1990, 41), new products are often distributed via third party distribution channel because the final demand for new products is always problematically difficult to forecast. In association with it, Stevens (1989, 3-8) insisted that the channels themselves need to be very flexible to respond to any surprising change in demand. The existing operations within the company structure rarely deal with that demand fluctuation effectively.

Time-sensitive products such as cakes, breads or newspapers, certain documents raise a need for fast channel of delivery (Rushton et al. 2010, 56).

Products with a handling constraint such as frozen food, hazardous chemicals, glass, etc. address certain special physical distribution channels (Rushton et al. 2010, 56).

- Competitive characteristics:

As important as market characteristics and product characteristics, the competition among any competitors selling the similar products is always considered significantly. In channel planning, the company will deal with two alternatives whether bring the products to sale in the same shelf with other similar products, or whether to try for different, innovative standing for own products to avoid the competition and risk of substitution (Scott & Westbrook 1991, 8). It is obvious that consumers preferred to have a wide range of choice in hand at the same supply point. Confectionary product is a very clear example in this case.

In case of offering the similar products which are very difficult to differentiate on price and quality, the company should pay addition concerns in level of service providing. Channel of distribution that offers as good as or better than service of competitors will dramatically gain competitive advantages and affect significantly customer behavior (Rushton et al. 2010, 56).

- Company resources:

In determining the channel strategy, the company usually conducts the decision making process base on the company size and financial status. Big companies with excessive financial resources tend to set up their own distribution system where they can control over the distribution process, and easily provide customer what products they demand. However, small and less financial ability companies commonly use intermediaries or third-party distribution channels operate their distribution activities (Zairi 1994, 87)

- Channel structure:

A formalized channel structure would be designed as follow:

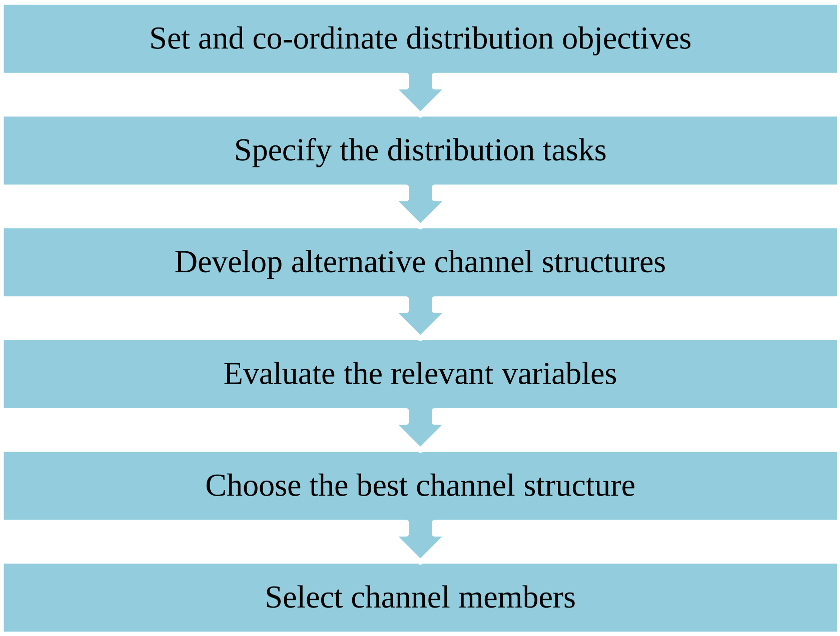


FIGURE 10. Channel structure (Rushton et al. 2010, 58)

3 PICK & MIX CONCEPT AND CANDYKING LTD

3.1 Pick & Mix Concept

The confectionery products are traditionally packaged in manufactured bags with a fixed amount of kilograms or products types. Bulk confectionery or Pick & Mix is a method that allows the customers to put together their different favourite candies in a bag or a cup and the mixture is sold on the basis of its total weight. Actually this idea has not come as a surprise and Pick & Mix candies sale has been available in one form or another for many years, mostly in candy stores and kiosks. Yet not all companies or brands have adapted successfully with this model.

The pros and cons of this concept are discussed as follows:

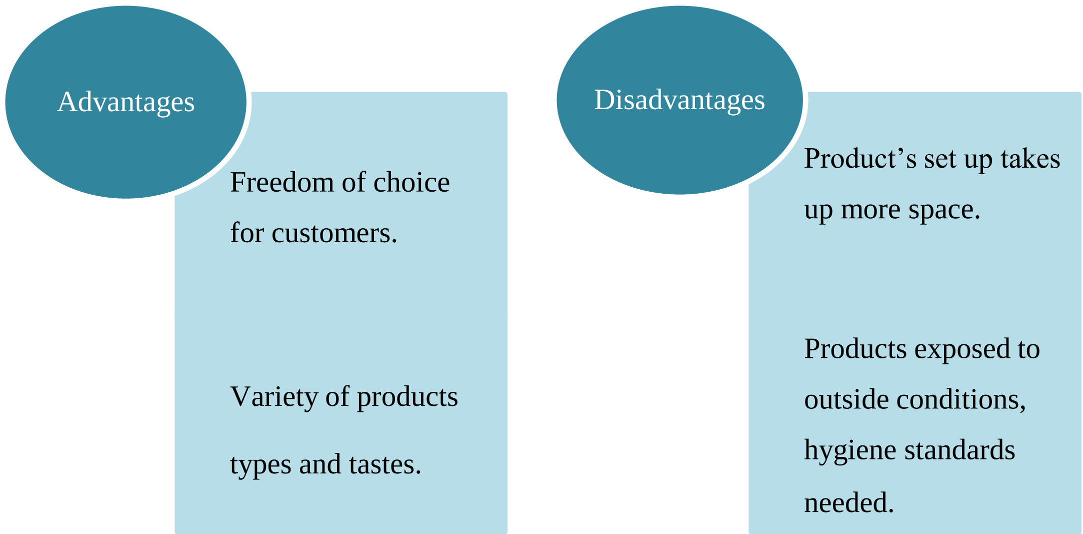


FIGURE 11. Advantages and disadvantages of Pick & Mix concept

One of the most drastic success stories would be that of Candyking Group- a confectionery supplier of Pick & Mix candies operating across Nordic countries. The following part will focus on Candyking Ltd.; the company 7S analysis and its Pick & Mix model.

3.2 Candyking Ltd

3.2.1 Candyking Ltd - Company analysis

The authors have used the McKinsey 7S Framework to analyse the company. Developed by Robert H. Waterman, Jr. and Tom Peters, the framework is a management tool to assess the internal activities of an organization (Dolley 2011). The company will be analysed across 7 different aspects including: strategy, structure, systems, shared values, staff, skills and styles.

Candyking, with its Pick& Mix candies products, is known as a pioneer and market leader in Nordic countries including Norway, Finland, Sweden, Denmark, the UK and Ireland. In the mid-1980s, Candyking set up the Pick & Mix candy concept for the grocery retailing sector. During a period of over 20 years, Candyking has written a breathtaking story of its own, pulling Pick &Mix candy sales from a few percent to over 30% in some markets. Customers are, therefore, provided with a tasteful way to purchase their favourite candies. Candyking is worthily applauded as the best brand of Pick & Mix candy in its established markets.(Candyking 2012.)

a. Strategy

The company draws a dominant vision of being the leading pick & mix candy concept in Northern Europe which is the prime motivation for the company in all of its strategic planning. Staying strongly and firmly in its current markets and further expand to others unexplored ones is the direction the company is taking.

The company is currently branching out to some Central and Eastern Europe countries (CEE) such as Poland, Slovakia, the Czech Republic and Hungary. In order to support business activities such as acquisition, launching and third party cooperation, in 2010, Candyking International (CKI) was founded.

CKI is in full charge of:

- Decision making in new business opportunities
- Acquisition and integration support
- Partners cooperation guidance
- Pick & Mix concept development, 3rd party cooperation

b. Structure

The company has undergone many transformations prior to its current structure and operations. Different sub-companies took birth, constituting a strong infrastructure of the Group currently.

TABLE 2.Candyking's history timeline (modified from Candyking 2012)

1984	• Set up with the name Karamellgrossisten in Sweden
1995	• New name Karamellkungen AB
1997-2007	• Fazer group acquired Candyking/Karamellkungen
2008	• Sold to Accent Equity, an investment fund for small and medium sized companies in the Nordic countries.

In 1997, the Group acquired Karamellkungen and Finnish Candy Land LTD following closely by the acquisition of an English Just Sweets Ltd company. One year later the Norwegian King Candy began its operations. From 1990s onwards the company takes Candy King as its official name in all countries except in Sweden, where the original name Karamellkungen remains unchanged.

Candy King UK gets origin from a small confectionery wholesale business called Candy Land founded in Karkkila in 1990.

Candylandin Fazer was acquired in 1997, and three years later, the company name was changed to King Candy Finland Oy. In 2007, Candy King was one of Finland's market leaders, enjoying a huge market share of over 65 percent, and with over 1 500 service centres in all of Finland's largest grocery chains, and movie theatres.

(Westerberg 2012)

Shortly, the company structure is illustrated in figure 12:

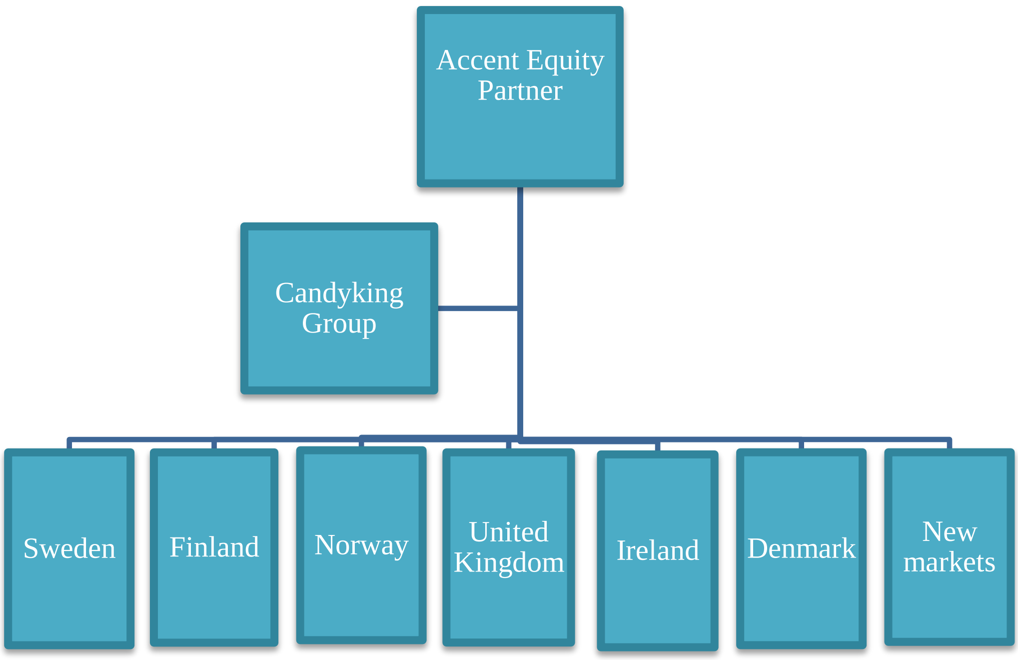


FIGURE 12. Candyking's structure (modified from Candyking 2012)

c. Systems

The parent company of Candyking is located in Sweden, yet in different countries there are executive management teams of their own operating independently. The management team in each nation is of small size but there are still key holders of basic functioning departments ranging from marketing, finance, human resource, legal etc. The necessity is to maintain a common standardized image and value of Candyking wherever it takes place.

d. Shared values

The core value of the company lies in its assurance of products quality, yearly increasing profit and social contribution that helps the company to maintain its position as the best provider of Pick & Mix candies in its operating markets.

e. Staff

In 2012, Mr David von Laskowski was appointed new CEO of the Candyking Group to replace Mr Morthen Johannessen who had held the position for 3 years. Mr David is expected to lead the organization to the next level, setting new ambitious goals for Candyking. (Candyking Press Release 2012)

The company has so far established existence in over 9500 stores and cinemas with the employees reaching over 1000 and sales revenues €225 million. The company promises to provide a friendly and sweet working condition for all staff.

f. Skills

As a multi-national company, Candyking together with its multi-national staff are fully equipped with various working environments and working styles. In each of its market, there is one company or representative being in charge of all the business in that specific area. They are expected to get full knowledge of the place and therefore multi skills are developed.

g. Styles

Candyking is offering a friendly working environment for every of its staff across different environment. The effort is to reduce the working pressure and build a nice place for new ideas to burst.

3.2.2 Candyking's products

Operating in different markets with distinguished tastes, Candyking smartly utilises adaptation strategy for its products types, with slight differences in flavour, colour and images accordingly. Though new products are relentless underway, the main core products, each coupled with their own sub- ranges, remain as follows:

FIGURE 13. Candyking's products (modified from Candyking 2012)

The company is meanwhile providing its products and services in Sweden, Finland, Norway, United Kingdom, Ireland, Demark and other new markets. The authors provide some products in each of the operating market of Candyking in the Appendix 1.

On 9 February 2009 Candyking acquired Parrots, the Swedish producer and retailer of natural snacks, from Olw for an undisclosed consideration (Catella Consumer News 2009), thus leading to a range of Parrots products citing next to original Candyking's in Pick & Mix concept also. The customers are thus given more freedom of choice for their favourite candies and snacks.

4 VIETNAMESE MARKET ANALYSIS

This chapter aims at providing an overview of Vietnam together with its confectionery market. In the first part, the PESTEL analysis including political, economic and socio-cultural factors is given, bringing into light a detailed external macro-environment of the country itself. The second part focuses on Vietnam's confectionery market situation with the help of Porter's Five Forces analysis. Those two parts couple together to draw an adequate picture of company's target market.

4.1 Vietnam PESTEL analysis

The PESTEL analysis is a useful management tool for analyzing market development of a business. PESTEL stands for Political, Economic, Social and Technological factors. As there are many factors that crucially affect business decision, the PESTEL analysis offers a solid framework for various management levels to reduce the risks involved. The examples of the macro changes could be listed as: Tax changes, new laws, trade barriers, demographic changes and government policy changes (Oxford University Press, 2007).

The authors apply the PESTEL analysis in the following part about Vietnam with the absence of the technological factor. As technology is a broad term and does not bear the utmost relation to the future business of the case company, the authors decide to cut it off and focus more on the political, economic and social aspects of the country.

4.1.1 Country overview

Leaving behind the haunting shadows of anti-colonial wars, the Socialist Republic of Vietnam over the past two decades has gradually fortified its economic power on regional and global scale. Strategically located in the trade routes of Asia (Koike 2010), the country has come under the world's spotlight for its powerful economic growth.

4.1.2 Political factors

Vietnam is known as a one-party state controlled by the Communist Party. Hence, there is more likelihood of higher central economy over autonomy for any organization intending to do their business in this country (docstoc 2010). In 1986 the Vietnamese government turned a new leaf to introduce the new reform policy called "Doi Moi" which can be translated as "Renewal". Over the past two decades, the government has put in practice significant incentives to promote FDI flow onto the country and increase foreign invested sectors. This new policy established the key elements of a "market-economy with socialist orientation", leading to the most glorious economic development in Vietnam's modern history with rapid poverty reduction and improved human development (Le 2008).

Vietnam is highly appreciated for its political stability with the underlying vulnerability index of 2.5, the economic distress index of 6.0 and the total stability index of 4.3 during the period 2009/2010. This helps the country to be ranked 27th out of 165 countries surveyed and categorized as a country with moderate risk (The Economist 2010). Details of different countries' index can be found in the Appendix 2 of this thesis.

Vietnam has joined ASEAN and APEC and became a member of WTO since 2007 (World Trade Organization 2012). Those positive movements have proven the relentless efforts the country has put in the swirl of global integration. Vietnam has therefore gained greater voice in global issues and its position in the region and the world has been drastically strengthened.

