MARKET STUDY FOR VIETNAMESE COFFEE IN EUROPEAN UNION MARKET
CASE STUDY OF VIETNAM NATIONAL COFFEE CORPORATION

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**Title**
The export of Vietnamese coffee to the market of European Union. Case study: Vietnam National Coffee Corporation

**Commissioned by**
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**Abstract**
Currently, Vietnam is the second biggest coffee exporter in the world after Brazil; and European Union is the largest import market of Vietnamese coffee. Therefore, market expanding in European Union area is considered as an important goal for Vietnam’s coffee industry as well as coffee exporters. The commissioner, the Vietnam National Coffee Corporation, has been used as a case study in this thesis to reflect to the situation around the commissioner.

The aim of the thesis is to analyze the current Vietnamese coffee exports to the market of European Union. Besides, the situation of coffee imports and consumption will be mentioned and evaluated in the study. Importantly, the research results will identify potential EU markets for the Vietnam National Coffee Corporation to expand its export operation. The thesis is conducted with the significant help of secondary research.

The theoretical section of the thesis offers information about international trade, especially exports. The study was performed according to the following steps in the order: (1) Identifying and building the thesis’s structure; (2) Collecting and analyzing secondary data (3) Synthesizing and reporting data by personal perception (4) Presenting and recommending based on own opinion. The commissioner was placed at the foundation during the process of thesis implementation.

On the basis of the results of this research, it can be concluded that there are five EU potential markets identified for the commissioner to enter. They are: Sweden, Finland, Norway, Czech Republic, and Croatia.

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Export, coffee exports, coffee imports, potential markets, Vietnam, European Union’s market, Vietnam National Coffee Corporation
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1. INTRODUCTION

1.1 Study background

As one of the biggest economy in the world, Europe is a potential for all export sectors. For Vietnam, The European Union is one of the leading trade partners with bilateral trade turnover increases by 15 to 20 percent annually. According to The Socialist Republic of Vietnam Government Portal, Trade is an important pillar in the relation between Vietnam and European Union. Currently, the EU is the third largest trading partner and the second largest export market of Vietnam. In the period from 2000 to 2010, bilateral trade turnover increased 4.3 times (from USD 4.1 billion in 2000 to USD 17.75 billion in 2010, and approximately USD 24.29 billion in 2011). In addition, European Union is the largest market for a number of Vietnamese key export commodities, such as footwear, garments, seafood, agricultural products, furniture, electronics, and consumer goods (The Socialist Republic of Vietnam Government Portal, 2011).

Coffee is one of the most important agricultural commodities, which brings a high economic value for Vietnam and is sold in many European countries. As the information from Vietnam General Statistics Office (2012), coffee accounts for 20 to 25 percent of the total Vietnamese export turnover of agricultural commodities annually. As a result, promoting and enhancing exports of coffee are determined as the strategic target in Vietnamese economy.

The thesis offers theoretical knowledge of exports and provides a review on concerning the Vietnamese coffee exports to the EU’s market. Data for this thesis was gathered by the process of literatures review and statistics research. The study’s scale is at international level, thus collected information in entire the thesis is based on secondary data by both of qualitative and quantitative methods.

Results of the study has demonstrated positive signs even though there are existing problems need to be improved. This is also the basis to devise strategic solutions for the
development of Vietnamese coffee exports in general as well as Vietnam National Coffee Corporation in specific.

1.2 Aims of the study

The thesis’s core purpose is to draw an overall picture of the current situation of Vietnamese coffee exports to the EU’s market and identify EU potential markets for the market expansion of the Vietnam National Coffee Corporation. By this orientation, the corporation can find out appropriate strategy and effective solutions for the development in these identified markets as well as enhance its own export operation.

1.3 Outline of the study

The thesis consists of three main parts: theoretical section, research results, and recommendation.

Firstly, the theoretical section provides a general knowledge of core factors of exports. Because commissioner was always kept in mind as the foundation for entire of study, this sector also focused on elements, which is related directly to the real case of The Vietnam National Coffee Corporation. Specifically, this section was divided into seven parts: (1) Definition and Role of exports (2) Export market selection (3) Export entry modes (4) Financing and methods of payments (5) Export promotion and marketing communication (6) Logistics and supply chain management (7) The risks of exports.

The thesis’s second part provides researched information and data about the EU’s market and Vietnamese coffee exports as well as assessments based on this information. The insight of EU market will be shown with consumer behavior, consumption, coffee import situation, and other requirements for exporters to enter this market. The section of Vietnamese coffee exports will be also presented by important information, such as: production, coffee export situation, and the commissioner’s operation in the EU market.
The last part will identify specific potential markets in European Union’s area that the commissioner should approach and do export. At the same time, author’s recommendations for the commissioner will be given out to support the export operation of Vietnam National Coffee Corporation.

1.4 Case company: Vietnam National Coffee Corporation

This part is to provide an overall of the case company. Almost given information was from the source of the official website of Vietnam National Coffee Corporation, 2010).

1.4.1 Introduction of Vietnam National Coffee Corporation

Vinacafe is a corporation with 100 percent capital of the State and is the largest member of the Association of coffee and cacao Vietnam. This is a large business, with up to 56 companies, enterprises and agricultural fields. Vietnam National Coffee Corporation was established by Prime Minister’s decision No.251/TTg dated on 29 April 1995.

Vietnam National Coffee Corporation operates in the production, processing, export, and import of coffee and agricultural products in Vietnam. It involves not only in growing food and industrial crops, but also in imports goods, equipment, and materials for agricultural production. Vietnam National Coffee Corporation also involves in trading of seafood products, spare parts and machines, and consumer goods. Furthermore, it offers technical science, training, construction, transportation, tourist, hotel, medical care, and investment consultant services (Bloomberg Business Week, 2008).

Vietnam National Coffee Corporation has annual export volume, which accounts for from 20 to 25 percent of coffee production in Vietnam. It produces 50,000 tons of coffee beans and export 250,000 - 300,000 tons of coffee beans per year, mostly Robusta coffee to more than 30 countries. Their coffee products are highly appreciated by the customers worldwide. Annual import-export turnover of the corporation reaches USD 350-400
millions and accounts for 20-24% of total Vietnam coffee beans exports. The Vietnam National Coffee Corporation is often known as under the brand of VINACAFE.

Beside coffee beans as the main commodity, Vietnam National Coffee Corporation also exports other agricultural products such as: pepper, cashew nuts, and import fertilizers and facilities for the coffee industry. Nowadays, VINACAFE has become a reputable and familiar brand for both of domestic and foreign customers.

1.4.2 Vision and Mission

Vision: Owning strong international brands and satisfying consumers by high quality and unique products, food and beverages based on the understanding customers’ needs.

Mission: There are five core determined core missions

(1) Maintaining instance coffee products as the main products.

(2) Seeking to best consistent application to international practices on all issues of corporate governance

(3) Carrying out financial operations in a prudent manner, and always recognizing the effectiveness of risk management, assets security and liquidity maintaining as necessary elements for the success.

(4) Developing and marketing products to meet customers’ needs; building the corporation’s reputation by competitive price, stable products’ quality, excellent customers service in combination of new products development.

(5) Respecting to international standards of food safety and environment.
2. THEORY OF EXPORTS

2.1 Definition and Role of exports

Export is a concept belonging to the International Marketing. Gerald Albaum and Edwin Duerr (2008, p.11) defined “International marketing is the marketing of goods, services, and information across political boundaries”, and simply “export is the selling to foreign markets”.

It is impossible to deny the importance of exports in the economic development. For instance, the boosting up of export activities has contributed to the positive change in a number of Southeast Asian countries, such as: Brunei, Cambodia, Indonesia, Laos, Myanmar, Thailand, and Vietnam. Other typical example, which proves for the role of exports, is Japan. Japan has become one of the global leading economies by boosting up their exports. This is the reason for the need of developing exports in every nation.

Gerald Albaum and Edwin Duerr (2008, p.64) stated.,” No country is entirely self-sufficient in terms of its ability to satisfy effectively and economically the entire range of the every changing desires of its populace”. Moreover, international trade not only contribute to the prosperity of a nation, but also create other social values, such as: employment opportunities, literacy levels enhancement, and global intercultural promotion.

According to T.S Eliot (2003, p.12), exporting can uphold a company’s status as a “learning” organisation. A company can gather useful lessons from the international customers’ contacts, foreign marketing and distribution techniques. Furthermore, doing business in more than one market may reduce risk because company no longer entirely dependent on sales from only a single market. As a result, even though the sales in domestic market are not positive, the company still can be strong in its own export
markets. Moreover, economies of scale can be obtained with export training. Specifically, if firms’ personnel are trained for international trade for one market, they can apply this knowledge to trade in future markets.

In summary, exports keep an essential position in each nation’s economy and have significant influence to company’s development. A firm can be placed at a disadvantage if its competitor is doing exports. A nation also can fall behind in the global economic development if it does not see strong exports to be necessary for its own healthy economy.