Vietnam is unfortunately suffering from an unclear legal system that could create much headache for the international investors, the authors are therefore requested to further present about this aspect of import/export procedures.

4.1.3 Economic factors

Vietnam is a developing country that is on the way to be integrated in the global economy. Over 30 years, the country's economy suffered from reckoning disadvantages of the long-lasting continuous wars, the collapse of the old Soviet Union and the smothering environment of highly-central economy (CIA 2012).

Since the opening revolution in 1986, the country has moved towards a socialist-oriented market economy with aggressive policies to attract foreign investments and bring its regional and global position to a new level.

Vietnam has signed some significant trade agreements with different countries to implement economic development. The trade agreement with the EU was signed in 1992, the Common Effective Preferential Tariff (CEPT) in 1995, the Asia-Pacific Economic Co-operation APEC in 1998, the US-Vietnam Bilateral Trade Agreement (BTA) in 2001 etc. (Balmer 2009).

The table below show some basic figures and numbers about the economy of Vietnam in 2011:

TABLE 3. Vietnam's statistics 2011 (CIA 2012)

GDP Official exchange rate	$120.8 billion
GDP Real growth rate	5.9 %
GDP per capita	$ 3,400
GDP by sector	Agriculture 22%, Industry 40.3%, Service 37.7%
Labour force	48.23 million
Exports	$96.91 billion
Imports	$ 97.36 billion
Unemployment rate	3.6%
Investment	34.6 % of GDP
Budget	Revenues: $34.09 billion Expenditure $37.24 billion
Taxes	28.2% of GDP
Public debt	48.8% of GDP

The story of Vietnam’s economy cannot be seen as a success story yet, as there are many pitfalls in the organism that need further planning and guidance. The country is highly appreciated for its huge efforts to reorient its economic wheel. Though the economy is still dominant with stated-owned enterprises, the new policies issued by the government have gradually given more voice for private sectors and organizations. Vietnam is moving towards an economy of liberalization and internationalization (Indexmundi 2012).

Vietnam is highly dependent on outside for high -tech products and production materials. Most of the machinery & spare parts, steel as well as electronics etc. are exported from other nations, making Vietnamese manufacturing sectors more vulnerable to influencing factors from the exporters.

The table below illustrates the most important imports of Vietnam.

TABLE 4. Vietnam's main imports (Canadian Trade Commission 2012)

Imports	2010 $ Billion	2009$ Billion
Machinery & spare parts	13.49	12.37
Steel	6.16	5.28
Petroleum	5.74	6.16
Fabrics	5.38	4.22
Electronics, Computers & Spare parts	5.17	3.93
Plastics in primary form	3.77	2.82

Being an export-oriented economy, Vietnam’s flagship export markets are the USA, ASEAN, the European Union, Japan and China (Business advantage Vietnam 2010). Due to the lack of high technique and proper manufacturing, most of Vietnamese exports are raw materials sold at relatively cheap price compared to other nations. The local government is trying to increase the quality- based and knowledge- based products to get competitive advantages.

The table below shows the main export types of this country in the year 2010 and 2009.

TABLE 5. Vietnam's main exports (Canadian Trade Commission 2012)

Exports	2010 US $ Billion	2009 US$ Billion
Textiles	11.17	9.08
Footwear	5.08	4.02
Sea food	4.95	4.25
Crude oil	4.94	6.21
Electronics & Computers	3.56	2.77
Wooden products	3.41	2.55
Rice	3.21	2.74

Vietnam's international trade is on the upward climb, as the governments are welcoming more international investment onto the country. The economy has shown positive signs after the shadow of the global crisis starting in 2008. This could be clearly seen in the following figure showing Vietnam's international trade statistics in 2012.

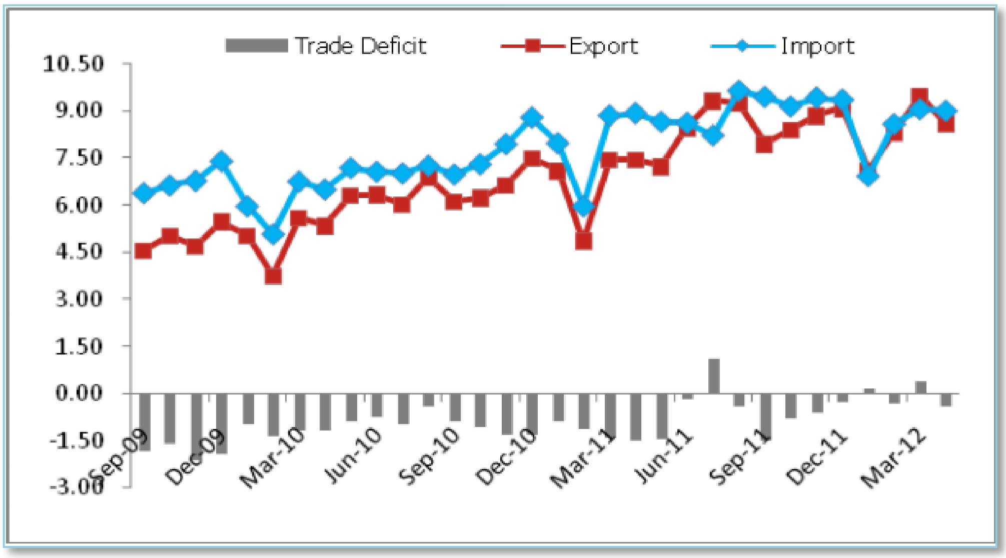


FIGURE 14. Vietnam's international trade 2012 (TLS Vietnam Research 2012)

The country's economic reforms have paid off as Vietnam was ranked among the most attractive emerging markets by ATKearney in 2012, surpassing many other potential countries. The details are presented in Table 6.

TABLE 6. The most attractive emerging markets 2010 (ATKearney 2012)

2012	Country	Market attractiveness	Country risk	Market saturation	GRDI score
1	China	50.06	85.8	32.9	64.0
2	Kuwait	75.4	94.3	56.2	62.6
3	India	35.4	51.3	62.2	61.7
4	Saudi Arabia	65.3	86.5	50.7	58.6
5	Brazil	73.5	74.3	46.6	57.8
6	Chile	71.8	92.3	27.5	57.5
7	UAE	79.1	100	18.8	57.5
8	Uruguay	67.7	74.3	58.6	55.9
9	Peru	43.3	54.6	72.2	54.9
10	Russia	63.5	55.1	32.0	53.1
11	Tunisia	45.3	77.1	61.3	52.5
12	Albania	30.4	30.2	82.2	51.1
13	Egypt	30.9	45.5	85.7	50.9
14	***Vietnam***	***12.3***	***49.4***	***50.2***	***50.2***

In a nutshell, Vietnam has posed many opportunities for international players to exploit as it is one of the fastest growing economies with a profitable retailing market and a friendly attitude towards international trade. Yet there are some other negative influencing factors such as the unclear legal system with complicated red tape. Some unstable economic factor including low interest rates, low disposal income, weak currency exchange rate and high inflation rates are also affecting the decision making to invest into Vietnam.

4.1.4 Socio-cultural factors

Vietnam is a densely populated country with over 90 million inhabitants (CIA 2012), making it the 14th most populous country in the world. There are officially 54 ethnic groups living across the country, 86% out of them are Kinh people (Canadian Trade Commission 2012).

Vietnamese is the official mother tongue language spoken throughout Vietnam, while English is becoming more and more popular among educated people. There are 59 provinces and 5 provincial-level municipalities including Ha Noi, Ho Chi Minh, Hai Phong, Da Nang and Can Tho (Canadian Trade Commission 2012).

Some social factors and figures about the country are summarized in the following table:

TABLE 7. Vietnam's social figures (CIA 2012)

Religions	Buddhist 9.3%, Catholic 6.7%, Hoa Hao1.5%, Cao Dai 1.1%, Protestant 0.5%, Muslim 0.1%, none 80.8%
Age structure	0-14 years: 24.9% 15-64 years: 69.6% 65 years and over: 5.5%
Population growth rate:	1.054%
Obesity - adult rate:	0.5%
Birth rate	16.83 births/1000 population

Vietnam is home to a large and young population with nearly 70% of the country's residents are under the age of 40. The huge expanding workforce is assumed to pull up the domestic consumption over the coming years (Dapice 2003).

4.1.5 Legal environment factors

In Vietnam, food imports are under control and supervision of the Ministry of Science and Technology (MOST) and the Ministry of Health (MOH). The MOST is mainly in charge of goods quality whereas the hygiene and safety of foods is under the jurisdiction of the MOH (Russin & Vecchi 2008.).

All the food imported to Vietnam must reach the Vietnamese standards which are set by the MOH (Decision 649/2000/QD-BTS). Those standards are based on international standards as well as regional standards (Decision 50/2006/QD-TTg).

In order to import foods to Vietnam, the company is required of a Certificate of Standards of Goods (Law on the Quality of Products and Goods 05/2007/QH12). An announcement application accompanied by other needed documents is filed to the MOH for approval and the duration for granting will be 15 days. Every three years, however, the Certificate of Standards of Goods must be renewed. Any change in the food product’s standards must be announced to the MOH (Decision 42/2005/QD-BYT).

According to Decree 157/2011/TT-BTC, import duty of sugar confectionery products without cacao is 20% and VAT is 10%. This leads to a calculation of the import price for the confectionery products to Vietnam as follows:

Assumption: 1kg of candies price 10 Euro/kg

- Import duty: 10*20%= 2 Euro
- VAT: (10 + 2)*10%=1.2 Euro
- Total taxation: 2+1.2 = 3.2 Euro
- Total taxation is equivalent to 32% of importing price

This taxation rate is relatively acceptable and could hardly be seen as a hindrance to the company for its pricing strategy. This example calculation is playing as a rough guidance for the company but other external influencing factors can also affect the price of the products. Thus the authors recommend the company to take further research concerning pricing for the products in Vietnam.

In order to get a closer look into Vietnam, the authors came up with a SWOT analysis about the Vietnamese business environment. This SWOT analysis, coupled with the PESTEL analysis presented above, provides a broad picture at macro-level of Vietnam.

SWOT analysis is an easy, simple strategic tool which stands for strength, weakness, opportunity and threats. Through the process of internally and externally analyzing those factors, Candyking can identify which alternatives offer it the most potential future success. As the result, it can define tactical strategies and plans to achieve those targets. The SWOT tool is used many times again in different parts of this thesis to further clarify different ideas.

TABLE 8. Vietnam's business environment SWOT analysis (Business monitor 2011)

Weaknesses	**Strengths**
• Unskilled workforce • Poor infrastructure • Incomplete market organization • Unclear legal system, complicated red tape • Weak competitiveness • Poor use of capital	• Cheap, huge workforce • Strategic position, an open door to Asian countries • Repetitive growth rate-> stable and fast growing economy • Fast growing exports, booming retailing sector • Political stability
Opportunities	**Threats**
• New policies to increase private sectors and regional and global integration --> new investment opportunities	• Harsh competition • Vulnerable to outside markets • Legal trade disputes when entering international playground • Stay backward due to unskilled workforce and low knowledge based economy

As could be clearly seen from the table, Candyking can take advantages of a fast growing market of Vietnam with its booming retailing sector and a huge target customer. The country moreover is peaceful with a stable political situation and a welcoming hand towards international investors. Fierce competition and the difficulties originated from unclear legal framework could come out as an obstacle for the company. In order to integrate into the world's international trade, Vietnam is required to cut down on trade and investment barriers such as tariffs, investment restrictions, subsidies, non-tariffs barriers including quotas and products restriction (Balmer 2009)

4.2 Vietnamese confectionery market

4.2.1 Market overview

The Vietnamese confectionery market seems lucrative for both domestic and international investors as its potential is so huge yet not fully exploited. There are, however, many spikes and thorns in this 'sweets' war among all the players (Vietnamnet 2012).

According to a detailed data report of datamonitor (2010), the confectionery market in Vietnam has confirmed a firm position with a stable growth rate of around 10-12% per year in contrast with the average of the regional (3%) and the world's (1%) . During the global crisis starting in 2008, the sugar confectionery hardly suffered much and rebounded aggressively at the growth of 13% in 2010. The Compounded Annual Growth Rate (CAGR) of 2008-2012 period of Vietnam is at 114.71% compared to 49.09% of China; 52.35% of Philippines; 64.02% of Indonesia and 37.3% of Thailand (BMI report 2012).

The Vietnamese confectionery is highly fragmented with different players operating and competing in different categories. The local players are establishing a strong and firm position in the market, with their products becoming more qualified and eye-catching. The domestic manufacturers, unfortunately, lack a stable financial power, well- recognized valuable brand and a strategic market share planning (Vietnameconomy 2013). Due to the dependence of the domestic producers on the imported ingredients, the price of domestic products is largely affected by the unstable supply outside. Most of the Vietnamese confectionery products are mainly distributed through fragmented small private grocery retails and lack of a unified network. The international players, however, gain an upper hand in their technological advance and well-known brands, targeting the customers with bigger pockets.

There are many types of confectionery products currently available in the market, from both local manufacturers and international ones. The products are categorised into those following types:

- Hard boiled sweets
- Regular mints
- Power mints
- Caramel & Toffees
- Gum & Jellies
- Medicated confectionery
- Other sugar confectionery

Below are some tables illustrating the sales of different confectionery products during the period of 3 years from 2010 to 2012.

TABLE 9. Sugar confectionery consumption by category 2010-2012 (Business monitor international 2012)

Tonnes	2010	2011	2012
Boiled sweets	10,717.2	10,963.7	11,182.9
Lollipops	684.8	722.4	765.8
Medicated confectionery	40.8	43.9	47.4
Mints	158.4	179.6	204.7
Pastilles, Gums, Jellies and Chews	19,087.4	21,091.6	23,411.7
Toffees, Caramels and Nougat	3,930.6	4,245.1	4,605.9
Sugar Confectionery	34,619.2	37,246.3	40,218.4

According to Table 9, the consumption of pastilles, gums and boiled sweets account for the highest proportion. Liquorice is not available in the market up to date. The mediated segment consumption is still low due to lack of investment and products' diversification. It is though expected to be a fertile ground for further investment. Figure 15 shows the forecast figure of the market up to 2016.

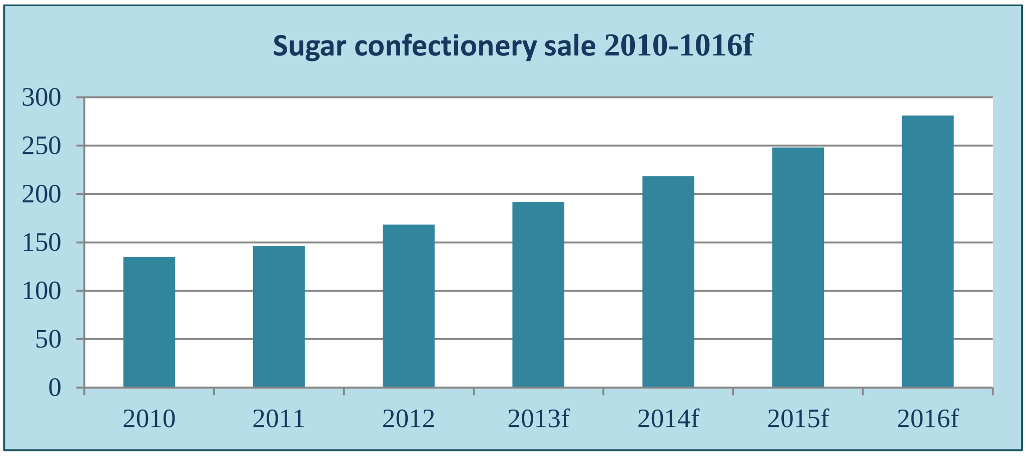


FIGURE 15. Sale of sugar confectionery 2010-2016 (Business monitor 2012)

The sugar confectionery industry is forecast to take off with impressive numbers of 34% in 5 year period. Mints, gums are safely the sub categories seeing the most of growth. Each category's growth rate forecast is shown in Table 10.