2.2 Export market selection

Determining what foreign markets to enter and the best direction to take in those markets are important in exports. Obviously, the evaluation process of export opportunities is complicated for several reasons. The difficulty consists in checking all possible export opportunities to countries over the world as well as the availability of data for a specific consumer group, business or government has limited the screening to use published data only (Jeannet and Hennessey, 1988, p.137; Brewer, 2001, p.155). According to Gerald Albaum and Edwin Duerr (2008, p. 188), choosing a market expansion policy is a key strategic option in export marketing and an expansion policy has various dimensions containing nature of market research activities in selecting export markets, the procedures of screening export markets, and the methods of distributing attempts and resources among different export markets. These dimensions can be seen under three major parts in export market selection: market selection process, market selection procedures, and market selection strategy.

There is two identified main ways of approaching in market selection process: reactive approach and proactive approach. The reactive market selection approach describes the circumstance where exporters play a passive role in the selection of the market by filling unsolicited orders or pending initiatives on the part of foreign customers, foreign representatives or other kinds of change agent that choose the company’s market
indirectly. In this case, exporters keep the role of market response when market’s demand appears. Thus, reactive approach is not formal, systematic, and purchase oriented. On the other hand, proactive market selection approach characterizes the situation, where exporters are active commencing the selection of export markets. Consequently, this is a formal process because it is normally related to systematic market research and abroad visiting. However, this approach is used informally in some cases, when foreign markets are selected on the basis of discussion with business partner. Commonly, exporters tend to use proactive approach in primary markets and reactive approach in secondary of marginal markets (Albaum and Edwin Duerr,2008, p. 189).

Expansive and contractible methods are two procedures, which can be considered to be applied in executing a proactive, or initiative-based to screen export markets. In details, expansive methods select market relied on similarities, such as nearest neighbor. The starting point is always home market or the existing market core. Thus, the most advantage is minimum adaptation. In contrast, contractible method starts with large number of markets. It involves three main stages: preliminary screening, countries ranking, and determining specific factors (Albaum and Edwin Duerr,2008, p. 190 -196).

In market expansion, market concentration and market spreading are seen as strategic alternatives. Each strategy has its own typical features. Market concentration strategy’s characteristics includes: slow and gradual rate of growth in a number of market served by a company, channeling available resources, and much devoting in marketing efforts and resources. This strategy is designed to win significant market share. Otherwise, market-spreading strategy is commonly described by fast rate of growth in a number of markets served at the early stage of expansion, distributing resources of marketing over a huge number of markets. This strategy tends to reduce risks of concentrating resources and exploit the flexible economics (Albaum and Edwin Duerr,2008, p.197-199).
2.3 Export entry modes

Choosing mode of entry in entering a foreign market is an important stage in exports activities. Albaum and Edwin Duerr (2008, p. 270) stated that entry mode is what is used to penetrate a target. There are two alternative entry modes, which are differentiated based on the way an exporting company implements the transactions flow between itself and the importer: direct export and indirect export.

Generally, indirect export is seen as the market-entry technique with the lowest risk’s level and the least market control. Indirect export means that the exporting producers use independent local export organization. In some cases, manufacturers have a dependent export organization, such as their own export department or export subsidiary, which cooperate to independent marketing organization. Thus, this dependent organization does not engage in any international sales activities. Exporters have two board alternatives available in indirect export including using international marketing organization, and exporting via a cooperative organization. Merchants and Agents are two hinge categories of independent wholesale marketing intermediaries. Home-country based merchants include export merchants, trading company, and export desk jobber; while home-country based agents include export commission house, export management company, and manufacturer’s export agent. The merchant takes ownership of sold products but the agent does not do. Differently, cooperative exporting organizations interpret a cross between indirect and direct export. Piggyback marketing and exporting combination are two types of cooperative international marketing organization (Albaum and Edwin Duerr, 2008, p. 308-320).

Direct export means the exporting producer (exporter) sells to the importer of the foreign market area directly. This entry mode allow the exporter itself performs all of export tasks, from market contact market research to physical distribution, export documentation and pricing. Consequently, the exporter’s dependent organization or a foreign-based
marketing organization or customer is who handle directly the actual transaction flow between two countries. This approach is considered more difficult than indirect export entry mode. However, its advantage is the control keeping of products and consumer relationship. Direct export has different modes, such as: home country based department (built-in department, separate export department, and export sales subsidiary), foreign sales branch, storage or warehousing facilities, foreign sales subsidiary, travelling salesperson, and foreign-based distributors and agents or representatives. (Albaum and Edwin Duerr, 2008, p. 321-332).

2.4 Financing and methods of payment

Generally, there is a wide range of export financing methods or terms of payment available in international trade and each of method has its pros and cons. Naturally, exporter prefers as much as secure method while importer expects minimum cost. According to Albaum and Edwin Duerr (2008, p. 511-517), there are seven different ways in which credit can be extended and payments made in exporting: Consignment, Open account, Documentary collections, Letter of credit (L/C) Documentary credit, cash on delivery (COD), Cash with order, and Long-term financing. In consignment, the payment requirement is usually performed by means of a clean draft with no attacked documents, drawn on the consignee or importer by the exporter. Therefore, the payment is paid after the importer resells products. This method is relatively risky because unclear laws on consigned merchandise’s ownership; difficulty of seller’s following consigned merchandise in foreign country, and exchange controls can preclude payment by the consignee. The method of open account means that the export trade is done by the similar domestic procedure and methods. Open account is usually used when the exporter is confident in the importer’s creditworthiness. Documentary collection is the method, which allows the exporter can get a better measure of payment guarantee by warranting that the importer cannot have the shipment before their agreement in paying on time (documents against payment D/A), or before the importer did the payment actually (documents against payment D/P). The letter of credit (L/C) is a documentary credit as defined in ICC Publication 500, to which the almost credits are subject. This method
occurs when the importer creates a commercial credit through their bank and make out conditions of which payment can be made to the named exporter. Normally, the exporter’s bank will notice about the available credit to this exporter. Cash on delivery (COD) is the method, which is usually used for connecting with air transport, road transport, or inland water transport between nations. The next method is cash with order. It referred to as advance payment. In this method, there is commonly part cash, with the an adequate amount of covering transport costs to the import’s stop and back to the export’s point. Long-term financing is the last one in seven financing methods. It is appropriate to major projects, large capital equipment sales, and special exports. This method enables the exporter gets funds in near future while still accepts for importer spreads payments over several years.

Payment or financing procedures is also a major part in exporting. There are two categories of export financing procedures in common usage: letters of credit, and drafts or bills of exchange. According to Albaum and Edwin Duerr (2008, p.517-535), a commercial letter of credit, or documentary credit is “an instrument, usually issued by a bank, at the request and for the account of its client, which indicates that the bank agrees to pay to the named beneficiary a sum of money upon the presentation of certain documents or written representations as stipulated in the letter of credit”. Using letter of credit in is popular for exporters because this type of procedure grants a high level of security to prevent inevitable risk arising in exporting. Letters of credit have different forms, such as: revocable and irrevocable, confirmed and unconfirmed, clean and documentary, transferable and nontransferable, assignment of proceeds, revolving letters of credit, deferred payment credit, and standby letter of credit. The second category of financing procedures is drafts or bills. A draft is “an unconditional order in writing prepared by one party and addressed to another directing the drawee to pay a specified sum of money to the order of a third person, or to the bearer, on demand or at a fixed and determinable future”.

Obviously, the main typical difference between domestic and international trade is that the higher level of risk in international trade. In order to reduce political risk, risk of non-
convertibility of currency, and possibility the commercial risk of nonpayment by buyers, export credit insurance is created based on three basic principles (Ghose, 1993): Co-sharing of risks, Spread of risk, and Reduction of risk. This kind of insurance is considered as one of the key security devices employed by exporters.

2.5 Export promotion and marketing communication

Obviously, communication plays an important role in international marketing activities because it helps firms in different countries to work together and improves the conduct of international business. Each nation has its own culture and typical features thus, cross-cultural communication brings challenges to business. Good communication practice is a major factor to solve intricate business dealings. Albaum and Edwin Duerr (2008,p. 547) given out a number of problems, which can be barriers in export promotion and marketing communication, such as: language differences, government regulations, media availability, economic differences, tastes and attitudes, and buying process. These problems can affect each other or have independent effects.

In export, promotion has several forms that can be listed as: Personal selling (face to face communicating is used mostly between sales people and prospective customers), Advertising (advertisers are paid to use different mass media to deliver messages without personal presentation), Sales promotion (all sales activities are used to support and enhance personal selling and advertising), and Publicity (company’s news and products’ information are reported by medias without payment from company). Each form has its own pros and cons so all of them are relative. The advantage of Personal selling works in the situation, in which the ratio of sales made to number of prospects contacted is often more than in non-personal promotion. The disadvantage of this form is expensive cost per sales contact. The form of Advertising has the strength of attaining a lot of potential customers at a quite low cost for each contact but the weakness is all-too-frequent failure to persuade a large share of people exposed to it to buy products. The benefit of sales promotion is that sales performance of channel members or personal sales people are supported by several techniques, such as: sales aids, displays, and training. Most
advantage of publicity is the credibility however; it is not easy to have this form of promotion. The international marketer need consider when choosing the suitable form of promotion activities and their combination if necessary. In addition, factors, which can influences this decision can be: availability of promotion’s funds, promotion activities’ cost, type of product involved and its seasonality, product’s price, entry mode, market’s nature, market’s size, availability of different media, sizes of relevant segments, etc (Albaum and Edwin Duerr, 2008, p. 548-549).

According to The Economist (2004, p. 69), there are two points that need to pay attention in export marketing promotion and communication decisions. The first one is that even personal selling by an exporter’s salesperson or marketing intermediary in the export channel can apply general principles to all communication activities. And the second one is that there are a lot of alternatives to straightforward advertising, such as marketing and communication services. Advertising is only one of various components in the broader communication or promotional mix.

2.6 Logistics and supply chain management

Logistics and supply chain management are popular concepts in exports as well as business activities. In general, there are many ways of defining logistics. The Council of Logistics Management (1992), provided the definition is that:

“Logistics is the process of planning, implementing and controlling the efficient, cost-effective flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of conforming to customer needs”.

Martin Christopher (2011, p. 2) also defined in similar way about logistics as:

“The process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the
organization and its marketing channels in such a way that current and future profitability are maximized through the cost-effective fulfillment of orders”.

Furthermore, this author Martin Christopher (2011, p. 3) also explained about the concept of supply chain management in his book as:
“The management of upstream and downstream relationships with suppliers and customers in order to deliver superior customer value at less cost to the supply chain as a whole”.

According to USAID Deliver Project (2011,p.1-2), logistics activities are considered as an operational component of supply chain management, including: quantification, procurement, inventory management, transportation and fleet management, and data collection reporting. Therefore, logistics is a concept, which belongs to supply chain management. As the statement of Albaum and Edwin Duerr (2008,p.615), there are several approaches in supply chain management, which are built aimed to minimize costs, such as: just-in-time approach, material requirements planning (MRP1), manufacturing resource planning (MRP2), and enterprise requirements planning (ERP1) and (ERP2).

It is necessary to mention to international transport in logistics and supply chain management. Transport impacts directly to key sale elements, such as: price, delivery’s speed, and risk of loss or damage. There are various modes of transportation available in exports: ocean, air, ground, and pipeline transport. In total types of international transportation, the mode of ocean is the most dominant because its advantages are low cost and ability of handling large shipments. However, not all countries can use this mode because the geographical factor; the time of delivery is slow; and the level of security is relatively low. Air transportation has the strength as fast delivery’s speed and far distance shipments in high level of security, but its weaknesses are high cost and limitation of shipments’ volume. Ground transportation is appropriate to exporting to near countries because its features are slow delivery’s speed, need of reasonable geographical conditions, and low level of security. Its advantage is low cost. Pipeline transportation is
expensive and only suitable to certain products. It is safe and company’s economic efficiency is enormous (Albaum and Edwin Duerr 2008, p.620)

Besides, there are a lot of factors in logistics and supply management that need be considered in export activities, such as: stock, transportation insurance, export packing, documents required, and so on.

2.7 The risks of exporting

The risks that may occur are inevitable in almost business activities, including exports. T.S Eliot (2003) pointed out six possible risks in international trade: transport-related risks, credit risk, quality of goods risk, exchange rate risk, unforeseen events, and legal risks.

Firstly, transport-related risks include risk of damage, loss or theft. Bill of lading, evidences the terms of the contract of carriage, is the needed document to solve this kind of risk. Credit risks contain non-payment risk, late payment, or outright fraud. In order to prevent this type of risks, the exporter should always alert by irrevocable documentary credit. The third one is quality of goods risk. It is difficult for importers to check the quality of goods before shipment. Therefore, inspection certificate is a document, which helps the importer to avoid this risk. Exchange rate risk occurs when the price has been set in a particular currency in an international contract, then the exchange rate fluctuation happened. The simplest solution in this case is to stipulate contractual prices in the currency of the party, who are afraid the uncertainty. Other solution is to purchase exchange forward or option contracts. The next kind of risks is unforeseen events. It happens when unexpected events, such as a strike, natural disaster or war encumber the delivery. The best way to protect this risk is by well-drafted contractual force majeure provisions. Legal risks can occur if the foreign laws or regulation change or be applied differently from the past that can render break the transaction. The way to avoid this risk is to stipulate contractually that dispute resolution will be by international commercial arbitration.
3. METHODOLOGY

3.1 Research question

This research is conducted for the purpose of answering one main question: Which remaining European Union countries can be potential markets for the Vietnam National Coffee Corporation exports? In fact, the corporation has exported to 14 in the total of 28 EU nations. In order to expand operation in the EU, the corporation wishes to seek new potential market. This question is fundamental to the whole process of performance.

To answer this question, the author integrated data related to the coffee consumption, situation of coffee imports in each EU nation. Furthermore, consumer behavior is also analyzed to evaluate how potential of each country. Information was gathered from official sources. Through this empirical research, the author pointed out 5 most potential markets and recommendations to give the corporation a general direction for its plan of market expansion plan.

3.2 Data gathering

Because of the macroscopic characteristic of the research subject, most of information was collected from secondary data. Secondary data includes reports of International Coffee Organization, European Coffee Federation, CBI Ministry of Foreign Affairs, related legal departments belonging The Socialist Republic of Vietnam Government, various economic information channels from EU’s countries, and other official sources. In addition, concepts and theoretical information are gathered from textbooks and articles. As a result, information provided guarantees the authenticity, reliability, and objectivity.
4. EUROPEAN UNION MARKET

4.1 Introduction of European Union market

In this section…

4.1.1 Overview of European Union market

European Union is an enormous market including 28 member states with around 500 millions consumers that are located mostly in Europe. The EU operates through a system of supranational independent institutions and intergovernmental negotiated decisions by the member states (European Union, 2012). Institutions of the EU consists of the European Commission, the Council, the European Council, the Court of Justice of the European Union, the European Central Bank, the Court of Auditors, and the European Parliament. The European Parliament is elected each five years by EU citizens (Oxford English Dictionary, 2011).

The EU has developed a single market through a standardized system of laws that apply in all member states. Within the Schengen Area, passport controls have been abolished. EU policies aim to ensure the free movement of people, goods, services, and capital, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development (Europa Web Portal, August 2009). The EU market is a space, where commodities, labors, capitals, and services are free and full flow same as a national market. Common market is associated with the common trade policy.

The EU is viewed as “a potential superpower”. The EU has the population of approximately 500 million inhabitants, which accounts for 7,3 percent of global population (Vienna Institution of Demography, 2010). Furthermore, according to International Monetary Fund (2013), the EU obtained a nominal gross domestic product (GDP) of USD 16.584 trillion in 2012, which accounted for around 23 percent of global
nominal GDP and 20 percent in the measurement in terms of purchasing power parity. As a result, the EU is the global biggest economy in nominal GDP.

4.1.2 European Consumer Behavior

The European Union has 28 countries and each country has its own characteristics in consumer behavior. It can be seen clearly that the EU’s market has diversified demand of commodities. In spite of certain differences in practices and consumer markets between countries in the EU, these nations are located in the same geographic region; thus they have similar features in economics, social perception, culture, interest, and consumer habit.

The first factor, which European customers often pay attention when making a buying decision of a consumer product, especially products of food and beverages, is the quality and safety. As a result, all imported products into the EU’s market must pass a number of strict quality tests and rigorous assessment. The EU has its own system of standards for food safety. The objective of the European Union’s food safety policy is to protect consumer health and interests while guaranteeing the smooth operation of the single market. In order to obtain this objective, the EU ensures that control standards are established and adhered to as regards food and food product hygiene, animal health and welfare, plant heath and preventing the risk of contamination from external substances (Europa, 2014).

According to CBI (2013), the consumer behavior in different European regions also has different characteristics that influence to consumption of goods. For instance, customers from Western EU market usually pay attention to the provenance, reputation, organic, and fair trade of products, while consumption levels of this region usually stay stable. Differently, the amount of money, which customers in Eastern Europe normally spend on shopping, is proportional to the money they earn. As a result, instability is characterized for the consumption levels in this region. Generally, Eastern European customers prefer cheaper bulk products.
In addition, European Consumers often have hobbies and habits in buying products with world-famous brands because they think that the reputation and extensive experience of popular brands can ensure product’s high quality. For instance, Coca Cola is a global popular brand, which is trusted and strong consumed in the EU’s market. According to the official website of this company in 2012, Coca Cola’s net operating revenue in the EU’s market in 2011 was USD 4,777 millions, the unit case volume in the EU accounted for 15 percent of total company. Besides, there are a significant number of other brands that have been successful in the EU’s market, such as: Nestlé, PepsiCo, Kraft Foods, H.J. Heinz. On another hand, a prominent characteristic in the EU’s market is that European customers are also loyal in their domestic products. They have strong reliability and pride in their national high quality brands. For example, Valio is a popular brand in Finland with milk products and made from milk products, such as: yogurt, butter, milk powder, and cheese. The majority of Finnish customers prefer the brand of Valio to other foreign brands. Therefore, doing business in the EU’s market is not only an excellent opportunity but also a strong challenge for any foreign company.

4.2 Coffee in Europe.

4.2.1 Coffee consumption in Europe

Coffee is one of most culturally popular beverages in Europe. Robert Nelson, President and CEO of the National Coffee Association (2009) said, “Even if economic conditions cause some to alter their coffee choices, they are nonetheless continuing to enjoy coffee at levels very much on par with recent years”. As can be seen clearly that European consumers see coffee as an integral part of their daily life. According to Euro Monitor International (2012), coffee has significant innovation and appearance of emerging new players in 2011. In almost European countries, the coffee culture is being more “deeply ingrained”. People consider coffee as an affordable luxury. Nowadays, the trend of coffee drinkers is to focus on which benefits, where provenance and how quality of coffee.
In 2006, total coffee consumption of European Union was 2.5 million tons, which interprets for an average consumption of 5 kg in EU per capita. The world map in Figure 1 also demonstrates the world coffee consumption, which proves the enormous coffee consumption of Europe. Obviously, almost countries having most coffee consumption belong to European Union.