TABLE 10. Forecast of value growth percentage by category 2010-2015 (Business monitor 2012)

% Constant value growth estimate	2010-2015 CAGR	2010-1015 Total
Boiled sweets	1.6	7.8
Lollipops	3.8	20.7
Medicated confectionery	4.6	25.2
Mints	9.0	53.8
Pastilles, Gums, Jellies and Chews	8.0	46.9
Toffees, Caramels and Nougat	7.0	40.2
Sugar Confectionery	6.1	34.5

Future development of the Vietnamese confectionery market

- More and more international investors will set their foot onto this fertile market of Vietnam directly competing with the local manufacturers. Many local players are therefore trying to upgrade their products in terms of brands, quality assurance, tastes, flavours and packaging. There are appearing new opportunities for cooperation between the local and international manufacturers to bring more options to the customers. (Vietnameconomy 2013)

- The medicated confectionery products recently experience a huge increase in demand due to the severely polluted environment in many big cities. Although those products have been available in the market for a long time, there is still big room for investment in this niche market as it is still at its development stage.

- The chocolate sub-sector will continue to lead in the game of confectionery sales in the future.

- As obesity and diabetes mellitus are becoming more prevalent among the Vietnamese people (Tuoitrenews 2012), the customers are becoming more aware of healthy food consumption. Sugar-free confectionery products that contain less artificial colourings or additives are among the most favourite in the future.

- New distribution channels take shapes as the retailing market is booming in Vietnam. The customers nowadays prefer supermarkets or hypermarkets for their daily purchase thanks to its diversified products and modern facilities. The confectionery products are becoming more and more available through those new channels instead of being confined in the traditional groceries or small streets shops.

Competition landscape

The market share of the domestic manufacturers stays at around 75-80%, compared to only 20-25% from the international investors (Phu Hung Securities Report 2012).

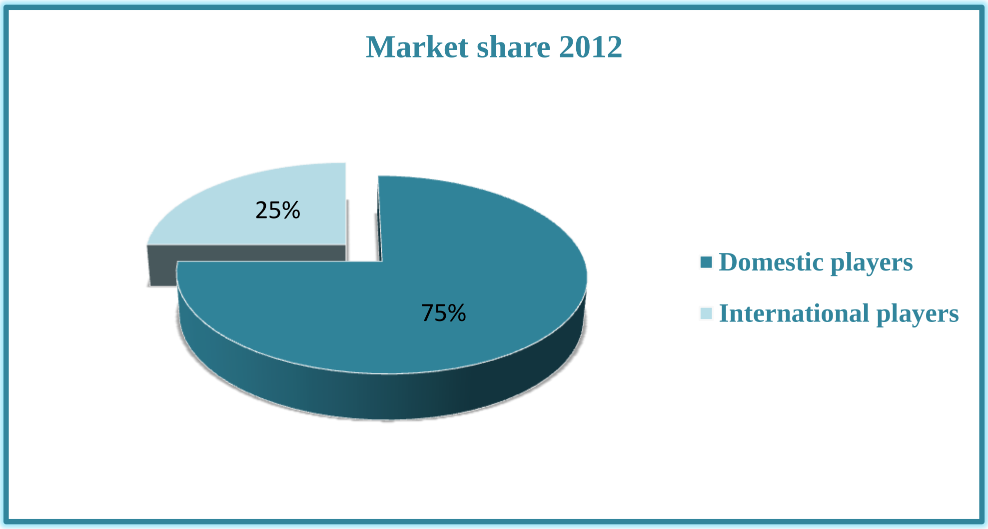


FIGURE 16. Vietnam's confectionery market share 2012 (Phu Hung Securities Report 2012)

The domestic manufacturers traditionally target low-income customers with a fairly limited pocket, thus leaving a huge potential market of high quality premium products to the hands of the international investors.

Regarding the domestic manufacturers, only 3 confectionery companies are listed in Vietnam. In the candies and sweets segment, Bibica (BBC) and Hai Ha Co (HHC) are dominating with 20% and 25% market share respectively. Kinh Do Corp (KDC) is leading in the cake segment with 30-35% market share (Phu Hung Securities Report 2012). In spite of being lagging behind technologically compared to the foreign ones, the local confectionery producers get an upper hand in understanding of tastes, demand and behaviour of the customers.

The game between the international investors is fierce, involving many big bosses in the market. Perfetti Van Melle Vietnam Ltd is maintaining the leading position with their established trusted brands Mentos, Alpenliebe and Golia. As far as the medicated confectionery products are concerned, Unique Pharmaceutical

Laboratories gained the biggest success in 2010 with their brand Zecup- a product with herbal ingredients that help relieve severe cough and sore throat. Other ones like Mars Inc, Lofthouse of Fleetwood Ltd and Lotte have already set their foot in this market with different products and marketing strategies, gaining specific success. Those foreign manufacturers mostly target the premium segment with good looking packaging and special flavours. Their target customers are therefore the customers with a bigger budget which somehow limit their access to other potential market segment. The details of those companies' market shares are illustrated in the following table:

TABLE 11. Domestic and Foreign Producers' market share 2009-2011 (Business monitor 2012)

% retail value company	2009	2010	2011
Perfetti Van Melle VN Ltd	21.9	22.5	22.8
Bibica	14.9	15.2	15.6
Hai Ha JSC	14.4	14.8	15.3
Hai Chau JSC	6.0	6.1	6.5
Mars JSC	3.6	3.6	3.1
Lotte Vn Co Ltd	3.0	2.9	3.1
Kinh Do Corp	2.7	2.6	2.8
Trang An Confectioery Co	2.5	2.3	1.9
Binh Duong Sugar Corp	2.3	2.1	1.9
Storck KG, August	1.2	1.1	1.2
Quang Ngai Sugar Co	1.0	0.9	0.8
Arcor SAIC	0.9	0.6	0.6
Dong Khanh Food Industrial Co Ltd	0.8	0.7	0.6
Liwayway Food Industry Co Ltd	0.6	0.5	0.5

Ha Noi Confectionery Co	0.4	0.3	0.3
Mekophar Chemical Pharmaceutical JSC	0.1	0.1	0.1
Lofthouse of Fleetwood Ltd	0.1	0.1	0.1
Cadbury Plc	-	0.4	-
Cadbury Schweppes Plc	1.6	-	-
Others	22.0	23.3	22.9

It can be clearly seen that the Vietnamese consumers preferably purchase confectionery through physical locations. This is due to a traditional purchasing habit of the local customers for long. The Vietnamese love to personally touch, see and feel the products in the shops. The confectionery products are therefore available in 100% store- based retailing, followed closely by the grocery retailers at 99.3% and the supermarkets/ hypermarkets at 22.5%. It should be noted that in Vietnam, online purchase of confectionery products, vending, home shopping, internet retailing or direct selling have yet to exist. Table 12 illustrates the main distribution formats for the confectionery products in Vietnam.

TABLE 12. Confectionery distribution formats 2010 (Euro monitor 2010)

% retail value	2008	2009	2010
Store-based retailing	100	100	100
Grocery retailers	99.3	99.3	99.3
Supermarkets/hypermarkets	21.0	22.0	22.5
Convenience stores	1.4	2.0	2.3
Confectionery specialists	22.0	23.0	23.5
Other grocery retailers	24.0	22.3	22.0
Non-grocery retailers	0.6	0.7	0.7
Health and beauty retailers	0.6	0.7	0.7

There is a drastic rise in the position of shopping malls, supermarket and hypermarkets in the confectionery distribution format recently. The Vietnamese government has nailed down a plan to boost the retailing sector even more in the coming years. As expected, 1500 new retailing centres will be opened during the next 7 years. The numbers of supermarkets will go up from 650 to 1200-1300 by 2020. Up to 2020 according to the government’s fast-track plan, 157 shopping centres, 180 commercial centres will be in operation with the aim of replacing the traditional “wet markets” and becoming the main retailing channels for the country. It is expected that the sale via such modern channels will rise up to 35% in 2015 and 40% in 2020 (Stockdill 2012).

Pick & Mix prospect in Vietnam

Pick and Mix sale has been available in different countries for long, but in Vietnam, this concept is completely new and available in just a few kinds of sales and service up to date. The trend, however, has been adapted in some different ways by some private shops. The Yogurt Space, for instance, has the Pick& Mix yogurt sale in their range of café shops in Ho Chi Minh City since 2008. The customers are free to choose and mix different yogurt types according to their favourite tastes and the final purchased is calculated in weight terms. This blows a strong and new wind to the saturated small café/ restaurant shops sector, attracting more customers to Yogurt Space shops every day. The Yogurt Space has successfully multiplied their new concept to many branches in Ho Chi Minh.

The Vietnamese confectionery market specifically has not recorded any Pick & Mix sale service in the market, which leads to dominant advantages for the pioneer. The table below shows the SWOT analysis of Pick & Mix concept in the Vietnamese confectionery context.

TABLE 13. SWOT analysis of Candyking products in Vietnam

Weaknesses	Strengths
• High price compared to other competitors • Harsh competition in potential market • New player in new market area • Many substistutes in confectionery market	• Pioneer and market leader in Nordic countries • Stable growth in successive years • Positive review from critics and customers • No other Pick& Mix available in the market • The first to serve Pick & Mix candies • Booming retailing market in Vietnam
Opportunities	**Threats**
• Pioneer and market leader in Vietnamese market • Young, enthusiastic, huge target market • Customers are excited for new ideas • A stepping stone towards other Asian markets	• High inflation, unstable exchange rate • Copycat issues • Difficulties concerning 3rd party cooperation • Lack of proper storage and packaging

This SWOT analysis points out the four aspects: strengths, weaknesses, opportunities and threats of Candyking products when entering Vietnamese markets. Though further research is required, this summery helps provide a broad picture of the whole situation.

Having the cutting edge of a pioneer and market leader in Pick and Mix concept in different Nordic countries, Candyking enjoys a stable growth rate and market shares for many years. The company also receives clapping hands from critics and customers for its image of a responsible, environment and customers-friendly organization. Those positives signs are a promising assurance for continuous success in its future expanded target markets, which in this specific case study, Vietnam.

Those good points cannot be taken for granted, since the drawbacks are inevitable. As all of its production process takes place in Europe where production and labour cost are relatively high compared to the consuming market-Vietnam, a competitive price strategy cannot be Candyking’s advantages. A detailed comparison of hourly compensation costs in manufacturing 2010 can be found at the Appendix 3 at the end of this thesis. According to this analysis, most of the European countries stay among the top range of high compensation costs, which will push up the price of the products produced in those nations. And once those products are exported to a country of lower living costs, pricing is a huge disadvantage for the exporters.

In contrast, Vietnamese labour cost is just $0.49 an hour (Logisticsmgmt 2011), from which local manufactures such as Hai Ha, Vinabico, Kinh Do, etc. could gain upper hands against international manufactures.

Huge contrast in exchange rate (1 Euro is equivalent to 28000VND) (xe.com 3.2.2013) could cause detriments to the exporters. Harsh competition is obvious, since there have been many international players coupled with local brands in this fancy candy game.

There are fortunately many opportunities for Candyking as the Vietnamese authorities are welcoming international investment and business onto Vietnam, trying to ease the tension of red tape and import-export barriers (Canadian Trade Commission 2012). The country has modelled its own economic reforms (Foote 2007), seizing the benefits of globalization. Candyking is expected to maintain the position of a pioneer and market leader as Vietnam is home to a huge and young population, with its people being excited with new things and idea. There is a vigorous emergence of the middle class in this country, which is the target customer of the company. On top of that, efforts are being put by the two governments to further consolidate the bilateral relationship between Vietnam and Finland (Finland 2012).

Those all, hopefully could create a platform for other surrounding markets expansion in Asia once there is positive sign from Vietnam.

High inflation befriended with unstable foreign exchange rate is unfortunately a hindrance to international investments. Candyking is advised to be prepared for those unavoidable pitfalls also. Moreover, as Pick & Mix concept is totally new in Vietnam, there is high likelihood of copycat issues encountering. Although the government of Vietnam is gradually making progress to ease the complicity of legal procedures, confusing and non-transparent import-export paper work might bring out difficulties. To make it worse, lack of an appropriate product management system is also the looming threats foreseen.

Though the threats cannot be underestimated and need to be fully addressed, the authors strongly believe that the opportunities could offset those negative reasons once Candyking addresses correct problems and applies suitable approaches. Reasonable distribution plan which will be illustrated in Chapter 5 could be one possible option for the company to lean onto.

As requested from Candyking, the authors focus more on the competition situation in the Vietnam's confectionery market which will be presented through the Porter's Five Forces analysis and competitors' analysis in the following part.

4.2.2 Competition

a. Porter's Five Forces analysis

According to Porter, there are five distinguished forces that basically form the competition in an industry. They are visualized in Figure 17.

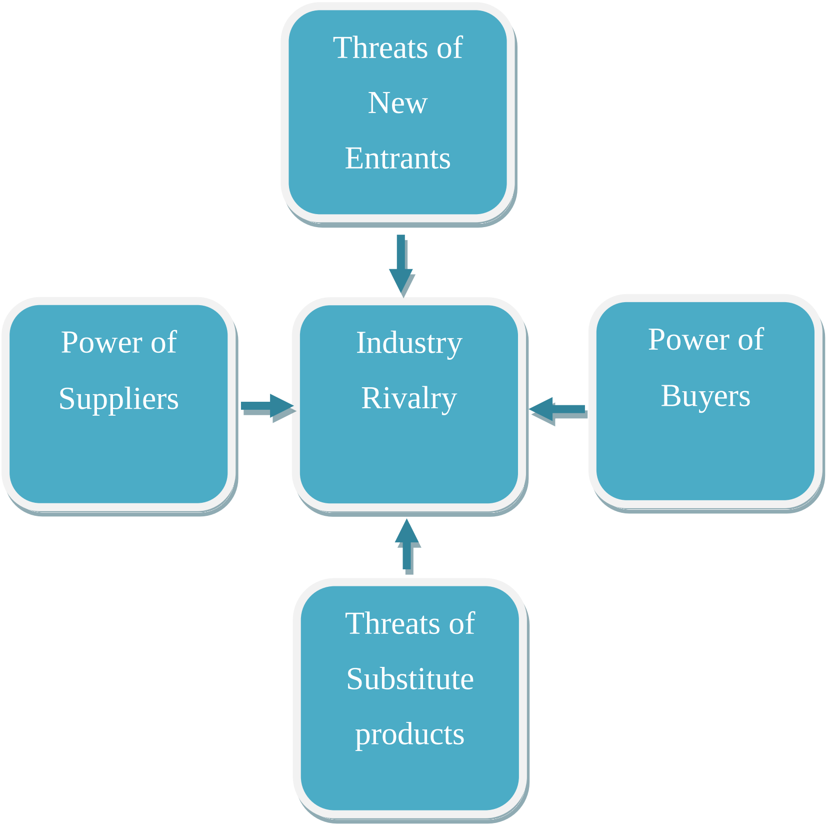


FIGURE 17. Porter's Five Forces (Porter 1979)

This analysis tool was first mentioned in the publication of Michael Porter's book *How competitive forces shape strategy* (Porter 1979) which emphasizes the importance of defining the "competition" concept.

The desired objective of every corporate strategy should be creating the most efficient firm in the most efficient industry. However, as Kay referred in his analysis (1993), it is obviously seen that it hardly is achieved in practice. Hence, by utilizing the Porter's Five Forces Analysis, corporate managers could recognize the necessary implementations to influence a particular industry.

The table below shows the adapted version of Porter's Five Forces within the Vietnamese confectionery market.

TABLE 14. Porter's Five Forces of Vietnamese confectionery market

Threats of New Entrants Medium pressure	• Low barriers • New products with cheaper price • New concept from a brand name Candyking • Customers are eager for new ideas
Bargaining Power of Suppliers Low pressure	• Established production operation and suppliers • No need of local ingredients suppliers • No supplier wants to lose Candyking
Bargaining Power of Buyers Medium pressure	• Main competitors priced almost same as Candyking • Other products' flavour is different and without Pick& Mix concept • Negative effects of sugar confectionery products concern- > sugar free products chosen.
Threat of Substitute Products Medium pressure	• Various confectionery products • No other brand has Pick& Mix concept with the same kinds and flavour
Degree of Competitive Rivalry High pressure	• Many competitors in the market, both local and foreign ones • Differentiate itself from the unique concept and quality

The Vietnamese confectionery market has attracted more and more local and foreign investors thanks to the ease of entry to the market. Their products are various with affordable price and favoured tastes. There are hardly any barriers and the government is welcoming more investment flow from international manufacturers. Pick & Mix, however, is a brand new concept to the confectionery market which is expected to swirl up the situation. This is encouraged by the attitude of local customers towards new things and ideas. The authors then set medium pressure on the threat of new entrants.

As Candyking has established a strong and firm production operation in its existing markets in Europe, there is no risk of supplier uncertainty for the company. Furthermore, no supplier wants to lose such a big customer like Candyking, which makes a low pressure on the bargaining power of suppliers.

The customers thanks to the variety of products in the market can freely choose different products with reasonable price, yet they can hardly find any Pick &Mix candies sale up to now. This brings absolute advantage to Candyking as a supplier. However after the Pick& Mix concept becomes available and familiar with the customers, there is high likelihood that the concept will be copied and prevalent.

There is no doubt that once Candyking enters the Vietnamese market, Pick& Mix will suffer fierce competition from the market. This intense competition level can place high pressure on Candyking. In order to survive the competition, the company is advised to focus on its success key factors such as the unique concept Pick & Mix with its unique products and tastes; the advantages of the pioneer and a well- known brand of Candyking. The company aims at a premium position of a supplier of unique products with guaranteed quality and differentiated sale service.

In short, high competition is the main issue that needs to be taken into consideration once the internationalization decision is made. This issue could be figured out once the company clearly positions itself in the local market as a sole supplier of a brand new concept with qualified unique products.

b. Competitors analysis

In the first part, the authors have applied the Porter's Five Force tool to analyze the competition situation of the confectionery market in general. It is of crucial importance as well to investigate into the direct competitors and indirect competitors of the Pick & Mix candies sale which are illustrated as follows:

TABLE 15. Direct and indirect competitors of Candyking

Direct competitors
• Perfetti Van Melle Vietnam Ltd is the most significant competitor of Candyking. Perfetti Van Melle is an international investor who has gained significant success in the Vietnamese confectionery market with its well-known brands.
Indirect competitors
• Other confectionery producers such as Kinh Do Corp, Bibica, Mars, Lotte, Hai Ha can stay competitive with Candyking and provide various substitute products. Those companies are highly applauded for their efforts to varify and qualify their products and operation throughout Vietnam.

➢ *Perfetti Van Melle*

Pefetti Confectioney Joint Venture Company Limited established in 1995 is the cooperation between the Italian company Perfetti S.p.A (the 3rd leading confectionery manufacturer of the world) and Saigon Food Company. With 100% foreign investment, Pefetti Van Melle specializes in the production and distribution of premium candies and chewing gums for local and foreign market. The company expand to international markets through acquisitions, buying shares in the foreign companies. Pefetti Van Melle's main products include hard boiled candies with many types, shapes and flavours. The company is the most successful foreign investor in the Vietnamese confectionery market with well known brands such as Alpenliebe, Colia, Center Fruit, Golia, Mentos, Happident White, Big Babol & Chupa Chups. (Perfetti Van Melle 2012)

The very first product from Perfetti Van Melle to Vietnam is Big Babol which brings back much positive reputation and profit for the company and makes Perfetti more known to the customers. Perfetti Van Melle was elected as one of Vietname's high quality products in 1998 and received the ISO 2000 certificate in 2008. The company is among the top list of 200 biggest companies in Vietnam (Perfetti Van Melle 2012).

The SWOT analysis of the company is summarized in the following table:

TABLE 16. Perfetti Van Melle SWOT analysis

Weaknesses	Strengths
• Most of the products target children leading to limited target customers • Limited product variation	• An international investor with high tech facilities • Wide geographical presence over 130 countries, excellent deep distribution network and marketing strategy • World leader in confectionery market • Long experience in Vietnamese market • Established different successfull brands value
Opportunities	**Threats**
• More brands to attract more customers of different categories • Current existing brands can help promote their future products	• Concerns towards healthy confectionery products • Local and international competition

The success of Perfetti Van Melle, on the local and international scale is put down to the mixture of key success factors, out of which the most notable are the irreverent marketing strategy, the deep and wide distribution network and the ability to increase its brand value. (4Ps Business and Marketing 2011)

Realising that the global confectionery market shows the sign of saturation, Perfetti has intelligently switched to emerging markets such as India, and Vietnam.

Even though Perfetti's brands available in the Vietnamese market are not various compared to many other manufacturers, the company focuses its investment in distribution and marketing to leverage each of its brand value and customers connection for those brands. Mentos or Alpenliebe and Happident White are the names that stay deeply ingrained in the customers' minds for long. The existing strategic position of Perfetti in the market can help promote its future brands at ease. At the time being, new snack products from Perfetti are underway to be introduced to the customers.

Perfetti's products, however, seem to be lagging in their target customers base when most of their products aim at children (MBA skool 2013).The company seems to be missing a huge segmentation on adults and older people. Healthy confectionery products are not the key strength of Perfetti also.

➢ *Kinh Do Corp*

Established in 1993, Kinh Do is currently one of the most successful domestic confectionery investors, especially the cake segment in Vietnam with the total market share of nearly 27 % in 2011 (Eurononitor 2012). With the ambition of becoming a leader in the Vietnamese foodstuff sector, the company has invested in different kinds of foodstuff fields. Kinh Do's food investment can be divided into 2 main categories:

- Growing categories: moon cake, cracker and waffer, buns, yogurt and ice cream
- Saturating group: cookies, cakes, chocolates, candies and snack

Having the advantage of a local investors with thorough understanding of market and customers behaviour, Kinh Do has successfully invaded the Vietnamese confectionery market with a nationwide distribution network. The company currently has over 500 distributors and 200000 retailing bakery outlets as well as franchised systems (Kinh Do 2013). More than that, Kinh Do's products have reached overseas markets such as USA, Japan, Germany, France, Singapre and gained particular success. Kinh Do has strategically developed into a multi sector group with various investments into retailing, real estate and finance.

TABLE 17. Kinh Do SWOT analysis

Weaknesses	Strengths
• Some products are on the verge of saturating or slow on growth • Fragmented products, not many flag ship brands	• Leader of confectionery market among domestic manufacturers • Strong distribution network with 40 Kinh Do Bakery, 200 distributors, 70,000 retailing purchasing location. • Widely recognized brand with high quality products • The 4th most famous brand name of VN
Opportunities	**Threats**
• Applying high tech production technology can improve the products' quality and status • Growing expansion in forms of acquisition of North Kinh Do and Kido	• Dependence on foreign source of ingredients • Inflation and unstable price in local market.

Although Kinh Do is a big player in the confectionery market, the company's main categories are not exactly the same with Candyking's product ranges. The authors then categorise Kinh Do as an indirect competitor of Candyking with substitute products. The company is working endlessly to improve its manufacturing facilities to catch up with the international standards thus brings a plus to Kinh Do's product quality. Some ranges in Kinh Do's products seem to be lagging in sale growth and stay saturated. This could be blamed on the harsh competition and the slowdown of the economic situation. The year 2013 is showing positive sign and it is expected that the acquisition of Kinh Do with North Kinh Do and Kido in late of 2010 will open up more opportunities for Kinh Do.

➢ *Bibica*

Bibica or Bien Hoa confectionery Joint Stock Company was established in 1999 based on the merging of 3 different factories with three different production lines: candies, biscuits and starch syrup. The company focuses on biscuits, hard and soft candies, layer cakes, Moon cakes, cookies and especially chocolates. Bibica is a strong name concerning candies and sweets segment. Bibica was mostly recognized with the successful brand Chocobella which is also exported to different markets of Japan, Bangladesh, Singapore (Bibica 2013).

Bibica is gaining great applause for its effort to provide healthy confectionery products. Cooperating with the Institute of Nutrition of Vietnam, the company has launched many lines of nutritional products for children, pregnant women, customers on diet and diabetes patients.

➢ *Mars*

Mars Confectionery Vietnam is the leading investor in gum products in 2010. The company is well known for its famous brands such as Doublemint and Cool Air Double Mint. Mars has gradually built up its strong presence in the market and improved its retail sales and distribution network. With the market share of 3.1% in 2011, the company is expected to do a better job in the coming years in response to the increasing demand of chewing gum of the Vietnamese people.

c. Strategy Canvas

In order to visualize how the competitors attract the customers and the criteria for customers' choice of a specific type of product, the strategy canvas is applied. Widely introduced by Kim and Mauborgne in their book *Blue Ocean Strategy* (2005), this strategy helps distinguish each product segment by a combination of factors. The authors analyse 3 product segments: premium foreign products, domestic branded products and average bulk products across different factors to see what are the pros and cons of each segment. The result is below in Figure 18.

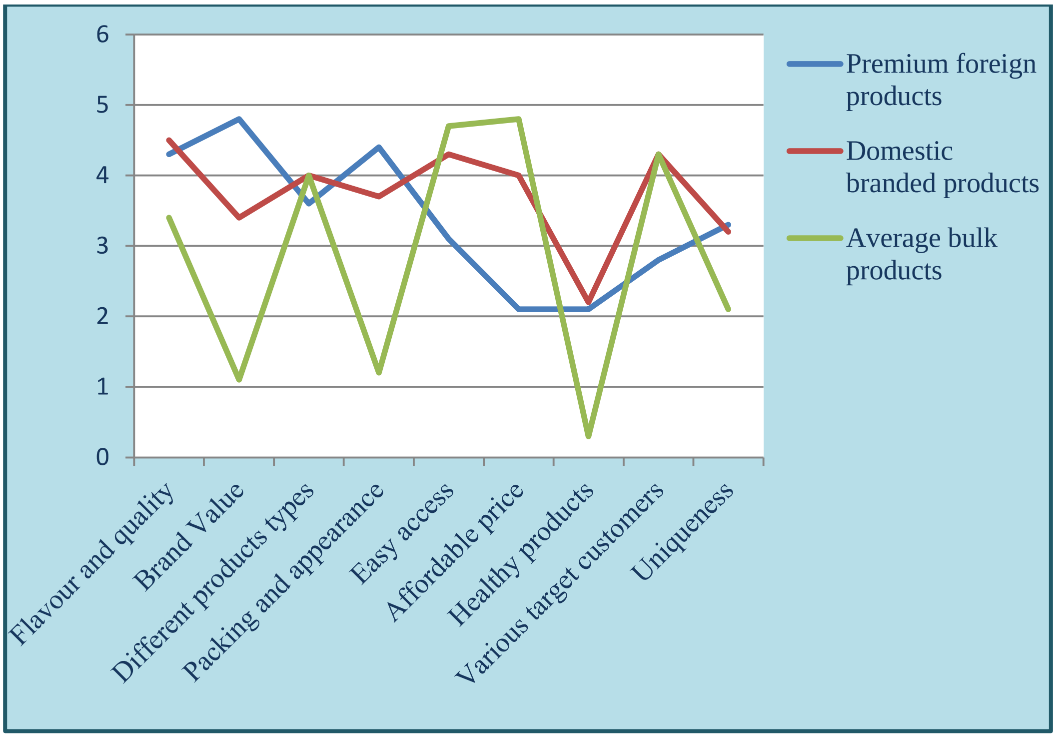


FIGURE 18. Strategy Canvas of Vietnamese market

The foreign producers have the cutting edge in their brand value, product quality, but their product variety needs to be improved. Moreover, they seem to be missing a potential segment of healthy confectionery products. The domestic manufacturers even though cannot catch up with the foreign ones in terms of brand recognition gain an upper hand in price and products availability. Both the domestic and foreign producers have little new or attracting element in their products' uniqueness. The average bulk confectionery segment contain products from unclear origin and prevalent in different grocery shops. They are cheap, various and easy to access. Their quality and brand value are totally neglected.

From all the information provided above coupled with the internal analysis of Candyking Ltd, it is crucial to set up a mission and vision for Candyking in the Vietnamese market for further strategic planning. The mission statement and vision statement is based on Candyking's original idea, its success factors and core competence as well as its desire for the new target market. It is the authors' advice to set up the mission and vision as follows:

- **Vision:** *Become a pioneer in Pick & Mix products in Vietnam.*
- **Mission:** *Provide the highest quality candy based on freedom of choice and gain 3-5% market share with 95% customers' satisfaction in the first year since launch.*

The authors have applied the SMART objectives in order to come up with the mission and vision for Candyking in the Vietnamese market. Meyer (2003, 98) in his book *Attitude is everything* described the characteristics of SMART objectives as: Specific, Measureable, Attainable, Relevant and Time-bound. The detailed analysis of mission and vision is illustrated in the following table:

TABLE 18. Candyking's objectives SMART analysis

Specific	Become a leader in Pick and Mix concept in Vietnam
Measurable	3-5 % market share in the first year 95% customers' satisfaction
Attainable	It is logical for the mission to be fulfilled regarding the success of Candyking in other markets and the potential Vietnamese confectionery market.
Relevant	The vision and mission is following the expansion planning of Candyking.
Time-bound	Within one year since the first launching into the market.

It is logical to put forward a target of 3-5 % of market share in the first year since launch for Candyking in the Vietnamese market as the competition is high and the market is unpredictable at first glance. The target market share can be pushed higher in the coming years when the customers are used to the products and its concept. It is mostly important to maintain customers’ satisfaction and build up good brand value for the company in a new market.

5 ENTRY PLAN

This chapter aims at providing a framework of a distribution plan for Candyking Pick & Mix to enter the market.

5.1 Internationalizaion strategy

Porter's generic strategies

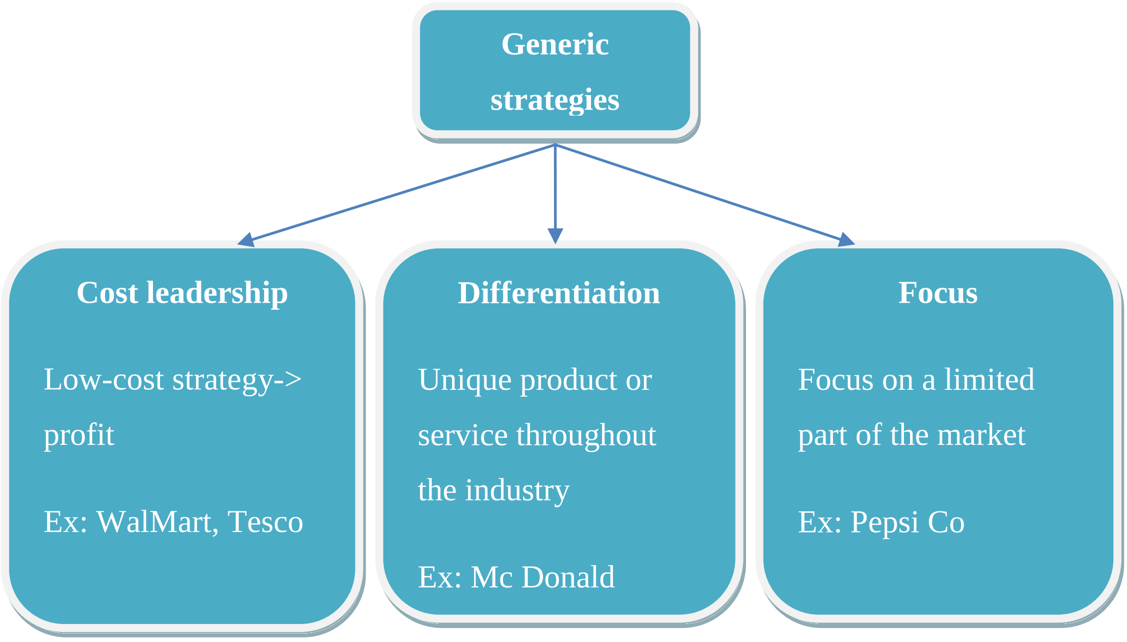
In a book discussing about competitive strategies for business, Michael Porter (1980, 36) mentioned the generic strategy which indicates that a firm's success depends on how it position itself according to the environment. He narrowed down the core success of a company into two categories: cost advantage and differentiation. This is clearly illustrated in Table 19.