Figure 1. World Coffee Consumption (kilogram per person per year)
(Source: International Coffee Organization, 2007)

In addition, most of EU countries show the trend of increasing in coffee consumption through years. According to ICO Coffee Market Reports (November, 2007), the EU coffee consumption increased by an average annual rate of 1.5 percent in the period from 2002 to 2006.

In the EU, there are 6 popular forms in which coffee is consumed including:

1. Ground coffee: this form requires filter coffee systems, or coffee pods. This is the basic coffee type of European coffee consumed.
(2) Roasted coffee beans: This trend is strengthened by the increasing popularity of some kinds of typical Italian coffee such as: espresso and cappuccino. The development of coffee bars is also one reason affecting this trend.

(3) Decaffeinated coffee: the International Tea Committee (ITC, 2012) measured that decaffeinated coffee make up for nearly 10 percent of all coffee sales. Although this coffee trend is fading, it is still ongoing in some Southern European nations.

(4) Instant coffee: the share of this kind is different among EU countries.

(5) Ready-to-drink coffee: this is an upcoming trend in EU because consumers are tending to seek convenient and flexible products.

(6) Flavored coffee: this is an interesting and fast growing trend in the coffee market.

In the comparison of coffee consumption in kilogram per capita (Figure 2), consumption per capita varies among European countries. Nordic countries (Finland, Norway, Sweden, and Denmark) are in highest level. Furthermore, not only the country has highest consumption in Europe, Finland but also keep this position in the worldwide ranking (International Coffee Organization, 2007).

Figure 2. Annual European Union Countries’ Coffee Consumption in kilogram per capita
(Source: European Coffee Report, December 2012)
However, Germany, Italy and France are always viewed as three main markets of coffee in the EU because the consumption in volume of these countries is significant (Figure 3). Although the people’s demand of drinking coffee is huge in Nordic countries, they do not account for the majority of coffee consumption in kilogram because their own low population.

Figure 3. European Consumption of Coffee in volume in 2011
(Source: CBI Ministry of Foreign Affairs, 2013)

As the analysis of CBI in coffee consumption (2013), Europeans account for approximately 36 percent of worldwide consumed coffee. In spite of the influence of the economic crisis in 2008, products of coffee have kept a stable consumption in the Western European nations, especially Germany, France, and the Netherlands. It can be seen that customers in this regions consider coffee as primarily consumption goods in probable quantities even with increased prices or decreased income. Therefore, the coffee consumption in Western Europe shows a so-called non-fluid demand of people in these countries. In another hand, demand is more fluid in Eastern European nations, such as Poland, Czech Republic, and the Baltic States with increasing economic prospects. In addition, the trend of specialty products such as single origin products and sustainability-certificated products has inflated strongly in the large and established consuming countries, for example: Netherlands, Belgium, and Germany.
In summary, EU is an enormous market for coffee with high demand of consumption, in which coffee consumption stay stably in the established Western European markets while increase in the emerging markets in Eastern European.

4.2.2 Import coffee in Europe

As a market having large coffee consumer demand with roughly 40 percent of the world coffee demand, European Union is viewed as the target market for a large number of coffee exporters over the world. Furthermore, because of climate reasons, coffee cannot be cultivated in the European Union. Thus, the EU is dependent strongly on imports. Total European green coffee import in 2012 was 3.6 million tons, which is equivalent to EUR 4.7 billion in value (CBI, 2013). Raw coffee (green non-decaffeinated coffee) is still the main form of import coffee because of several reasons. The most important reason is that the European tariffs favor unprocessed coffee. For instance, import tariff for green coffee beans is 0 percent, while roasted, and decaffeinated coffee has an import tariff of 9 percent. Another reason is that customers’ tastes are not similar among countries. Thus, it is better to let retailers desire the production of blends that is appropriate to local consumption preferences (CBI, 2013). European Coffee Federation has given out the statistics of leading coffee exporters into EU’s market (Figure 4).
Green non-decaffeinated coffee imports of the EU from all origins in 2011 were 51,594,975 bags, which is equal to 3,095,698 tons. Figure 3 illustrates that three biggest coffee export countries to EU’s market are: Brazil (14,679,284 bags accounting for 28 percent), Vietnam (9,120,971 bags accounting for 18 percent), and India (2,652,127 bags accounting for 5 percent). In previous years, the three leading coffee suppliers were consistently Brazil, Vietnam and Colombia. Brazil and Vietnam have remained in the top 2 origins while the third position moved to Indonesia in 2009 and to India 2011. It seems that Brazil and Vietnam always represent nearly half of EU coffee imports (Coffee Market Overview March, 2012 – European Coffee Federation).

Import volume varies between EU countries. Figure 5 demonstrates imports of green coffee into 28 European Union countries from 2008 to 2010 in tons.
According to CBI (2013), most of leading importing countries, import is extremely related to the re-exporting to neighboring countries, such as: Spain, and Poland. Hamburg (Germany), Antwerp (Belgium), and Rotterdam and Amsterdam (Netherlands) are huge trading ports for coffee. Thus, they keep strategic positions in coffee supplying to other European countries. High import rates do not always prove high level of consumption correspondingly. For instance, despite Belgium’ consumption per capita is in medium level comparing other EU countries; it is still in the top coffee importers in EU. In order to reduce domestic coffee price, other EU countries may offer market opportunities even smaller for exporters based on which exporters’ marketing strategy (sustainability of quality market).
4.2.3 Requirements for coffee exported to EU market.

The European Union is target market for a lot of coffee exporters. In order to enter this market effectively and prevent risks, exporters have to understand basic requirements of coffee exporting to this market. Given information in this part is mostly from the source of the EU Export Helpdesk (2014)

Firstly, requirements of health control of foodstuffs must be considered. The quality and safety of imported foodstuffs are seen as one of the most important factors. Thus, all foodstuffs including coffee have to comply the EU requirements of health and safety before coming the EU market. These requirements are clarified in the EU food law and equivalent conditions. The EU’s food safety policy was established to ensure foods placed on the market do not contain dangerous contaminants affecting consumers’ health. There are food safety standards and maximum level, which were created the appropriate measurement to check if foodstuffs can import into the EU or not. For example, specific limits of Ochratoxin A for coffee are regulated. The limits are different in several types of coffee (roasted or soluble). In addition, the EU also has specific regulations, which prohibit coffee having residues of pesticides exceeding the maximum levels allowed. For instance, the maximum of Carbofuran per coffee kilogram to enter the EU market is 1 mg; or 0.02 mg of Propiconazole is the limit for each kilogram of coffee beans.

Requirements of labeling are very strict as well. The major objective of EU food labeling rules is to provide to customers necessary products’ information. Thus, there is determinant information, which must be displayed on all food labels, such as:

- The name under products must be sold. The products’ name should be a customary or a food’s description. In case of no trademark, brand name or fancy name, it is possible to substitute by the generic name, but it can be used in addition to the generic name. The food’s physical conditions, for example roasted or soluble coffee, have to be encompassed on the label.
- The list of ingredients and contained additives.
- The net weight/quantity of foodstuffs without the weight of packages.
- The specific durability date within day, month and year.
- Conditions of preservation and usage.
- Provenance, and name and address of the business, manufacturer, packager, and the EU importer.
- Lot marking on pre-packaged foodstuffs with the marking preceded by the letter "L"

Especially, certain label requirements apply for coffee extract, soluble or instant coffee. “Markings such as Coffee extract©, soluble coffee extract©, soluble coffee© or instant coffee© mean that package contains concentrated product obtained by extraction from roasted coffee beans using only water as medium of extraction and excluding any process of hydrolysis involving the addition of an acid or a base”.
5. VIETNAMESE COFFEE EXPORTS

5.1 Production of Vietnamese coffee

Vietnamese coffee has made a progress in production as well as exports. Currently, Vietnamese coffee has achieved international standards. In 1986, Vietnam had no position in the list of global coffee exporter countries then nowadays, Vietnam is the second leading coffee export country (after Brazil), which overcomes a lot of perennial coffee producing nations, such as: Colombia, India, or Mexico.

According to Vietnam Trade Promotion Agency (November, 2013), coffee plantation spread of Vietnam has increasingly expanded. Specifically, the coffee plantation area in 2013 was 633,295 hectares, which increased 3 percent compared to the year of 2012 (616,407 hectares); and increased by 11 percent compared to 571,000 hectares in 2011. In recent five years, Vietnamese’s coffee production increased steadily because of five main reasons: (1) the expansion of coffee plantations, (2) relatively favorable weather (especially in autumn 2013), (3) the enhancement of understanding and the increase of investments for farmers such as improving farming techniques, proper irrigation, and proper use of fertilizers, (4) the usage of new varieties of high yielding and rust resistant, and (5) stable coffee exports price motivating farmers to expand acreage and replace aging coffee trees. As the figure 6, which demonstrates the Vietnamese coffee’s production and plantation area from 2004 to 2013, Vietnamese coffee production showed positive signs and anticipated a promising future.
In addition, coffee productivity of Vietnam is high compared to other producing countries. Specifically, the Vietnamese average productivity in 2013 is more than 40 bag of 60 kilograms green coffee per hectare while the average productivity in the coffee origin, where has largest coffee farms and most mechanization- Brazil is from 25 to 30 bags per hectare (Coffee Division of ED&F Man, June 2013). Figure 7 shows the comparison of coffee productivity between leading producing countries. It points out the highest level in productivity of Vietnam.