TABLE 19. Porter's generic strategies (Porter 1980)

Target scope	**Advantage**	
	Low cost	Product uniqueness
Broad (Industry wide)	Cost leadership strategy	Differentiation strategy
Narrow (Market segment)	Focus strategy based on low cost	**Focus strategy based on differentiation**

When applying those two elements: cost leadership and product uniqueness into a broad and narrow scope, Porter summarizes it into three generic strategies: Cost leadership, differentiation (product uniqueness) and focus. Each strategy points out the strategic core success for the corporate that is presented in Table 20.

TABLE 20. Porter's generic strategies core success



According to Michael Porter, the firms possessing a high market share are profitable thanks to their lower cost and the firms with low market share also are proven profitable in a market niche (Mindtools 2010). The firms in the middle are less profitable due to their lack of approachable generic strategy. When put in a narrow scope or a specific market segment, the companies also try to achieve either cost advantage or differentiation. The focus strategy can utilize the best service to its customers thanks to its entire focus thus gaining more customers' loyalty. A firm applying the Focus strategy with differentiation can apply a higher price strategy thanks to its unique products or service offered.

In the context of Candyking Pick & Mix, the authors advise that Candyking applies the Focus strategy based on differentiation. This is because:

- Candyking is a newcomer in a new market. Cost leadership or differentiation throughout the confectionery industry would be impossible. There are already many big names both locally and internationally operating in the Vietnamese confectionery market as analyzed in chapter 4. Candyking would fight a losing game with those investors if applying cost leadership or differentiation.

- As Pick & Mix is a brand new concept in Vietnam, and its products are confined to the segment of candies and sweets, the differentiation-based Focus strategy can help Candyking win in this particular niche. The Vietnamese confectionery market is highly diversified with various products types. Concerning candies and sweets, there is hardly any type unavailable. Therefore, if not staying differentiated, Candyking will remain overwhelmed in hundreds of similar products types. Pick & Mix concept will become one of the core successes of Candyking in this segment. The price of Pick & Mix can be higher than the normal that of other competitors due to its uniqueness. This pricing strategy can be discussed later in this chapter. By focusing on a small segment like candies and sweets, Pick & Mix will have a chance to serve the best to its target customers, catching the customers' recognition and later gain their loyalty.

In spite of those foreseen advantages of the Focus strategy based on differentiation, Candyking can stumble against some risks related to this strategy such as

- Limited opportunities for growth
- Possible risks of decline/change in the candies and sweets segment
- Imitation

Staying focused on one segment of candies and sweets, Candyking will themselves limit their opportunities for growth in a wholly potential confectionery market. The risks of decline or sudden changes in the segment can stop the wheels from rolling also. The inevitable danger involving imitation can be predicted. It is admitted that Pick & Mix is easily coped in different formats and styles once it enters Vietnam. The advice for Candyking is to stay pioneer and build up a standardized product with assured quality and eye-catching image. In that sense, even when other competitors copy Pick & Mix in their products, they cannot stay parallel to Candyking. Also the approachable distribution strategy and marketing strategy presented later will support the company in apply the Focus strategy in the market.

5.2 Distribution design

In order to import products into the Vietnamese market, the distribution channel can involve different stages. The alternatives can vary from different companies with different strategic distribution management. Basically there are 3 main popular distribution formats as follows:

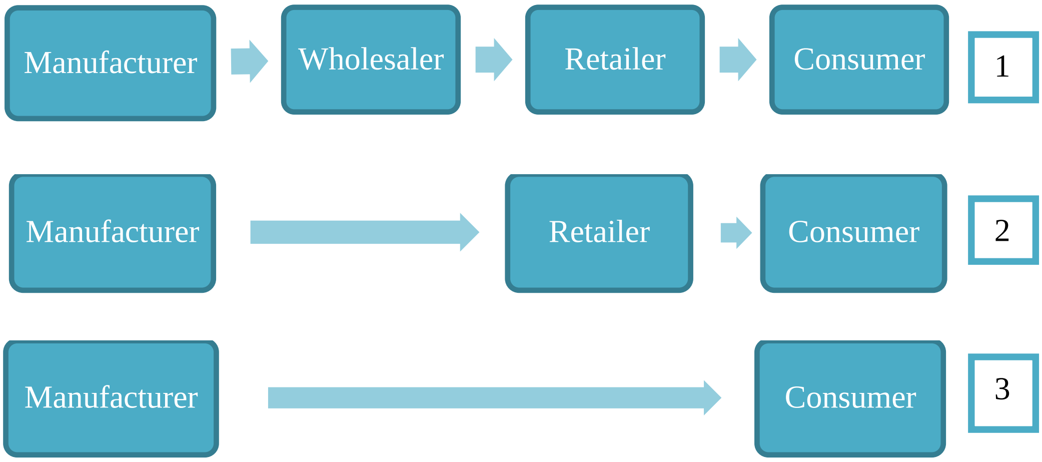


FIGURE 19. Distribution formats (Riley 2012)

Format 1 includes two intermediaries between the producers and end-users: wholesaler and retailer. The wholesaler purchase products in large quantities and store them before breaking them down to bulk proportion to supply to smaller retailers.

Format 2 ignores the role of wholesaler and products are directly transferred from the manufacturer to the retailer before reaching the customers.

Format 3 is also known as direct- marketing channel. The products are made and sold to the customers without the necessity of the intermediates. This usually takes place in a factory outlet store where the customers come and pick up their preferred products.

As for Candyking, the authors have suggested a routine similar to Format 1 for exporting Pick & Mix to Vietnam which is illustrated in Figure 20.

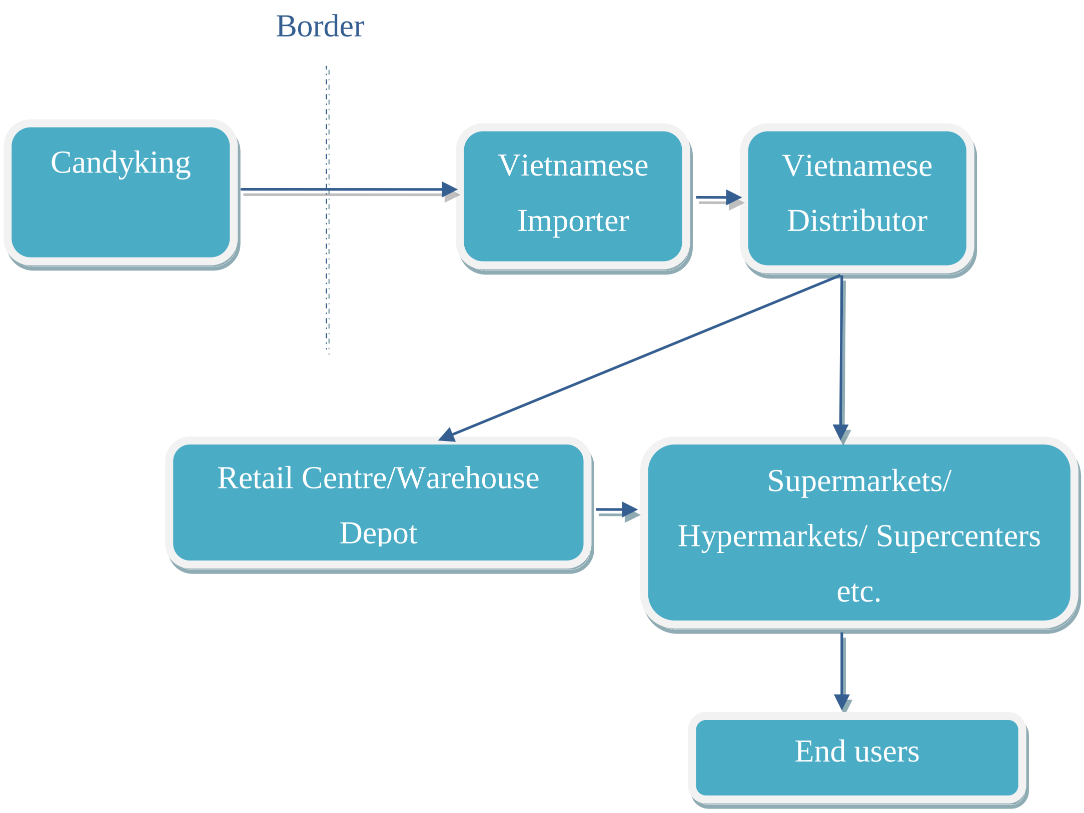


FIGURE 20. Distribution channels chosen

To be more detailed, the products will be exported from Candyking's warehouse to a Vietnamese importer. From that the products will be supplied to a wholesale distributor. Retailers such as supermarket/hypermarkets/shopping centres/ commercial centres will get the supply from the chosen distributor or from a retail centre/depot and sell them to the customers.

5.3 Entry mode selection

Expansion onto a foreign market can be carried out through four main modes: Exporting, Licensing, Joint Venture and Direct Investment. As requested from Candyking, ***direct export*** is the entry mode used in their transaction. Candyking's products from its warehouse will be exported to Vietnam, reaching a Vietnamese importer located in Vietnam. Due to the limitation of this thesis, all the business procedures from the point of Candyking warehouse crossing the border to the destination of the Vietnamese importer will be ignored. The distribution plan presented hereafter is to deal with the distribution planning inside the Vietnamese border.

5.4 Importer selection

In Vietnam, there are many import-export companies, both domestic and international who are working on the import-export activities. In spite of numerous import companies, it is quite challenging to find the suitable partner for coordination. The import company is expected to be aware of the requirements specific to the particular commodities imported.

The importers are divided into different categories due to their expertise in the merchandise of their import-export activities. There are industrial importers, processed food importers, leather importers etc. In order to get the most out of the importer choice, it is fairly safe to find a well-known experienced processed food importer.

In an interview with an import-export consultant Mr Nam Huynh, manager of Huynh Anh consultancy (2012), the authors are provided with suggested options concerning import partners. Those importers are the experienced importers who have long time dealing with processed foods importing. The authors have attached the lists of those companies in the Appendix 4 for further references. It should be noted that those companies are just a few names suggested. Candyking can also do further research or using their own partner in the region to carry out the importing.

5.5 Distributor selection

In Vietnam, the network of distributor companies is huge with many listed companies operating in different areas. Mr Nam Huynh promotes Metro Cash and Carry as the most suitable and qualified distributor for Candyking. The authors therefore suggest **Metro Cash & Carry Vietnam** to Candyking as one of the possible options.

As mentioned in Chapter 2 about Candyking Ltd, the company has an expansion unit called Candyking International (CKI) which is in charge of helping distribution partners with knowledge and guidance. After the bilateral deal, CKI can contribute its expertise in Pick & Mix products in order to facilitate the process of the two parties.

- Metro Cash & Carry Vietnam

Metro Cash & Carry Vietnam (MCC) was the first company to introduce the cash & carry wholesale method in Vietnam with the opening of Metro Binh Phu in 2002. The company then branches out to many other cities throughout Vietnam with the total coming up to 19 branches and many more underway (Metro Cash & Carry Vietnam 2013).

MCC has played a huge role in upgrading the country's production and distribution method and promote modern trade infrastructures in Vietnam. Currently the MCC deals with domestic and international wholesaling activities and become a leader in the distribution area (Baomoi 2010).

As MCC is not allowed to directly import foreign products, it is of crucial importance that Pick & Mix reaches the Vietnamese importers first before being distributed to MCC (Balmer 2009).

There are three main types of distribution: inclusive distribution, exclusive distribution and finally selective distribution (Arysy 2012). With the intensive distribution, the products are sold to as many retailers as possible. Exclusive distribution, on the other hands, focuses on a specific location or network for the products' availability. The distributors choose **selective distribution** when they want their products to be sold in limited places. The authors suggest the company to choose selective distribution for Pick & Mix as it can stay focused on potentially profitable locations and relationship development to ensure the products are properly offered to the customers.

5.6 Retailer selection

The retail market in Vietnam is growing remarkably at 13.6% during the period 2008-2012, staying ahead of many countries in the world (PRLOG 2012). The retail market has expanded and is expected to further shoot up in coming years with the support from the government, the increasing disposable income of the customers and the growing purchasing power. The flowing foreign investment onto the country is high with the opening of many commercial centres and shopping malls (RNCOS 2012). The retail market of Vietnam can be summarised in the following Figure 21.

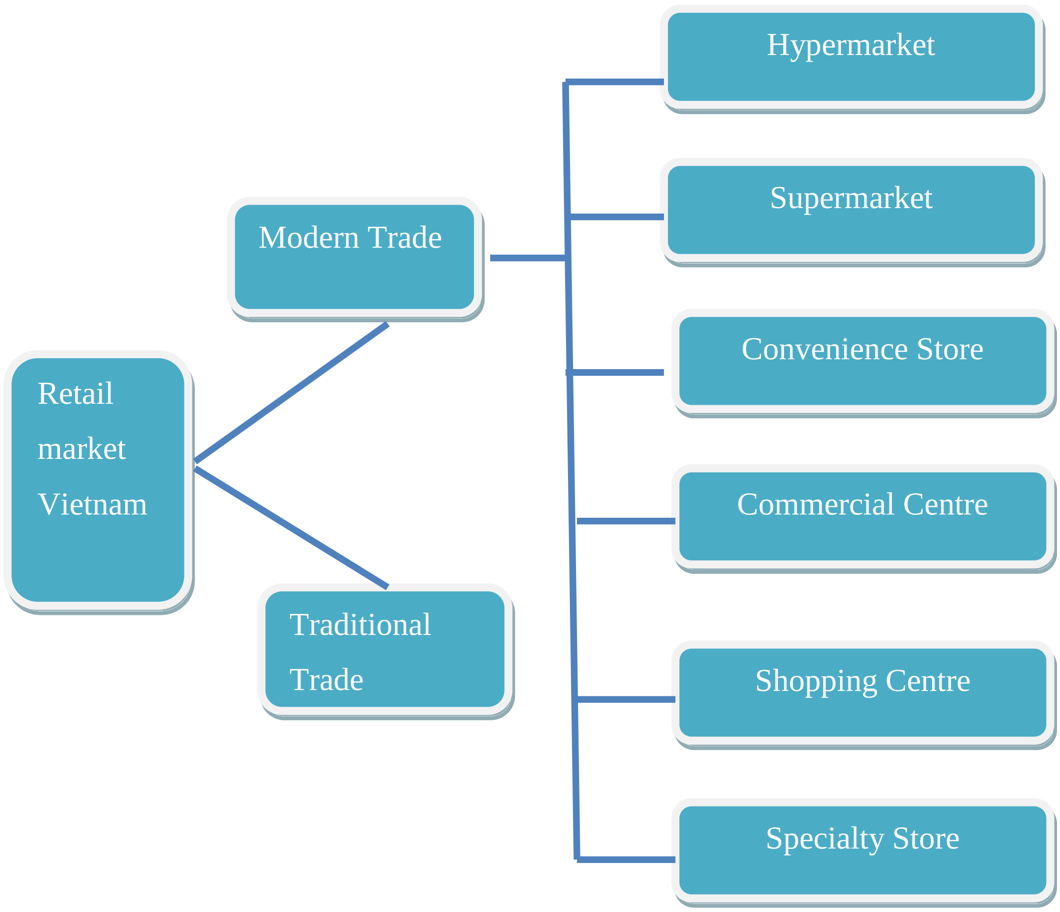


FIGURE 21. Retail market structure (Adapted from RNCOS 2012)

The retail market consists of modern trade and traditional trade. The traditional trade operators are also known as Mom and Pop stores or local streets stores. Those traditional channels are usually in small size but they are quite popular among the Vietnamese consumers thanks to its easy access and flexibility in location. The traditional trade is available in every city or every corner of the living areas. The Mom and Pop stores are making up a majority of Vietnamese retailing market. The government of Vietnam is introducing new policies to reduce those traditional stores and increase the modern channel because of hygiene and products' quality reasons.