Figure 6. Production and Plantation Area of Vietnamese Coffee (2004-2013)  
(Source: Vietnam Ministry of Agriculture and Rural Development, 2014)

Figure 7. Agricultural Yield of Coffee Farms (in 60kg bags of Green Bean per Hectare)  
(Source: Coffee Division of ED&F Man, June 2013).
5.2 Vietnamese coffee exports

In general, Robusta and Arabica are two main types of coffee. The two differ in taste, growing conditions, and price. Arabica coffee is often used to have a mild and sweet taste; the winey taste that characterizes coffee with excellent acidity. Robusta coffee has stronger and harsher taste. This type contains twice times of caffeine than Arabica beans. Robusta coffee is easier to grow so its price is also cheaper than Arabica coffee. Robusta is grown mostly in the Africa and Asia, while Arabica is grown exclusively in Latin America (the kitchn, 2008).

Coffee is one of key exported agricultural products, which contributes considerably to Vietnamese economy. Vietnam exports mainly Robusta coffee and Arabica coffee, in which Robusta coffee accounts for roughly 95 percent while Arabica coffee makes up 5 percent of Vietnamese exported coffee annually. The major reason is natural factors such as: land and weather in Vietnam that is suitable for Robusta coffee. Furthermore, this type of coffee is also popular in the world (Vietnam Coffee-Cocoa Association, 2009).

In the period from 2003 to 2010, the Government of Vietnam completed the construction of Vietnamese strategic agricultural commodities exports, in which coffee was considered the priority. This important position was located by advantages of land, climate, and production experience of farmers. Moreover, the growing global demand more coffee consumption also affects to Vietnamese coffee exports. Another advantage of Vietnamese coffee is lower production fee compared to other coffee producing countries. For instance, average cost to produce a ton of raw coffee in Vietnam is USD 650-700. Including the cost of processing per coffee ton to export is USD 750-800. Meanwhile, the cost of production is USD 1.412 in India for a ton of coffee. The cheaper production cost is a favorable condition to reduce costs and increase competitiveness for Vietnamese coffee in the world’s market (Vietnam Coffee-Cocoa Association, 2009).

Vietnamese export volume has increased year by year, which leads to the increment of export-value. As the statistics of the Vietnam General Statistics Office from 2001 to
2013, volume and value of exported coffee experienced a strong growth. In 2011, total volume of exported coffee into foreign markets obtained 931,000 tons, which is equivalent to USD 391 million. By the year of 2013, Vietnam exported 1,32 million tons that is tantamount to USD 2,75 billion. Figure 8 indicates changes of coffee production export and equivalent value from 2001 to 2013.

![Export Volume and Equivalent Value of Vietnamese Coffee (2001-2013)](image)

Figure 8. Export Volume and Equivalent Value of Vietnamese Coffee (2001-2013)
(Source: Vietnam General Statistics Office, 2001-2013)

As the year of 2013, Vietnamese coffee has exported to 86 countries and territories around the world, this number lifted compared to 75 markets by 2008. Vietnamese coffee are mainly exported to the European market. According to official statistics in 2013, coffee was exported to this market reached 568 thousand tons with the value of USD 1.2 billion equivalently. Asia is the second largest import area of Vietnamese coffee with 269 thousand tons corresponding to USD 598.9 million in 2013. Africa and America are considered as potential markets for Vietnamese coffee (Ministry of Industry and Trade of the Socialist Republic of Vietnam, March 2014)
As the largest market of Vietnamese coffee, European Union is occupying 44 percent of Vietnamese coffee exports. The volume of exports has increased year by year. EU countries, which have imported Vietnamese coffee including: Germany, United Kingdom, Spain, Belgium, Luxembourg, Italy, France, Netherlands, Denmark, Sweden, Poland, Slovakia, Hungary, Czech Republic, Bulgaria, Greece, Austria, and Portugal. In the measurement of Vietnam trade Promotion Agency (November 2013), four largest EU import markets for Vietnamese coffee are: Germany, Italy, Spain, and Belgium. As a result, there are 8 countries, which have not yet imported Vietnamese coffee, including:

- Cyprus
- Estonia
- Finland
- Ireland
- Latvia
- Lithuania
- Malta
- Slovenia
There are several reasons why Vietnam has not yet exported coffee to these markets. The first reason is the low consumption and small market size of some countries, such as: Slovenia, Lithuania, Ireland, Latvia, Estonia, Cyprus, and Malta. The consumption in volume of these countries is less than 15,000 tons per year. Because of low demand in consuming, those markets often re-import from other EU countries, for instance: Germany, France, and Belgium. In a potential market both in consumption as Finland, Vietnamese coffee has not been available in this country yet because partly the commercial relation between two countries has not been really strong and close enough. According to Vietnamese Embassy in Finland (2008), trade with Finland has accounted for a small proportion of the total import-export turnover of Vietnam (around 0.15 to 0.16 percent) as well as in the total import-export turnover of Finland (from 0.7 to 0.9 percent). In addition, Vietnam also just has boosted coffee exports to the Nordic market (Denmark, Iceland, and Norway) since five years ago so Finland is certainly also a part in the process of market penetration of Vietnamese coffee.

According to Vietnam Coffee-Cocoa Association (2013), there are 10 enterprises in Vietnam that are exporting coffee to the EU market currently.

- Vietnam National Coffee Corporation
- Vietnam Intimex Joint Stock Corporation
- Daklak Investment Export Import Joint Stock Corporation
- Simexco Daklak Import-Export Company Limited
- Phuoc An Coffee One Member Company Limited
- Pectec Coffee Joint Stock Company
- Tin Nghia Corporation
- Maseco Services Joint Stock Company
- Huu Nghi High Quality Confectionery Joint Stock Company
- Thai Hoa Company Limited

As a state-own enterprise, the Vietnam National Coffee Corporation accounts for the majority of around 70 percent of Vietnamese coffee in EU market. Vietnam Intimex
Corporation has been a state-owned company, but has equitized in 2006. Currently, this corporation is the second largest coffee exporter in Vietnam with roughly 10.3 percent of total annual Vietnamese coffee export to EU (Report of Vietnam Intimex Joint Stock Corporation, 2010). Remaining privates enterprises make up for around 20 percent of total Vietnamese coffee in the market of European Union.

5.3 The Vietnam National Coffee Corporation in European market.

The Vietnam National Coffee Corporation is a large state-owned enterprise, which stands in leading position in the sector of coffee. Every year, the corporation directly manufactures coffee to respond domestic demand as well as to export. The corporation has achieved great success with annual revenue from coffee making up from 20 to 30 percent of national coffee export turnover. Europe is one of main markets of the corporation along with U.S.A and Japan.

Before the year of 2000, Vietnam National Coffee Corporation mostly was exporting raw coffee leading to the export value was not so high. Since 2000, the corporation has diversified export coffee products due to the increase of consumer demand for coffee and the requirement of the several types of coffee in EU market. Product coffee structure of the corporation exports to the EU market includes: raw coffee, coffee mix (3 in 1), instant coffee, and roasted coffee. As the updated information, Vietnam National Coffee Corporation has exported to 13 EU countries (Figure 9).
Vietnam National Coffee Corporation is the biggest coffee enterprise in Vietnam. In EU market, the corporation occupies roughly 70 percent of entire exported Vietnamese coffee. Coffee products have high quality meeting all standards of EU market.
6. RESEARCH’S RESULTS

6.1 Potential markets for The Vietnam National Coffee Corporation in European area

As the research on situation of coffee imports in EU market, there are 8 EU countries, which have not imported Vietnamese coffee already including: Cyprus, Estonia, Finland, Ireland, Latvia, Lithuania, Malta, and Slovenia. Besides, there are 5 EU countries that the Vietnam National Coffee Corporation has not entered to consisting: Bulgaria, Czech Republic, Croatia, Sweden, and Slovakia. Norway is an additional country that the Vietnam National Coffee Corporation has not entered. Even Norway is not a member state of European Union, but it is the member of European Economic Area (EEA), in the context of being a European Free Trade Association (EFTA). In addition, Norway also belongs to Schengen Area. Therefore, Norway has accessed to the single market of European Union and adopted most EU market’s legislation. Consequently, in this study, Norway is also considered as one of EU’s market, which Vietnamese coffee having opportunities to enter (Norway Mission to the EU, 2012).