The modern trade in Vietnam is more and more prevalent and booming aggressively. Basically there are 6 basic modern distribution types with specific characteristics and dimension: hypermarket, supermarket, convenience store, commercial centre, shopping centre, specialty store.

- *Hypermarket*

Hypermarket is expansive retailing facility providing a large number of types of products. The products available in hypermarkets can be grocery or non-grocery. In Vietnam, Big C is the only hypermarket in operation. Big C Vietnam is managed under the supervision of the multinational Casino Group. There are currently 21 Big C stores located mostly in big cities of Vietnam.

FIGURE 22. Big C logo

- *Supermarket*

There are many supermarkets operating throughout Vietnam such as Fivimart, Co.opmart, Intimex, Lotte Mart, MaxiMart, CitiMart. Supermarkets are smaller in size yet offering similar products to hypermarket. The prices of products in supermarkets are usually higher than the hypermarkets.

FIGURE 23. Some supermarkets' logos

- *Convenience Store*

The Convenience stores are competing with thousands of traditional stores located along the streets in Vietnam. Equipped with modern facilities, those convenience stores are small in size and aim at the customers of a specific area of living area. Some Convenience stores are Co.opFood store, G7 Mart, Shop & Go. Even though the convenience stores are good in quality and modern in facility, they have yet to overcome the traditional channel Mom and Pop streets stores due to its small quantities and fragmented locations.

FIGURE 24. Some convenience stores' logos

- *Commercial Centre*

Commercial centres sell luxurious items such as brand name clothes, shoes and other high tech devices. There are many commercial centres in Ho Chi Minh City and Ha Noi for example Parkson, Diamond Plaza, Vincom, Trang Tien Plaza, Grand Plaza, the Manor. The commercial centres usually target a premium segment for the customers with big pocket.

- *Shopping Centre*

Shopping centre is a new concept in Vietnam including various shopping malls such as hypermarkets, supermarkets, department stores, cinemas.

- *Specialty Store*

Specialty stores are small stores serving a specific range of products or items with high level of service and expertise. Those products usually are health and beauty, perfume, alcohol, cigarettes, pets, medicines, herbals etc. The prices of those products are from medium to high level depending on how unique their characteristics and their availability in the market. The specialty stores serve a specific segment of the market and a specific segment of customers.

After scanning through the retail market of Vietnam, there comes the question of where Candyking's Pick & Mix should be placed to get the most out of the glorious retail market. The authors apply the ***weighted decision matrix*** on those different modern channels to come up with the final suggested choice for Candyking. In each category the authors choose the most possible specific option for easier comparison. As shopping centre is a general concept of various shopping malls, it will be missed in the choices, also is the specialty stores where Pick & Mix is not suitable at first glance. There remain in the list are Big C (hypermarket), Co.opMart (supermarket),G7 Mart (convenience store), Diamond Plaza (commercial centre).

There are 6 chosen variables that found the basement for channel option: customers' base, location, convenience, price, set up cost, brand value. The authors then rank each option for each variables (5 is the highest score narrowing to 1-the least score). The result is shown in the Table 21.

TABLE 21. Retailer decision matrix

	Big C	**Co.opMart**	**G7**	**Diamond Plaza**
Customers' base	5	4	3	3
Location	4	4	3	3
Convenience	3	3	5	3
Price	3	3	3	1
Set up cost	4	4	2	1
Brand value	5	4	3	5
Total point	24	22	19	16

The point granted for each variable of each option is based on the observation of the authors and interviews with the stakeholders of those channels. According to the matrix, the total point of Big C (hypermarket) is highest at 24 points followed closely by Co.opMart (supermarket) at 22 points. G7Mart (convenience store) and Diamond Plaza (commercial centre) stay behind at 19 points and 16 points respectively.

As from the authors' observation, convenience store such as G7Mart is not suitable due to its fragmented network and location not to mention the limited products available in those stores. Those stores act as convenient kiosks and serve a limited living area. The commercial centres such as Diamond Plaza is just suitable for premium products and are not perfect for daily confectionery candies. Moreover, the products' price in those plazas is quite high compared to other places due to their glorious location and display. The authors then suggest the company to take into consideration **Big C as their retail channel**. Co.opMart can also be another possible choice for the company. The following part will present shortly about Big C- the well known hypermarket brand name across Vietnam.

Big C Vietnam is a modern retail business of Casino Group-one of the biggest retailers in the world operating in Thailand, Vietnam, Argentina, Uruguay, Brazil, Columbia, France, Madagascar etc. There are currently 21 Big C stores across Vietnam mostly in the big cities. The company has the vision of nourishing a world of diversity and the mission of becoming the best retailer to satisfy the customers.

The company provides a variety of products, ranging from fresh food, dry food, clothing, electric devices, accessories, food and beverage, entertainment and other services.

According to Nielsen Grocery report 2011, Big C is the brand name with significant customers' awareness, much higher than many others brand names. The authors have compared the awareness of brand among those above-mentioned options in the following chart.

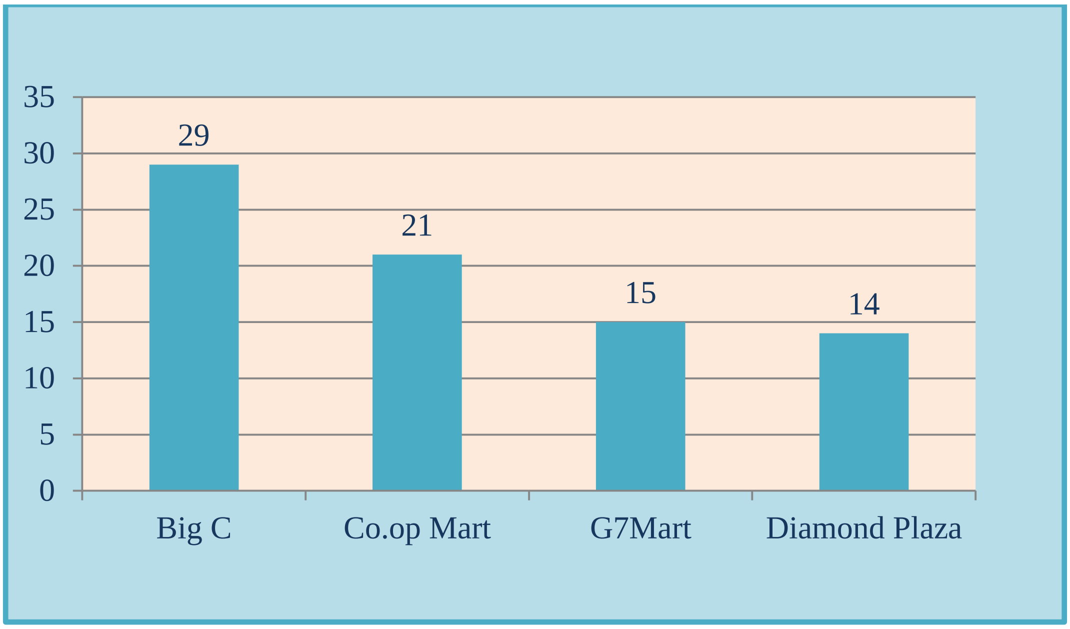


FIGURE 25. Private label awareness (Nielsen Grocery Report 2011)

Big C is a big name in the retailing market of Vietnam. Even though the company is young in the Vietnamese market, it has gained significant success and become among the top list of retail leader. Big C is the most potential co-operator for Candyking's Pick & Mix in the Vietnamese market.

It is also noted that even though Big C (hypermarket) is suggested by the authors, the supermarkets in Vietnam can also be a good retailer channel for the company. Big C is of more advantage due to its variety of physical location and is currently the most favourite choice for the Vietnamese people. The other supermarkets Co.opMart for example, are also offering grocery and non-grocery products for daily consumption, thus can be considered a suitable choice for Candyking. There are many other influencing factors including legal procedures, transaction cost and contracts details needed to be discussed when the two parties reach a final deal. The authors hereafter suggest the retail choices based on external characteristics ignoring the other factors that need to be further researched. This can be seen as a reference for Candyking further also.

5.7 Customer segmentation

Various current economic shocks have affected consumer confidence, making the Vietnamese consumers more sensitive to price. Recently in 2011, the unstable price level of the basic necessities including electricity (up 15%), fuel price (up18%), gas retail (up 4%) has dragged the consumers' confidence index down to 98, much lower than that of 2010 at 103 and the average of ASIA at 106 (Nielsen Report 2011).

The middle class in Vietnam plays a significant role in driving up the domestic consumption and expansion in different sectors such as finance, food and beverage. The consumption from this class is expected to take up 50% of the total consumption according to a business report of Manson group in 2013.

The Vietnamese food industry is under a lot of pressure due to lack of proper food quality management system (Vietnamonline 2011). The customers are becoming pickier in their choices as they concern more about their health and food quality assurance. The products with unclear origins and probably sold at low price are no longer preferred. According to Nielsen Retail Audit 2011, 95% Vietnamese customers preferred products with natural ingredients. Fresh food products are valued at US$ 1.2 billion in 2010 and are expected to come to 7.2% in 2015 (Nzte 2011). There are some success stories of various brands using natural element in their products such as VFresh Fruit Juice "naturally good", TH True Milk "Truly Natural", Nam Ngu Fish Sauce "Clean Fish Sauce", Lifeboy Body Soap "Natural Bitter Melon" and Kotex Panty Liners " Green Tea extract" etc.

The domestic manufacturers come up against big stumbling blocks due to the local customers' favour of foreign products. The Vietnamese consumers have a tendency to by instinct assume that imported products are always better in taste and quality. That explains why the Vietnamese manufacturers are fighting a losing game in the premium confectionery segment (Phapluattp 2012)

Regarding the confectionery consumers, the average confectionery consumption per capita of Vietnam is still low at 1.8kg/year (Nielsen report 2010) compared to the world's average consumption of 2.8 kg/year. The Vietnamese market, however, spares huge room for further development and improvement.

The Vietnamese customers usually purchase sugar confectionery products during their travelling or leisure trips or when people need to have something sweet to chew. Sweets and candies are also considered nice gifts for friends and relatives, thus leading to an increase in demand of this product during the festive seasons. The confectionery consumption increases around 20% from mid August until Lunar New Year in February. During summer and after Lunar New Year, purchases have the tendency of slowing down due to hot and humid weather (New Zealand Trade & Enterprise 2011).

Using the customer audit mentioned in Chapter 2, the authors try to find the answers to six basic questions –who, what, when, where, how and why. Based on this together with other detailed analysis about the confectionery market, the authors come up with the following target customers segment:

TABLE 22. Target customers

Age	**3- 40**
Specific	Children, teenager, middle class consumers
Income	200-400 euro/month
Location	Ho Chi Minh City

The Pick & Mix target customers are children aged 3-10 years of age, teenager up to 17 years old and the urban middle class consumers. Even though Pick & Mix is imported, it aims at a daily consumption of the consumers with average pocket (200-400 euro). Children and teenagers are absolutely a segment that cannot be missed due to the natural basic of Candyking products. The urban middle class in Vietnam is growing fast, with a vast buying power and huge demands of goods (McKinsey Quarterly 2010). With this expansion in target customer base, Candyking can avoid the same limitation of other foreign producers while targeting the only premium sector and neglecting the booming segment of the middle class.

As far as the physical distribution is concerned, the very first launch will start up in Ho Chi Minh City alone before branching out to other cities. Ho Chi Minh City is the commercial center of Vietnam with a boosting purchasing power. This is a safe trial step towards a broader distribution network throughout Vietnam later on.

5.8 Pricing strategy

As discussed in the previous in the internationalization strategy part 5.1.1, Pick & Mix will follow the differentiation-based focus strategy in the Vietnamese market. This will affect hugely on the pricing strategy of Candyking. Being imported from a well-known company with unique features and concept, one option is that Pick & Mix can be priced parallel to other premium products of other competitors. This pricing, however, can be a minus also due to the price-sensitiveness index of the customers. Current instability in all the basic commodities' prices has made the Vietnamese customers hugely vulnerable to prices. Therefore the authors suggest the company to place the Pick & Mix price a little lower than the premium sector but still much higher than the ordinary products.

In order to make a concise price decision, it is logical to take a closer look into the competitors' pricing of their products. The authors have chosen different products names and ranged them from the ordinary to the super- premium segment and compared their prices. Different candy types available in the market including the ordinary candies (the ones in the Mom & Pop stores), Bibica candies, Hai Ha candies and some brands of Perfetti Van Melle are collected and their prices are shown in Table 23

TABLE 23. The competitors' pricing (Hai Ha, Bibica, Perfetti Van Melle 2012)

Brands	Price (euro/kg)
Ordinary candies	2 Euro/kg
Hai Ha candies	2.7 Euro/kg
Bibica candies	3 Euro/kg
Perfetti Van Melle • **Alpenliebe** • **Mentos** • **Center Fruit** • **Golia** • **Happydent**	 • 3.9 Euro/kg • 4.0 Euro/kg • 3.9 Euro/kg • 3.7 Euro/kg • 4.0 Euro/kg

It can be clearly seen that Perfetti Van Melle products' prices are much higher than those of Bibica and HaiHa. The difference in prices of those brands is significant and clearly segmented. Hai Ha's and Bibica's price is approximately 1 euro lower than that of Perfetti Van Melle in each product type. There is not much difference in various brands of Perfetti Van Melle and the price slightly fluctuates at 3.8-4.0 Euro/kg.

The authors then suggest the price for Pick & Mix will be a little lower than Perfetti Van Melle and higher than Bibica and Hai Ha. The following figure shows the suggested position of Candyking in the market.

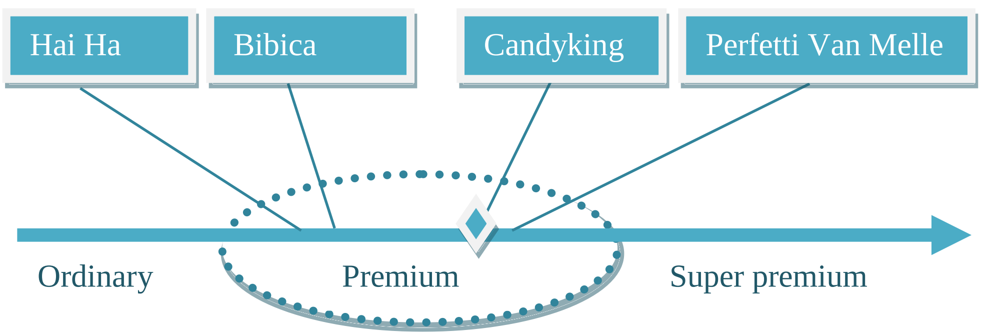


FIGURE 26. Candyking positioning strategy

To make it more detailed, the authors give an example to calculate the rough price of Candyking's products in the Vietnamese market. Assuming that the company exports 1000kg to Vietnam, with the original production cost of:

Quantity: 1000kg, EXW price: 2.5/kg

Product cost: 1000*2.5=2500 Euro
Transportation cost from Helsinki Port, Finland-> Cat Lai Port, HCMC,Vietnam: 330 Euro/1000kg (Quoted from Top Ace Marine, Korea 2012)

Insurance: 0.8%*2500= 20 Euro

Taxed value: 2500+ 330+ 20= 2850 Euro

CIF price = 2850*132%= 3762 Euro

Price/kg ≈ **3.8 Euro/kg**

It is logical to price Pick & Mix at this range from 3.6-3.8Euro/kg according to the positioned market status suggested. This price level is a little bit lower than the direct competitor Perfetti Van Melle, who is leading in the market, in order to catch more attention from the customers.