Therefore, there are 14 EU nations that can be potential for the corporation. Based on the statistics in coffee consumption, it is able to arrange these countries by consumption in the order as follows:

<table>
<thead>
<tr>
<th>Consumption in kg per capita</th>
<th>Consumption in volume (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rank</strong></td>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>1</td>
<td>Finland (12)</td>
</tr>
<tr>
<td>2</td>
<td>Norway (9,9)</td>
</tr>
<tr>
<td>3</td>
<td>Sweden (8,2)</td>
</tr>
<tr>
<td>4</td>
<td>Slovenia (5,8)</td>
</tr>
<tr>
<td>5</td>
<td>Croatia (5,1)</td>
</tr>
<tr>
<td>6</td>
<td>Cyprus (4,9)</td>
</tr>
</tbody>
</table>
(Sources: European Coffee Report, 2012 and CBI Ministry of Foreign Affairs, 2013)

However, among 14 countries, there are two countries, in which Vietnam is the biggest coffee exporter overwhelming market shared compared to others. These countries consist of Bulgaria and Slovakia; thus, they have been eliminated from the list in this research. Looking at statistics in coffee consumption, both in kg per capita and in volume, in combining with supporting information of import situation and geographical location, the most promising coffee markets for the Vietnam National Coffee Corporation were selected. There are 5 countries (Sweden, Norway, Finland, Czech Republic, Croatia), which can be potential to entering for the corporation. Moreover, these 5 market are segmented into 2 groups based on conditions related to geography, consumer behavior, and economic development.

<table>
<thead>
<tr>
<th>GROUP 1</th>
<th>GROUP 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Sweden</td>
<td>- Czech Republic</td>
</tr>
<tr>
<td>- Finland</td>
<td>- Croatia</td>
</tr>
<tr>
<td>- Norway</td>
<td></td>
</tr>
</tbody>
</table>
6.2 Opportunities analysis of The Vietnam National Coffee Corporation in identified potential markets

6.2.1 Group 1: Sweden, Finland, and Norway

Generally, Sweden, Finland, and Norway are Nordic countries. The Nordic model is also called as Nordic capitalism or Nordic social democracy, refers to the economic and social models that involves the combination of a free market economy with a welfare state (Institute of Economic Affairs, 2013). In spite of several differences among countries, there are certain similarities in lifestyle, social structure, and level of economic development, and cultures.

The European countries of the North are often seen as the top in all international indices of well-being and wealth. According to Forbes Magazine (2013), in the ranking within 142 countries in the quality of education, governance, entrepreneurship, and human development, Norway was the number one; the third one was Sweden and Finland kept the seventh position. According to Nordic Statistical Yearbook (2013), unlike other European countries, the Nordic societies are built on a set of basic values called Nordic Welfare Model. This model is to promote social rights, which means everybody are able to access to social and health services, education and culture equally. The model is commonly described by the close relationship between welfare and labor market. In politics, these three countries cooperate in the Nordic Council. The Council is a geopolitical inter-parliamentary forum for co-operation of Nordic countries, which was established after World War II. Its first result was the Nordic Passport Union in 1952, which enables the free movement across borders for the citizens of Nordic countries including Sweden, Finland, and Norway. In recent ten years, the Nordic economies are considered having the best macroeconomic performance in the Western World. At the same time, the Nordic countries have had a noticeably larger increase in GDP (gross domestic product) and average income than other countries in Eurozone. In culture, the history of Nordic countries has been one of the most socially progressive cultures in the
world. Because of similarities in history, culture is viewed as an important component in co-operation between Nordic countries. In general, whole of policies have been built on the respect of cultural life, mass media and religion have shared values and features (About Nordic co-operation, 2007).

In Nordic countries, coffee is seen as one of their defining features. Coffee keeps an importance in social activities that revolve around the consumption of coffee.

Shortly, all of Sweden, Finland, and Norway have a healthy and sustainable growth. In spite of numerous similarities among these nations, the exporter must understand three countries as three market separately in the way of complementary but juxtaposed.

6.2.1.1 Sweden

As a highly developed country, Sweden is a federal state located in Northern Europe. It is a constitutional monarchy with a parliamentary democracy form of Government. Political environment of Sweden are seen as a moderate, manageable and meticulous place. Sweden is known as a very safe and politically stable country. Sweden has a strong policy framework and sustainable reform initiatives, which helped this country to overcome economic crisis. Sweden also has comprehensive laws on anti-corruption and is fully implemented. In economical factors, “The Swedish GDP growth rate was hampered by the 2008-2009 global financial crisis, which affected its overall performance during 2001-2012. Global GDP is expected to grow to $99.5 trillion by the end of 2018, while Sweden's economy is likely to grow $591 billion at the current price by the end of 2018 with a slim CAGR of just 0.02% during 2013 and 2018”. The main reason of the economic upturn is considered as the implementation in fiscal policy timely of the Swedish Government. Sweden is well known as an economy having high individual taxes and large public sector. The Swedish trade is at record levels. Social environment in Sweden is prized for the successful welfare oriented society. Swedish people aware strongly about retaining their value democracy, human rights, gender equality, and significant concerns for global issues. Swedish policies focus on health care, education, and human development. In technological factors, Sweden has higher
education, training pillar, and skilled workforce. Thus, Swedish people have ability in adapting rapidly to a changing environment and new technologies. Traditional engineering industry is the core source of Swedish inventions. Besides, pharmaceuticals electronics and other high-tech industry are also developing strongly (market research reports in Sweden, 2013).

Sweden is a country having a high demand for coffee. Its population is quite low the coffee consumption in capita has been among the top five in the world for four nearest decades and remained rather stable year by year. The importance of coffee in Sweden is from the domestic demand and the role as a strategic supplier to other Nordic nations. Sweden offers a good chance for developing country exporters as Vietnam. Swedish coffee consumption amounted to nearly 80 thousand tons in 2011. Besides, Sweden also plays a considerable role as coffee roaster to supply roasted coffee to other Nordic countries, especially Denmark and Norway. Because of climatic reasons, coffee cannot be cropped in Sweden. This country is an average-sized EU importer of green coffee with stable volume. As the statistic in 2012 of Swedish National Coffee Association, Sweden imported 106.755 tons of green coffee in 2009, this number increased to 116.669 tons in 2010, then decreased lightly to 102.743 tons in 2011. Currently, Sweden imports mostly from developing countries (Brazil, Peru, Colombia, and Ethiopia), and the rest is directly re-imported from other European countries, especially Germany and Denmark. Although Vietnam National Coffee Corporation has not entered to Sweden, other Vietnamese enterprises have exported to this market but the market share is tiny compared to other exporters, about 1.9 percent (CBI, Coffee in Sweden 2011). Figure 10 shows the share of coffee imports market in Sweden (2011).
Coffee imports are mostly conducted by roasters and agents because Sweden is quite far from main ports, where coffee is delivered then this country has not many main traders. Sweden focuses on roasting sector significantly. There are multinational enterprises carrying coffee market share in this country. For instance, Kraft is the largest player with 42 percent of the Swedish roasted coffee market in 2010, followed by Zoégas (22%), and Löfbergs Lila (12%). The retailers ICA and COOP made up for 5 percent and 3 percent of the market respectively (The Swedish National Coffee Association, 2010). These large enterprises keep dominant role (the contact information of those potential partners can be found in appendix 1). There is only value-added tax applying for coffee imports in Sweden: 12 percent in retailing and 25 percent in restaurant (CBI, Coffee in Sweden 2011).

6.2.1.2 Finland

Finland is a rapid developed country, which is located in the Fennoscandian region of Northern Europe. Finland was a relative latecomer to industrialization, maintaining a largely agrarian nation until the 1950s. After that, Finland has developed an advanced economy and built an extensive Nordic style of welfare state. About politics, the fundamental administrative divisions of Finland include municipalities. They occupy a
half of public spending. Spending is financed by municipal income tax, state subsidies, and other revenue. Finnish economical environment can be characterized as a highly industrialized mixed economy with a per capita output equal to that of other European countries such as: Germany, France, and Belgium. The industry of services is the largest sector of the economy. Finland is a country with a high level of satisfaction in quality of life and society. The social security of Finland is well known in the world. Moreover, it is a top-performing nation in terms of educational system. The average student scored 543 in reading literacy, maths and science in the score of OECD (Organization for Economic Co-operation and Development) while the average score is 479. Finnish health care system is also one for the most decentralized and highest level in the world. Similar to Sweden, Fins have strong awareness of equality, human rights, and value democracy. In technological environment, Finland can be descried as on of the European technological leaders. Finland has an excellent management in development funds and uses it widely in building a country of technology (market research reports in Finland, 2013).

Finland is the largest per capita coffee consumption in the world, with an attention to products’ origin and sustainability. Finland is a promising market for developing country exporters. Vietnam has not entered this market already. Thus, this is an opportunity for Vietnam National Coffee Corporation to be the first Vietnamese exporter in Finland. Coffee plays an important role in Finnish life. Coffee brings energy to Finns at work as well as in important events and festivities. Coffee breaks are even included in labor work agreements commonly. Same to Sweden, Finland cannot grow green coffee. Although Finland is a small-sized EU coffee importer, the volume is quite stable in several years. The volume of imported coffee to Finland has been always ranged from 60.000 to 65.000 tons per year. Finnish coffee supplying countries are mostly developing countries such as: Brazil and Colombia. Besides, Finland also re-imports from other European countries. Currently, Brazil is the biggest exporter in Finnish market (CBI, Coffee in Finland, 2013).
Most promising partners for developing country exporters in Finland are traders and roasters. There are several players active in the Finnish coffee market, such as: Meira, Paulig,, Andesa, Kraft, Unilever, and Kesko. In addition, there are numerous organic food supermarkets and other specialty shops, which sell coffee, for instance: Eximius Kahvi, Crema, Meklarit, and Fairtrade Finland. Furthermore, there are a number of small Finnish importers such as: Cafetoria, Kaffa Roastery, Café Caracol, Mokkamestarit, and Mokkamestarit, who are interested in developing direct trade with exporters especially from developing countries (the contact information of those potential partners can be found in appendix 2). The value-added tax for coffee imports in Finland is 13 percent. There are no excise duties for coffee (CBI, Coffee in Finland, 2013).

6.2.1.3 Norway

Kingdom of Norway is situated in Scandinavian region of Northern Europe. Norway has extensive reserves of minerals, lumber, petroleum, natural gas, hydropower, and seafood. Politics in Norway take place in the framework of a parliamentary representative democratic constitutional monarchy. The King’s Council and cabinets have an executive power. Norway obtained the highest position in the Global Human Development Index ranking during the period from 2001 to 2012. The OECD ranks Norway third in social mobility and fourth in the Better Life Index in 2012. The World Bank also ranked
Norway as the country has the fourth world’s highest per capita income. In economical environment, Norwegian economy has developed considerably since 2003. Norway is open for attracting foreign direct investment in almost economic sectors. On a per capita basis, Norway is the second world’s largest producer of oil and natural gas beside Middle East. Norway is the fifth largest exporter of oil and the second largest exporter of gas. Energy is the major industry of Norwegian industry. In social factors, the Norwegian farm has an important role in the contemporary national culture. Norway’s population density is quite low, which leads to negative influences to workforce, and consumption. Norwegian society is well known because of high level of development with good quality of heath care, education, and security. Norway is a country, which has high level in technological development. Norwegian government pays attention to research and development significantly (market research reports in Norway, 2013).

Norwegians are well known in the world for drinking coffee. Norway is the second highest coffee consumption per capita, after Finland. People in this country likely drink coffee many times a day. Commonly, the coffee consumed is traditional roasted coffee drunk at home, not specialty coffees in shops. Norway is a small-sized coffee importer compared to EU’s countries but its imports volume has gradually through years. For example, as the statistic of Norwegian Department of Agriculture (2014), Norway imported 34.380 tons of green coffee in 2011, this number increased to 39.000 in 2012 and to 39300 tons in 2013. Norway has imported green coffee from developing countries, in which Brazil is the largest exporter. Besides, Norway also imports roasted coffee from other European countries, such as: the Netherlands, the United Kingdom and Switzerland. Vietnam has already entered the market of Norway but the market share is small, 2.02 percent. Figure 12 points out the share of imports of green coffee in Norway among several origin countries in 2011.
Figure 13. Share of imports of green coffee from origin countries in Norway in 2011
(Source: European Coffee Report, 2011)

Potential trade partners for the Vietnam National Coffee Corporation in Norwegian market are retailers, such as: COOP Norge AS, ICA Norge AS, Norgesgruppen, Rema 1000 Norge AS and Reitangruppen. They are four leading players hold a combined market share of over 90 percent (the contact information of those potential partners can be found in appendix 3). Roasted and green coffee imported to Norway are charged with a Food production fee as follows: 1,14 percent + value added tax of 14 percent (European Coffee Report, 2011).

6.2.2 Group 2: Czech Republic, and Croatia.

Croatia, and Czech Republic are located close geographically because they belong to Eastern Europe. These countries are bordered by each other constituting a neighbor triangle. Different to almost other EU countries, Croatia is using Kurona currency (HKR) and Czech Republic is still using the currency of CZK. As the definition of Ramet, Sabrina P (1998), “Eastern Europe is a cultural and econo-cultural entity: the region lying in Europe with main characteristics consisting in Byzantine, Orthodox, and some Turco-Islamic influences”. Therefore, these countries have the sameness in culture leading to certain similarities in consumer behavior. Eastern European consumers normally spend the amount of money on shopping proportional to the money they earn. Consequently,
the consumption level in this region is instable. Commonly, Eastern European customers prefer cheaper bulk products.

Generally, Eastern Europe including Croatia, and Czech Republic is widely considered as an attractive but complex homogenous trading bloc. As a result, marketers need to adopt new strategies to approach customers. Although Croatia and Czech Republic are not considerable potential as those countries in Group 1, they are still promising opportunities for the Vietnam National Coffee Corporation because of typical characteristics of these markets.

6.2.2.1 Czech Republic

Czech Republic is a landlocked country in Central Europe. In politics, Czech Republic is a multi-party parliamentary representative democratic republic. A continuous struggle between a weakened center-right coalitions Government and an invigorating opposition characterize the political situation of the Czech Republic. The tension between two main political parties leads to instability of the ruling coalition. In economic, the Czech Republic has a stable economy registering double-digit growth in the period from 2001 to 2011, creating it a propitious destination for investment. Czech economy has been hit hard by the global recession, prompting the government to fiscal consolidation to strengthen public finances and improve the business environment. The Czech Republic is also open to attract foreign investment in huge potential sectors, such as: energy, automotive, retail, and construction. The Czech Republic performs well in many measures of well-being. The quality of education and health care are in the average level. Unemployment is one of social problem in this country. Technological development is considered as one of the key objectives in the Czech Republic (market research reports in Czech Republic, 2013)

Actually, Czechs are not heavy coffee drinkers. However, the coffee consumption in volume of Czech Republic is in the medium level with 34,260 tons in 2011. Cheap homemade Turkish style has been a traditional drinking coffee’s style of Czechs. However, consumers in this country are moving gradually to premium quality and tasty
coffee drank in interesting coffee house. Czech Republic is a small-sized EU coffee importer but its coffee import value has been in increasing trend. In 2010, coffee import value of this nation obtained only USD 14,401,032 in 2003, then lifted to USD 84,443,792 in 2010; this number rose to USD 131,436,612 in 2011, and slightly declined to USD 114,711,155 in 2012 (FactFish, 2012). According to European Coffee Report (2012), major coffee suppliers in Czech Republic are Brazil, Vietnam, Ghana, and Indonesia. Despite Vietnamese coffee has been available in this market, the Vietnam National Coffee Corporation still has opportunities to entering because of its good quality’s products and large-scale of enterprise.

![Figure 14. Share of imports of green coffee from origin countries in Czech Republic in 2011](Image)
(Source: European Coffee Report, 2011)

Potential trade partners for the Vietnam National Coffee Corporation in Czech Republic are traders, distributors, retailers and roasters, such as: Café Los Andes, Clark Oil S.R.O, Frape Foods S.R.O, Ag Foods Groups, and Roxell S.R.O (the contact information of those potential partners can be found in appendix 4). The value-added tax for coffee imports in Czech is 14 percent. Besides, there are no other duties for coffee (European Coffee Report, 2011).
6.2.2.2 Croatia

Croatia is located in the crossroads of Central Europe, Southeast Europe, and the Mediterranean. A parliamentary, representative democratic republic framework characterizes the politics of Croatia, where the Prime Minister of Croatia is the head of government in a multi-party system. Croatian political situation is quite stable. Economically, Croatia is a service-based economy with the tertiary sector occupying for 70 percent of total gross domestic product. Croatian economy was affected strongly by the economic crisis and it has recovered slowly. As the 28th member of European Union, the economy of this country is being driven towards a positive development. Socially, similar to many European countries, Croatian population is aging, due to a simultaneous increase of life expectancy and falling fertility rates. In addition, Croatia is characterized by a relatively high risk of poverty and social exclusion. In general, social conditions in Croatia are comparatively unfavorable. Technologically, Croatian government also has a special interest in the development of technology and investment of research and development (Investment Environment in Croatia, 2012).

Drinking coffee is viewed as one of Croatia’s favorite afterpiece. They often drink coffee with friends or family in the local neighborhood-meeting place for most Croatian called the “café”. It can be seen that coffee is a part of Croatians’ daily life. According to International Coffee Organization (2013), Croatia officially has become a new importing country of this organization on 1st July 2013. In average, Croatia imports 24.000 tons of coffee per year, representing an average annual per capita consumption of 5,1 kilograms. Croatia is a small-sized EU coffee importer but its import value has showed a gradual increasing trend. In 2005, the coffee import value of Croatia achieved USD 40.179.423, this number rose to USD 65.265.383 in 2008 and to USD 74.756.185 in 2011 (Indexmundi, 2012). Coffee in Croatia is mostly imported from Brazil and re-imported from other EU countries such as: Italy, Germany, and Netherlands.
Figure 15. Share of imports of coffee from origin countries in Croatia in 2011
(Source: European Coffee Report, 2011)

Potential trade partners for the Vietnam National Coffee Corporation in Croatia are wholesalers because most of retailers buy domestic and imported products from wholesalers. The retail sector is dominated by foreign supermarket chains, for instance: Billa, Kaufland, Ipercoop, Lidl, Mercator, Metro, and some domestic supermarket chains such as: Konzum, Olodine, and NTL (the contact information of those potential partners can be found in appendix 5). Croatian added value tax for coffee imported is from HRK 6 to 20 per kilogram (HKR: Croatian Kuna currency), depending on the type of coffee or coffee product (Croatian Tax Administration, 2013)
7. RECOMMENDATIONS

7.1 Enhancement of competitiveness

Five identified markets are promising markets for exporters. Although Vietnam has become the world’s second coffee exporter, the competitiveness still need be improved.