6 CONCLUSION AND RECOMMENDATION

Turning back to the questions concerning the objectives of this thesis “Is Vietnam a potential market for Candyking’s Pick & Mix products?” the authors come to the final conclusion that the Vietnamese market is highly potential for Candyking to develop its Pick & Mix concept. This conclusion is based on the internal analysis of the company as well its successful concept; the external analysis of the target country with its confectionery market situation. As an answer to the question “ How can the company enter the market successfully?” the authors put forward an objective in this market and suggest an entry plan including a deep analysis of entry mode and different alternatives chosen. Different analysis tools are employed in order to get a correct result for the analysis.

It should be emphasized that the Vietnamese confectionery market is a brand new direction for Candyking who is currently committed in its European markets. The authors realize the potential development of Pick & Mix in the emerging markets and boldly suggest that Vietnam can be a stepping platform for Candyking in its further strategic expansion planning towards other emerging countries in the future.

Table 24 summarizes the core success factors and its target customers in the Vietnamese market.

TABLE 24. Core success factors and target customers

Core success factors	A brand new way of serving confectionery product Unique taste and quality Brand name
Competitive environment	High competition Focus on unique concept and value
Target customers	Children, teenagers, middle class customers aged 3-40, living in Ho Chi Minh City
Pick & Mix concept	Free to choose, free to pick

Even though realizing a harshly competitive environment within the confectionery market, Candyking possesses the core success factor of being unique in serving its products to the customers. The customers are for the first time allowed to collect and pick their favourite candies that suit their flavour.

The entry plan result is shortly summarized in the following table, plus the authors' recommendation for further research of similar topic concerning importing Pick & Mix to Vietnam.

TABLE 25. Chosen channels and recommendation for further research

Internationalization strategy	Differentiation-based focus strategy	
Entry mode	Direct export	
Importer	Different suggested options presented in the Appendix	
Wholesaler	Metro Cash & Carry Vietnam	Further research can result in different other wholesalers for Candyking. MCC is just one possible option suggested
Retailer	Big C Vietnam	Supermarkets are also a good options besides BigC
Market coverage strategy	Selective distribution	Intensive distribution is what Candyking can aim at, making Pick & Mix available in various locations
Pricing	From 3.6-3.8 Euro/kg	Rough calculation from the authors, further detailed price research is recommended

Due to the scope and limitation of this thesis and the request from Candyking, the authors mention mostly about the distribution plan with the ignorance of other elements in the functional strategic planning such as finance, production, marketing. The pricing strategy is mentioned in this thesis as requested from the company. In order to successfully launch a brand new product concept to a brand new target market, it is of crucial importance to focus on all the complicated issues and influencing factors related. The authors therefore recommend the company to further research what is yet to be mentioned in this thesis including financial analysis, marketing analysis etc. This thesis is playing as a first gunshot to the market, and founds the very first foundation for further research. Other researchers are allowed to freely utilize this thesis's result with the aim of developing the idea and bringing it into practical activities.

7 SUMMARY

The thesis is designed to assist Candyking Ltd in its internationalization decision making as to whether Vietnam is a suitable target market for its Pick & Mix products. As requested from the company, the thesis focuses on the analysis of the Vietnamese confectionery market and a sketch out of an entry plan. The thesis is constructed with two main parts: the theoretical framework and empirical section.

The theoretical part is mainly to present the distribution strategy in order to support the empirical part in the thesis. In this section, the authors focus on the strategic planning concept; the international market entry strategy and the distribution channel analysis. Those strategies help shape the thesis orientation and play a huge role in defining the options suggested by the authors in the channel analysis part. Throughout the thesis, different analysis tools are applied including SWOT analysis, PEST analysis, 7S analysis, decision matrix, strategy canvas, Porter’s five forces, Porter’s generic strategies, SMART analysis. Those tools are mentioned briefly with the theory part and then applied directly in the analyzed section accordingly.

The empirical part includes an internal analysis of Pick & Mix concept and Candyking Ltd; the Vietnamese confectionery market coupled with a detailed entry plan to enter the target market. In the Vietnamese market analysis, the authors try to present the most necessary aspects of the market with the emphasis on the competition analysis. The entry plan is detailed with the analysis of each factor involved in the import process: the importer, the wholesaler, the retailer and finally the customer. In the final part, the authors mention the pricing strategy in order to complete the request from the case company. In each part, the authors come up with a specific answer to the questions as to what to choose, who to target, who to cooperate with and at what price the products should be sold. There is further information attached in the Appendix in order to facilitate the strategies for the company.

Last but not least, the authors highly recommend Candyking to give a kick off to the hugely potential confectionery market of Vietnam.

REFERENCES

Published References

Agarwal, S. & Ramaswani, S.N. (1992). *Choice of foreign market entry mode: impact of ownership, location and internationalization factors*. Journal of International Business Studies, 23, 1-27.

Alan Rushton, Phil Croucher & Peter Baker (2010). *The handbook of logistics and distribution management* (4th edition) s.l. Kogan Page Limited Publisher.

Ayal, I. & Zif, J. (1979). *Market expansion strategies in multinational marketing.* Journal of Marketing, 43, 84-94.

Bicheno, R. (1991). *Implementing Just-in-time.* IFS, Kempston, Bedford.

Bradley, Frank. (2002**).** *International marketing strategy* (4th edition). s.l. Financial Times Practice Hall

Brouthers, K.D. (1995). *The influence of international risk on entry mode strategy in the computer software industry*. Management International Review, 35 (1), 7-28.

Christopher, M & Peck, H. (2003). *Marketing Logistics* (2nd edition). s.l. Butterworth Heinemann, Oxford, 2003.

Christopher, M, Peck, H and Towill, D. (2006). *A taxonomy for selecting global supply chain strategies.* International Journal of Logistics Management, 17 (2), 277-287.

Gannon, M. (1993). *Towards a composite theory of foreign market entry mode choice: the role of marketing strategy variables.* Journal of Strategic Marketing, 41-54.

Gannon, Michael (1995). *Towards a composite theory of foreign market entry mode choice*, PhD dissertation, Graduate School of Business, University College Dublin, Dublin.

Gattorna, J. (2006). *Living Supply Chains.* Pearson, Harlow.

Gattorna, J L. (1990). *Handbook of Logistics and Distribution Management* (4th edition). Gower, Aldershot.

Ghauri, P., Gr nhaug, K. and Kristianslund, I. (1995). *Research Methods in Business Studies: A Practical Guide*. Prentice Hall, Hemel Hempstead.

Gubbin, E J. (2003). *Managing Transport Operations* (3rd edition). Kogan Page, London.

Hesket, J. L., Glaskowsky, N. and Ive, R. M. (1973). *Business Logistics.* Ronald, New York.

Hirsch, S. & Lev, B. (1973). *Foreign marketing stategies: a note.* Management International Review, 6 (73), 81-88.

Humphrey, Albert. (2005**)**. *SWOT analysis for management consulting*.

Kay, J. (1993). *Foundations of Corporate Success.* Oxford: Oxford University Press.

Kim, W. & Mauborgne, R. (2005). *Blue Ocean Strategy: How to create uncontested market space and make competition irrelevant.* Havard Business Review Press. 1st edition.

Langley, J C and Capgemini. (2005). *Third-Party Logistics, Results and Findings of the 10th Annual Study.* John C Langley Jr, PhD and Capgemini US LLC.

Lowe, D. (2005). *The Transport Manager's and Operator's Handbook.* Kogan Page, London.

Lovell, A, Saw, R and Stimson, J. (2005). *Product value-density: managing diversity through supply chain segmentation.* International Journal of Logistics Management, 16 (1), 142-158.

McGinnis, M A & LaLonde, B J. (1983). *The physical distribution manager and strategic planning, Managerial Planning.* 31 (5), March/April.

Meyer, Paul.J. (2003). *Attitude is everything: If you want to success above and Beyond*. Meyer Resource Group, Incorporated

Parasuraman, A, Zeithaml, V A and Berry, L L. (1994). *Moving Forward in Service Quality,* Marketing Science Institute, Cambridge, MA.

Porter, M.E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*.

Porter, M.E. (1979). *How competitive forces shape strategy.*Havard Business Review (March-April)

Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors.* New York: Free Press.

Rushton, A. & Walker, S. (2007). *International Logistics and Supply Chain Outsourcing*. Kogan Page, London.

Scott, C & Westbrook, R. (1991) *New strategic tools for supply chain management*. IJPDLM, 21 (1).

Stevens, G C. (1989). *Integrating the supply chain.* IJPDMM, 19 (8), 3-8.

Webb, Eugene J., Donald T. Campbell, Richard D. Schwartz and Lee Sechrest (1966). *Unobtrusive Measures: Nonreactive Research in the Social Science.* Chicago: Rand McNally.

Yip, G.S. (1982). *Gateways to entry*. Harvard Business Review, 60 (September-October), 85-92.

Zairi, M. (1994). *Competitive Benchmarking*, Stanley Thornes, Cheltenham.

Electronic References

*ATKearney***.** (2010, June 16). Retrieved December 6, 2012, from ATKearney: http://www.atkearney.com/documents/10192/c00fc581-e576-4186-a18f-4eaa6defa84b

Arysy. (2012, November 30). Retrieved December 6, 2012, from Arysy: http://www.arysy.com/typesdistrib.html

Balmer, Bryan. (2009.,March 15). *DPI.* Retrieved December 6, 2012, from DPI: http://www.dpi.vic.gov.au/__data/assets/pdf_file/0004/32629/Analysis-of-the-Food-Sector-in-Vietnam-Opportunities-for-Victorian-Exporters.pdf

Bao Moi. (2010, September 09). Retrieved December 6, 2012, from Baomoi: http://en.baomoi.com/Info/Metro-expands-its-B2B-wholesale-chain/3/98905.epi

Bibica. (2012, October 12). Retrieved December 20, 2012, from Bibica: http://www.bibica.com.vn/

Burney, Aquil**. (**2008, March 06). *DrBurney*. Retrieved November 1, 2012, from DrBurney.net: http://www.drburney.net/INDUCTIVE%20&%20DEDUCTIVE%20RESEARCH%20APPROACH%2006032008.pdf

Business Advantage Vietnam. (2010, September 4). Retrieved October 27, 2012, from Business Advantage Vietnam: http://businessadvantagevietnam.wordpress.com/contents/6-business-advantage-vietnam-trade/

Canadian Trade Commission. (2012 December). Retrieved January 6, 2013, from The Canadian Trade Commission Services: http://www.tradecommissioner.gc.ca/eng/document.jsp?did=91398&cid=539&oid=595

Candyking. (2004, February 14). Retrived November 1, 2012, from Candyking: http://candyking.com/Default.aspx?id=4&epslanguage=SV

Candyking Press Release. (2012, November 28). Retrieved December 13, 2012, from Accentequity: http://www.accentequity.se/uploads/file/Press%20release%20New%20CEO%20for%20Candyking%20eng%2020121128.pdf

Catella Consumer News. (2009, September 05). Retrieved November 22, 2012, from Catella Group: http://www.catellagroup.com/en/press-releases-external.aspx

CIA. (2012, November 24). Retrieved December 3, 2012, from CIA The World Factbook: https://www.cia.gov/library/publications/the-world-factbook/

Dapice, David O. (2003). *Havard Education.* Retrieved December 6, 2012, from Havard.edu: http://www.hks.harvard.edu/m-rcbg/research/d.dapice_cbg_Weird%20Dualism_full%20paper_PDF.pdf

*Docstoc***.** (2010, March 8). Retrieved December 6, 2012, from Docstoc: http://www.docstoc.com/docs/78212518/A-PEST-and-Porter-analysis

Dolley, Shelley. (2011, March 8). *Tompeters.* Retrieved January 3, 2013 from Tompeters blog: http://www.tompeters.com/dispatches/012016.php

Finland. (2012, July 17)**.** Retrieved December 3, 2012, from Embassy of Finland, Ha Noi: http://www.finland.org.vn/public/default.aspx?culture=en-US&contentlan=2

Foote, Angus**.(** 2012 March 01). *Citywire.* Retrieved December 21, 2012, from Citywire: http://citywire.co.uk/global/caam-focuses-on-vietnam-with-new-asean-fund/a284036

Indexmundi. (2012, November 24). Retrived December 3, 2012, from Indexmundi: http://www.indexmundi.com/vietnam/economy_profile.html

*Kinh Do***.** (2012, March 26). Retrieved November 20, 2012, from Kinhdo http://www.kinhdo.vn/

Koike, Yuriko**.** (2010, October 23). *Gulfnews.* Retrieved December 29, 2012, from Gulfnews: http://gulfnews.com/opinions/columnists/vietnam-s-strategic-position-has-strengthened-dramatically-1.718926

Le, Doanh. (2008, December 23). *Market Economy with Socialist Orientation in Vietnam and the Concept of the Social and Ecological Market Economy*. Retrieved December 28, 2012, from GTZ.de: http://www2.gtz.de/wbf/4tDx9kw63gma/3_08_Le%20Dang.pdf

Logisticsmgmt. (2011, April 4). Retrieved December 6, 2012, from Logisticsmgmt: http://www.logisticsmgmt.com/view/global_links_vietnam_may_be_a_viable_sourcing_option/management

MBASkool. (2013, January 6). Retrieved January 20, 2013, from MBASkool: http://www.mbaskool.com/brandguide/food-and-beverages/2804-perfetti-van-melle.html

McKinsey Quarterly. (2010, August). Retrieved December 6, 2012, from McKinsey Quarterly: http://www.mckinseyquarterly.com/Growing_up_fast_Vietnam_discovers_the_consumer_society_2655

McLeod, Saul. (2008, May 14). Retrieved December 20, 2012, from *Simplypsychology*: http://www.simplypsychology.org/qualitative-quantitative.html#sthash.L1QHTit2.dpbs

Metro Cash & Carry Vietnam. (2012 March 01). Retrieved January 6, 2012, from Metro Cash & Carry Vietnam: http://www.metro.com.vn/servlet/PB/menu/1098135_l2/index.html

Mindtools. (2012, March 14). Retrieved December 28, 2012, from Mindtools: http://www.mindtools.com/pages/article/newSTR_82.htm.

Nzte. (2011, July 14). Retrieved December 8, 2012, from Enterprise, New Zealand Trade: http://www.nzte.govt.nz/explore-export-markets/market-research-by-industry/Food-and-beverage/Documents/Vietnam%20Food%20%20Beverage%20July%202011.pdf

Oxford University Press. (2007). Retrieved October 22, 2012, from Oxford University Press:

http://www.oup.com/orc/resources/bin/9780199296378/01student/additional/page_12.htm

Perfetti Van Melle. (2013, January 6). Retrieved January 15, 2013, from Perfettivanmelle: http://perfettivanmelle.vn/

Phapluattp. (2012, December 8). Retrieved December 23, 2012, from Phapluat Thanh Pho Ho Chi Minh: http://phapluattp.vn/2012120711482517p1014c1068/banh-keo-ngoai-lan-noi.htm

PRLOG. (2012, June 16). Retrieved October 24, 2012, from Prlog Press Release Distribution: http://www.prlog.org/10080481-vietnam-retail-industry-to-grow-13-6-in-next-five-years.html

Phu Hung Securities Report.(2012, December 30). Retrieved January 6, 2012, from Phu Hung Group: http://www.stoxplus.com/download.asp?id=2894

Riley, Jim. (2012, October 24). *Distribution channels.* Retrieved December 27, 2012, from Tutor2u: http://www.tutor2u.net/business/gcse/marketing_distribution_channels.html

RNCOS.(2012, September). Retrived January 18, 2013 from *Investment: Wordpress:* http://vninvestment.files.wordpress.com/2012/03/retailmay08.pdf

Russin & Vecchi. (2008). *Docstoc.* Retrieved November 7, 2012, from Docstoc http://www.docstoc.com/docs/6518707/Food-Law-on-Vietnam--2008-(Russin-and-Vecchi)

Stockdill, Robert. (2012, June 11). *Inside Retail. Aisa.* Retrieved November 30, 2012, from Inside Retailer. Asia: http://www.insideretail.asia/InsideRetailAsia/InsideRetailAsianews/Vietnam-set-for-retail-boom-6606.aspx

The Economist. (2010, December 30)**.** Retrieved November 23, 2012, from Economist Intelligence Unit http://viewswire.eiu.com/site_info.asp?info_name=social_unrest_table&page=noads

TLS Vietnam Research. (2012, May 14). Retrieved December 27, 2012, from Vietnam-report: http://www.vietnam-report.com/wp-content/uploads/downloads/2012/05/vietnamoutlook-14052012-tls.pdf

*Top Ace Marine Korea***.** (2013, January 3). Retrieved January 31, 2013, from Topace: http://www.topace.co.kr/

Tuoitrenews. (2012, October 9). Retrieved October 15, 2012, from Tuoi Tre News: http://tuoitrenews.vn/cmlink/tuoitrenews/society/obesity-in-vietnam-high-affects-sexual-prowess-1.88269

Vietnameconomy. (2013, January 2). Retrieved December 10, 2012, from Vietnam Economy News: http://www.vietnameconomy.org/business/business-in-brief-11/

Vietnamnet. (2012, October 13).*Special report: Vietnamnet.* Retrieved December 6, 2012, from Vietnamnet: http://english.vietnamnet.vn/fms/special-reports/50102/sweets-market-not-sweet-for-sweets-producers.html

Vietnamnews. (2008, June 20). Retrieved November 11, 2012; from Viet Nam News: http://vietnamnews.vn/Economy/Business-Beat/177681/bakeries-confectioners-attract-german-firms.html

Vietnamonline. (2011, February 27). Retrieved December 6, 2012, from VNO Vietnam Travel & Living Guide**:** http://www.vietnamonline.com/az/food-safety-in-vietnam.html

World Trade Organization. (2012, March 27). Retrieved November 24, 2012, from World Trade Organization official website: http://www.wto.org/

Xe.com. (2012, December 09). Retrieved December 09, 2012, from: http://www.xe.com/

4Ps Business and Marketing (2011, January 09). Retrieved December 20, 2012, from 4Ps Business and Marketing http://www.4psbusinessandmarketing.com/02062011/storyd.asp?sid=4601&pageno=1

Interviews

Westerberg, Nina 2011. Director. Candyking Finland Oy. 6 February 2012

Huynh, Nam 2012. Manager. Huynh Anh Consultancy. 18 December 2012

Laws

649/2000/QD-BTS. The Ministry of Aquatic Resources. Ha Noi. 4 August 2000

50/2006/QD-TTg. Vietnamese government. Ha Noi. 7 March 2006

05/2007/QH12. Vietnamese government. Ha Noi. 21 November 2007

42/2005/QD-BYT. Ministry of Health. Ha Noi. 8 December 2005

157/2011/TT-BTC. Ministry of Finance. Ha Noi. 14 November 2011

Unpublished References

Candyking Finland Oy. (2012) Company brochure.

Nielsen grocery report (2011).

Euro Monitor International (2010). Country Sector Briefing Sugar Confectionery Vietnam.

Business Monitor International (2012). Vietnam Food & Drink Report.

Data Monitor Report (2010) Confectionery in Vietnam to 2014.

APPENDICES

APPENDIX 1. Candyking's products (Candyking 2013)

Sweden: The most various products	Chocolate	*Orange leaf, arrakslimpa, choco ice, chokladrussin, chocolate toffee, chokoplatt, chokosvamp, coconut ball, crispy bite, daim mini, fazer milk chocolate, fazermint, geisha, jordnotsruta, kex chocolate.*
	Covered sweets	*Crunchy peanut, colored lens, jelly beans, marianne, screech,syrliga kanstanjer, teaterlinser.*
	Foam	*Ahlgrens bilar limousine, banana bubs, bjornar, chocolate banana, chocolate whales, hallon, kola, little kitten, mega spider, salt blackfish, salt banana, skum banana, skumkantarellerm, skumnapp, sockerbitar.*
	Hardboiled	*Bamsing, lakrits superfvlld, bumlingar jordgubb, chocolux, kometer, mintolux, mojanger viol, pepprade dodskallar,UFO:n..*
	Jelly	*ABC Frukt, apple juice, apple spaghetti, baby winegum, bullizz, citronlappar, cola meter, colakapsyl, colanappar,colaormar, euro, exotic fruit, Ferrari, fizzy worms, fruit garden.*
	Liqourice	*Djungelvral, festivaldi, haxvral XL, jumbolakrits, lakritsbollar, lakritsbatar, lakritskonfekt, panda, pepparflaska, pingin mint, rotella, salmiakmatta.*
	Toffe	*Banoffe, bubblizz chewie, chokladdoppad, choko ljus, dumble, fox, lakritsfudge, lemon, rollo.*
Finland	Chocolate	*Appelsiinitryffeli, crispy bite, kookostanko, maissipallot, maitosukkaarusinat, maitosuklaa toffee,*

		mintukonvehti, peanut bite.
	Covered sweets	*Chewierakeet, hedemanaperot, jelly bean,mansikka banani raemix, pastelmint, suklaiset pahkinarakeet*
	Foam	*Jattivaahtotutit, lentava lautanen, salmiakki octupus, sokeroidut banaanit, the king, t-mix vaahtokarkki, vaahtonalle, vaahtosiennet.*
	Hardboiled	*Komeetat, lakritsityyny, pippuripaakallo, polka, vadelma lakritsitvynyt.*
	Jelly	*ABC hedelma, amazon, anasvadelma, apina, bubblizz, colametri, fizzy chips, juicy strawberries.*
	Liqourice	*Lakuviipale, mustat jaakarhut, pingvin noitapilli, panda lakritsia, panda pepe, panda salmiakki, pirato, ruutumix, ruutusalmiakki*
	Toffe	*Duo fudge, mansikkapallo, quality nougat, rollo toffee, suklainen lakritsifudae, toffeepallo, toffeevaahtonappi, vaniljafudge.*
Norway: No-hardboiled candies	Chocolate	*Crispy bite, fargepletter, caramel, maiskuler, marsipankuler, melkepletter, mocca, nidar festkaramell.*
	Covered sweets	*Crunchy peanotter, frutti beans, mentos fruit, sma bananer, syrlige kastanjer.*
	Foam	*Crocodiles, hvite puter, salte blekkspruter, sjokoladebanan, sumkantarell, stekte egg, sukrede bananer.*
	Jelly	*Bubblizz, cola falsker, cola meter, eksotisk frukt, eple spaghetti, hot lips, jordbcerfisk, juicy mango,*

	Liqourice Toffe	*mallorcablanding, pannacotta, pastellfisk..* *Djunelvral, fylt lakris, heksehyl, jumbo lakris, rotella, salmiakk kuler, salte froske, smileys salt, supersalte.* *Bonbon mi, choco lakrisfudg, dumble original, lakrisfudge, lemon, toffi, vaniljefudge.*
UK and Ireland: Same sub- products with the least various sub- type	Chocolate Covered sweets Foam Hardboiled Jelly Liqourice Toffe	*Crispy bite, milk chocolate honeycomb, milk chocolate peanut, milk chocolate raisin.* *Jelly beans, mini milk chocolate eggs, torpedoes.* *Baby crocodiles, foam shrimps, fried eggs, strawberry dream, sweet bananas, yellow belly snakes.* *Large pear drops.* *American hard gums, citric cherries, cola meter, exotic fruit, fizzy bubblegum, fizzy cherry cola, fizzy dummies, fizzy glow worms.* *Dolly mixture, liquorice allsorts, liquorice wheels.* *Banoffe bonbon, duo fudge, lemon, milk chocolate fudgies, rum & raisin fudge, strawberry bonbon, toffee bonbon, vanilla fudge.*
Denmark	Chocolate Covered sweets	*Cocos bar, maelkechocolade, marcipanbar, mintkage, peanutboks, pralin caramel, romkugler.* *Brio caramel, favorit choco caramel, jellybean, M&M, pastelmint, perler, screech, strandgrus, sure kastanjer cola, syrlige kastanjer, Tivoli, wienerlinser.*

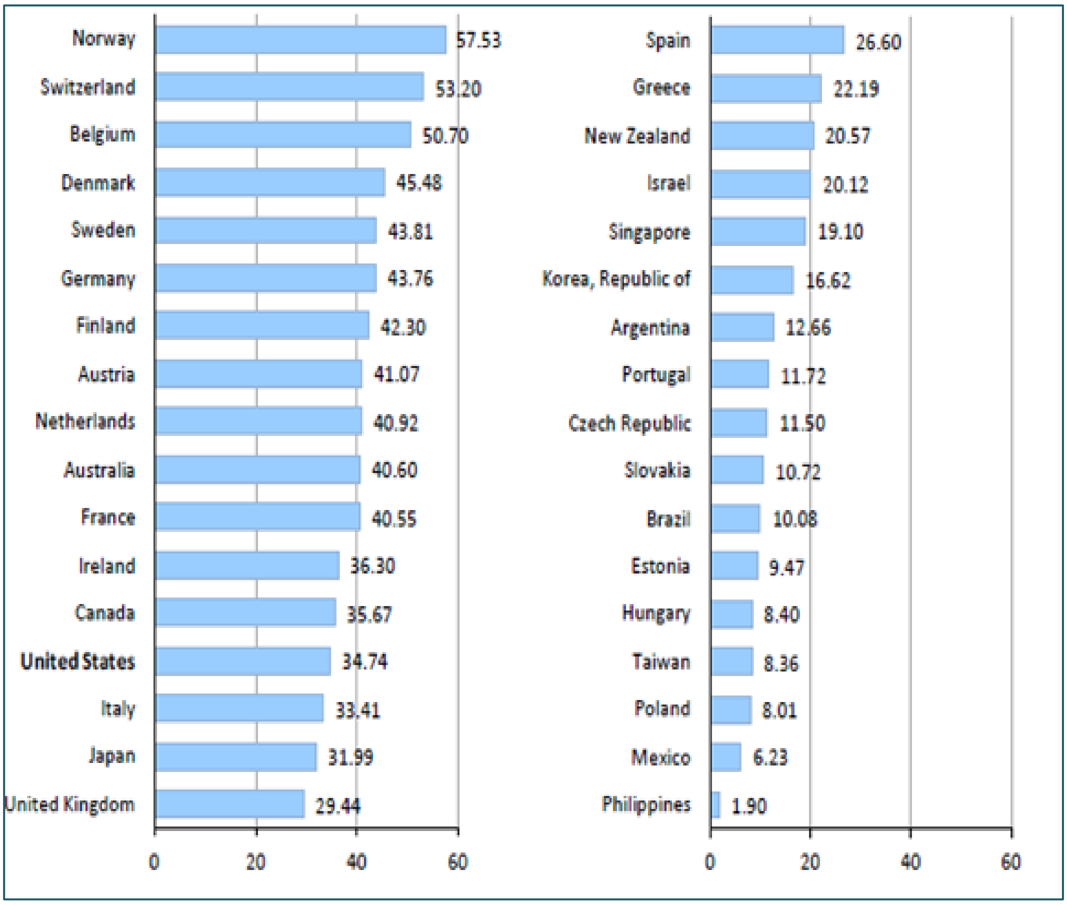
	Foam	*Flyvende, tallerkner, hvide skumpude, kanoer, kometer, skumbanan, skumsvampe, spejlceg, sweethearts.*
	Hardboiled	*Hiindbaer, jordbcerblomster, lakridsklumper, sure frugtpiller.*
	Jelly	*Armbandsure, assa frugt, baby snakes, baby winegum, citrusser, click mix, cola bubblizz, cola sutter, colaflasker, colasticks, crocodiles, Eldorado, energy shots.*
	Liqourice	*Amar bidder, brumbasser, hot shots, lakrids revolver, lakridshjul, lakridskroes.*
	Toffe	*Duo fudge favorit choco caramel, lakrids fudge, maoam happy fruttis, vanilje fudge.*

APPENDIX 2. Vietnam's political stability index 2009-2010 (The Economist 2013)

Very high risk · High risk · Moderate risk · Low risk

Rank	Country	Underlying vulnerability	Economic distress	Index score
137	Libya	4.6	4.0	4.3
139	Vietnam	2.5	6.0	4.3
139	Taiwan	2.5	6.0	4.3
141	Cuba	3.3	5.0	4.2
142	Cyprus	4.2	4.0	4.1
142	Qatar	4.2	4.0	4.1
142	Seychelles	4.2	4.0	4.1
142	United Arab Emirates	4.2	4.0	4.1
146	Belgium	2.1	6.0	4.0
146	Hong Kong	2.1	6.0	4.0
146	Netherlands	2.1	6.0	4.0
149	Oman	3.8	4.0	3.9
150	Japan	1.7	6.0	3.8
150	Slovenia	1.7	6.0	3.8
150	Germany	1.7	6.0	3.8
153	Czech Republic	3.3	4.0	3.7
154	Australia	1.3	6.0	3.6
154	Austria	1.3	6.0	3.6
154	Luxembourg	1.3	6.0	3.6
154	New Zealand	1.3	6.0	3.6
158	Costa Rica	2.1	5.0	3.5
158	Mauritius	2.1	5.0	3.5
160	Switzerland	0.8	6.0	3.4
161	Finland	0.4	6.0	3.2
161	Sweden	0.4	6.0	3.2
163	Canada	1.7	4.0	2.8
164	Denmark	0.4	4.0	2.2
165	Norway	0.4	2.0	1.2

APPENDIX 3. International comparisons of hourly compensation costs in manufacturing 2010 (BLS 2011)



APPENDIX 4. Importers list

INTIMEX IMPORT EXPORT CORP. Address: 61 Nguyen Van Giai, Dakao ward, Dist 1, Ho Chi Minh City, Vietnam. Phone: +84-8-38201754 Fax: +84-8-38201998 Email: intimexhcm@hcm.vnn.vn
VISSAN LIMITED COMPANY Address: 420 No Trang Long Street, Ward 13, Binh Thanh District, Ho Chi Minh City, Vietnam Phone: (84.8) 5533 999 - 5533 888 Fax: (84.8) 5533 939 Email: vissan@hcm.fpt.vn Website: http://www.vissan.com.vn
VIETNAM NATIONAL AGRICULTURAL PRODUCTS AND FOODSTUFF IMPORT EXPORT CO. Address: 6 Trang Tien Str., Hoan Kiem Dist., Ha Noi Phone: +84 4 38255478 Email: agrexporthan@gn.vnn.vn

PHUOC HUNG IMPORT EXPORT CO., LTD.

Address: High way 1, Phu Tai IZ., Quy Nhon City, Binh Dinh

Phone: +84 563841010

Fax: +84 563841096

Website: www.phuochung.com

Email: ph_hung@dng.vnn.vn

MINH CHAU IMPORT EXPORT INVESTMENT CO., LTD.

Address: 38 Sai Dong, Gia Lam Dist., Ha Noi, Vietnam.

Phone: +84 38271690

Fax: +84 38756738

SANNAM FOODSTUFF J.S.C

Address: Km9 Pham Van Dong Str., Cau Giay Dist., Ha Noi, Vietnam

Phone: +84 37642569

Fax: +84 37646653

Email: sannamfood@sannamfood.com

Website: www.sannamfood.com

APPENDIX 5. Contact list

Nina Westerberg Managing Director Candyking Finland Oy Hameentie 135A, FI-00560 Helsinki Phone: +358 40 5437014 Fax: +358 9 8561 5050 Email: nina.westerberg@candyking.com Website: candyking.fi
HUYNH ANH CONSULTANCY Mr Nam Huynh- General Manager Address: 377/8 Dinh Bo Linh Street, Ward 26, Binh Thanh District, Ho Chi Minh City, Vietnam Phone: + 84-93-7879777 Website: www. huynh-consultancy.com.vn
TOP ACE MARINE CO. LTD. 305 Geunshin Anex 2 B/D 204-9, Dohwa-Dong, Mapo, Seoul,Korea, 121-702 +(82) 2- 717-1747 +(82) 2- 719- 2277