According to the Vietnam National Coffee Corporation Official Website (2012), 85 percent of export coffee of the corporation is raw material (green coffee beans). Meanwhile, other competitors have also concentrated particularly on organic coffee products, certificated coffee, and Trade-fair coffee. At the moment, Brazilian exporters are main competitors of the Vietnam National Coffee Corporation. It is a nation having a long history in coffee industry. Nowadays, Brazil is the largest coffee exporter in the world as well as in five identified potential markets. Major strenghts of Brazilian coffee are certificated coffee products, sustaible relationships with strategic business partners, and success in product research. In order to compete effectively with Brazilian exporters, the Vietnam National Coffee Corporation should improve products’ quality, invest to research and development, boost foreign trade promotion, pay attention to quality certification, and build prestige in the international market. In addition, other competitors in coffee exports industry are not only from coffee-growing countries (Brazil, Colombia, or India), but also from countries having development of coffee process and commercial activities such as: Germany, America, Netherlands, Italy, and France. Some of them are located within EU and close to five potential markets, so they have benefits from transportation costs that leads to the increase of competitive ability. Anyway, each market has different features in competition. Thus, the Vietnam National Coffee Corporation needs to navigate competitive strategy, which is appropriate to each target market.

7.2 Diversification of exports coffee categories

Diversifying types of products, is one of strategies, which is are frequently used by manufacturers to meet the increasing needs in a hard competitive situation of international market. Vietnam National Coffee Corporation should expand more
categories of export coffee products. Customers in each country have different taste and preferences: for instance, some markets prefer traditional coffee while some others are interested in instant coffee. Thus, the Vietnam National Coffee Corporation needs conducting market research in each potential market then making decision of export products that is suitable for the needs of this market. Currently, the corporation focuses mostly on green coffee, which has occupied around 80 percent of total coffee exported. However, the trend of consumer demand is shifting to coffee products, which are convenient to drink and high quality. In the future, the corporation should pay attention to instant coffee, coffee extract, and other types of specialty coffee. In the international market, ready-to-drink coffee is becoming popular as well. Consumers can be easy to buy a small bottle of coffee from the supermarket any time; they do not need to boil water or use coffee maker. Products diversification must also associate with quality increase, which meet to consumers’ demand and interest.

7.3 Updating market information and data

Information is an important factor in international trade. Updating information quickly is a good opportunity for the corporation to catch consumer’s demand and trend to find out appropriate strategy timely. Coffee market is always fluctuating; information plays a necessary role. Information includes latest market prices, production information, and regulations, laws and policies of Europe Union as well as each import nation. Currently, almost business activities of Vietnamese coffee enterprises are formed by determinative purchase contract; all prices are determined based on the transaction price of coffee in the London and New York’s coffee (Vietnam Coffee-Cocoa Association, 2012). The most important element of this business form is accurate and timely information and data of international market aimed to be a basis for market analysis. By frequent updated information, the corporation also can have correct predictions in order to make appropriate decisions on the right time.
7.4 Branding and Advertisement

Phil Phillips (2006) stated, “Beyond building customer loyalty, successful brands have the power to enter the consumer unconscious, weaving their way into the fabric of everyday life”. Obviously, the function of branding is a considerable contributor to the success of any product. Increasingly, Vietnamese businesses have been aware that one of their most valuable assets was the brand. In fact, despite Vietnam’s agricultural products have been sold in many countries around the world but many consumers still do not know these goods’ origin is Vietnam. The reason is the lack of promoting brand. Meanwhile, Thailand as one of the Vietnamese agricultural production competitor particularly pays attention in this issue. For example, Thailand's rice is packed full label and named in English, Thai, and even Vietnamese. Thai rice has entered to distribution channels in multiple supermarkets and retailers in many countries around the world. However, a number of Vietnamese well-known products including coffee has had the serious risk of trademark infringement in the international market. For example, one competitor registered trademark exclusive in American market for Trung Nguyen coffee in 2009 while this brand belongs a famous Vietnamese coffee manufacturer. In another case, a Chinese company specializing in coffee distribution in Guangzhou, China registered exclusive right for two brands faked Buon Ma Thuot coffee of Vietnam in 2014. As a result, the corporation needs serious attention to the issue of brand protection in order to avoid similar incidents regarding the trademark Piracy affecting the competitive ability in foreign markets.

In addition, the Vietnam National Coffee Corporation should promote advertisements throughout product advertising channels such as magazine ads, trade fair, and social media. Besides, the corporation can also apply other advertising methods such as printing brochures or making souvenirs with prints of company logos for trade partners or product attachment.
7.5 Segmentation of target markets.

In the process of approach target markets, the Vietnam National Coffee Corporation should segment potential markets into groups within mutual characteristics and possible strategy. Specifically, Sweden, Finland and Norway are countries that have similar level of development, political nature, coffee consumption, habits and culture. Thus, it is able to apply a mutual marketing strategy in all of three markets. Furthermore, because of the geographical feature, the corporation should consider to export coffee to one of three countries then deliver products to others. The corporation can use an agent or distributor in one country to work and deal with two others. Understanding the market of one that can help the corporation significantly in reaching two remaining markets.

Different from the group 1 (Sweden, Finland, and Norway), in spite of mutual geographical location, coffee culture of the Group 2 (Czech Republic and Croatia) is not similar. The Czech Republic is consuming coffee more than Croatia, but drinking coffee is not seen as a traditional habit of this country. As a result, when entering these countries, the corporation should have separate strategies to meet consumer demand of each market. For example, Czech market could prefer popular, convenient, and trendy products, while Croatian consumers will care about the quality and traditional taste of coffee. It is possible that instant coffee will be suit to Czech market and roasted coffee can be successful in Croatia.

Importantly, the corporation should have appropriate strategy for each market even the different or similar characteristics between them. Understanding deeply of the target market is the key to success in exporting.
8. CONCLUSION

Currently, the trend of globalization is occurring forcefully attracting almost countries around the world including Vietnam. Exports and imports are major activities, which are most familiar to participate the international trade. Consequently, exports have become more important in policies and economic development strategy of Vietnam. By the advantage of agriculture, coffee is one of the major export commodities of Vietnam. Development of export coffee production plays a significant role in contributing to the national economy of this developing country.

The purpose of this thesis was to find out accurate direction for the Vietnam National Coffee Corporation in expanding in this potential market. This aim was kept in mind as the core for entire process of implementing the thesis. Specifically, the study has supported to the corporation in identifying remaining coffee European Union potential importers. Moreover, useful information about the European Union market and Vietnamese capability in coffee production and exports was also provided in the thesis. Through the process of searching, synthesizing and analyzing information, there are five potential markets determined including: Sweden, Norway, Finland, Czech Republic, and Croatia.

In the thesis, these markets were arranged in order starting from the most potential market. For each market, the author has given basic information such as: coffee consumption, import’s situation, major current exporters, possible trade partners, and tax system. When case company develop export plans, this information can be used as a foundation to build a blueprint that is consistent with the economy and market’s situation at that time. Furthermore, the author also gave out recommendations for the case company under the eyes of a person, who has extensive knowledge of the Vietnamese market as well as a practical and objective look in European market.

In conclusion, European Union markets and particular in five identified nations (Sweden, Finland, Norway, Czech Republic, and Croatia) are promising markets for the Vietnam
National Coffee Corporation. The corporation should have appropriate strategies and perform careful market researches before entering these markets to achieve the best economic efficiency.
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APPENDICES

Appendix 1

CONTACTS INFORMATION FOR COFFEE EXPORTERS IN SWEDEN

- Löfbergs Lila - http://www.lofbergs lila.se - important domestic roaster, also supplying Fair-Trade/organic coffee.
- Lindvalls Kaffe AB - http://www.lindvallska ff e.se - smaller Swedish roaster.
- COOP - http://www.coop.se - major retailer with large organics assortment.

Interesting players for DC exporters are:

Appendix 2

CONTACTS INFORMATION FOR COFFEE EXPORTERS IN FINLAND

- Meira (saludos) - http://www.meira.fi - important domestic roaster, also supplying Fair-Trade/organic coffee
- Kraft (gevalia) - http://www.kraftfoodsncd.com – important international producer, also supplying Rainforest alliance, Fair-Trade and organic coffee
- Unilever - http://www.unilever.fi/ - important international producer, supplying Rainforest alliance and organic coffee
- Kesko - http://www.kesco.fi
Appendix 3

CONTACTS INFORMATION FOR COFFEE EXPORTERS IN NORWAY

- ICA Norge AS – http://ica.no - Norwegian retailer
- Norgesgruppen – http://norgesgruppen.no - Norwegian grocery wholesaling group
- Rema 1000 Norge AS- http://rema.no
- Reitangruppen – http://reitangruppen.no - Norwegian wholesaler and retail franchiser
Appendix 4

CONTACTS INFORMATION FOR COFFEE EXPORTERS IN CZECH REPUBLIC

- Café Los Andes – http://andes.cz roasted coffee wholesaler
- Frape Foods S.R.O – http://frape-foods.czechtrade.us
- Ag Foods Groups – http://agfoods.eu - coffee roaster and producer
Appendix 5

CONTACTS INFORMATION FOR COFFEE EXPORTERS IN CROATIA

- Billa – http://billa.hr - supermarkets system
- Konzum – http://konzum.hr - grocery retailer
- Kaufland – http://kaufland.hr - hypermarket chain