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EXPORTING LONG DRINK TO VIETNAM

Case: A Finnish Brewery

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ABSTRACT

Vietnam has been recently well-known as a new economic attraction. Vietnamese alcoholic beverage industry is among the markets with clear opportunities occurring thanks to the economy's freshness. As a consequence, a large Finnish brewery realized its interests in the potential new market and assigned the author to an initial research.

The main aim of this study is to assist the Case Company in answering whether internationalizing to Vietnam should be added to its current set of strategies. To achieve this goal, the author was ordered to focus on matters related to the distribution and pricing process of Original Long Drink, a product of the Case Company, together with additional information about different aspects that the firm should take into consideration. Briefly, the author's work involves: the internal analysis of the Case Company and its product; the external analysis of target-country Vietnam, Vietnamese alcoholic beverage market, and the Case Company's potential consumers; the Case Company's export strategy; and last but not least, a distribution and pricing plan for the Case Company when exporting Original Long Drink to Vietnam.

The thesis employs deductive approach and a mixed research method which is a combination of qualitative and supporting quantitative methods. Data is collected from various sources such as published texts in the theoretical part; the Internet, interviews with stakeholders, legal documents, the author's own observations and other unpublished sources in empirical sections.

Via the analyses of the above mentioned aspects with selective theoretical tools, the author's main findings are the massive potential of Vietnamese alcoholic beverage market along with its corresponding hazards; the great enthusiasm of local consumers for the new type of drink; and appropriate strategies for export planning. Above all, the most significant output that the author provides the Case Company is the positive recommendation for it to enter Vietnamese alcoholic beverage market with the prospective product, Original Long Drink. The firm is also suggested to implement further research for better preparation once it officially internationalizes to Vietnam.

Keywords: Export, distribution, pricing, alcoholic beverage, long drink, Vietnam

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GLOSSARY

ABV	Alcoholic by volume
ABM	Alcoholic beverage market
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business: Trading between firms
B2C	Business to Consumers: Trading between companies and end-users
DCS	Distribution channel system
GSO	General Statistics Office of Vietnam
HCMC	Ho Chi Minh City
Horeca	Hotel Restaurant Cafe and other on-trade outlets
MAA	Measurability, Accessibility and Actionability
MoF	Ministry of Finance of Vietnam
MoIT	Ministry of Industry and Trade of Vietnam
Off-trade	Distribution channels to end-user of beverages where products are purchased for later consumption elsewhere
OLD	Original Long Drink
On-trade	Distribution channels to end-user of beverages where products are consumed right at the purchasing point. E.g. Horeca channels
p. value	Indicator of significance value in SPSS. p < 0.05 shows significant results p > 0.05 shows insignificant results
UN	United Nations
VND	Vietnam Dong, Vietnamese currency
WTO	World Trade Organization

1 INTRODUCTION

1.1 Background

Despite the global financial crisis which hit Vietnamese economy and caused its GDP growing rate to fall under 7%, the average level that the economy has been remaining at for years (CIA The World Factbook 2011), Vietnamese consumers seem to maintain their enthusiastic attitude towards spending. According to the Governor of the State Bank of Vietnam, the Lunar New Year of 2011 has witnessed an unprecedentedly large amount of money spent on purchasing (VNECONOMY 2011). Vietnam is among the three Asian nations with highest consumer confidence index, and Darin Williams, the Managing Director of Nielsen Vietnam, believed that Vietnamese consumers are ready to spend after the period of fulfilling their essential needs of living (Global Nielsen Consumer Report 2010). Another report of MasterCard Worldwide indicates that Vietnam is currently the Asian leading country in terms of spending on food, drinks and entertainment (Le 2011).

Being aware of the high purchasing power of Vietnamese consumers, the author had been seeking products that they might hunger for. Eventually, he came to the conclusion that the Finnish Long Drink would be one great choice of new product to offer to Vietnamese market. This belief was backed by two main reasons.

First, based on the author's own observation, long drink is widely preferred in Finland. As a result, its popularity is likely to guarantee a successful prospect for the product when marketed internationally. The idea of launching long drink in Vietnam was further supported by the fact that a number of Vietnamese students living in Finland had expressed their interest in Finnish long drink. From the author's point of view, this could be a good sign to show that Vietnamese could effortlessly adopt the taste of long drink.

The second reason was due to the fast growing ABM of Vietnam (Vietnamnet 2011) where there have been only several types of beer existing. While beer brewers operating in Vietnam are rushing to expand their production capacities

(Vietnamnet 2011), it is also a good time for other international producers to join this highly potential market with new products.

1.2 Thesis objectives and research questions

The Case Company made its decision to start studying Vietnamese beverage market in order to establish an export and pricing plan of long drink to Vietnam. The author was accordingly ordered to carry out a research focusing on certain areas of logistical, distributional and marketing aspects. As a consequence, the following research questions are formed.

Research question: Is Vietnam a potential market for the Case Company? How the Case Company can successfully find its way to enter Vietnamese market?

The main aims of this thesis are to assist the Case Company in answering the main research questions as well as providing it with relevant information required for the process of internationalization to Vietnam. In order to achieve these objectives, the below sub research questions are identified based on the author's discussion with the Managing Director of the Case Company:

- What information the Case Company needs to know about Vietnam as the target country?
- What are the main legal issues facing the Case Company concerning its long drink product in Vietnam?
- What are the main characteristics of Vietnamese ABM?
- Who would be the Case Company's target consumers?
- What could be the suitable price of long drink in Vietnamese market?
- Draw up a landscape of possible distribution route to market in Vietnam for OLD
- Who are the possible importers of the Case Company?

1.3 Research methodology

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

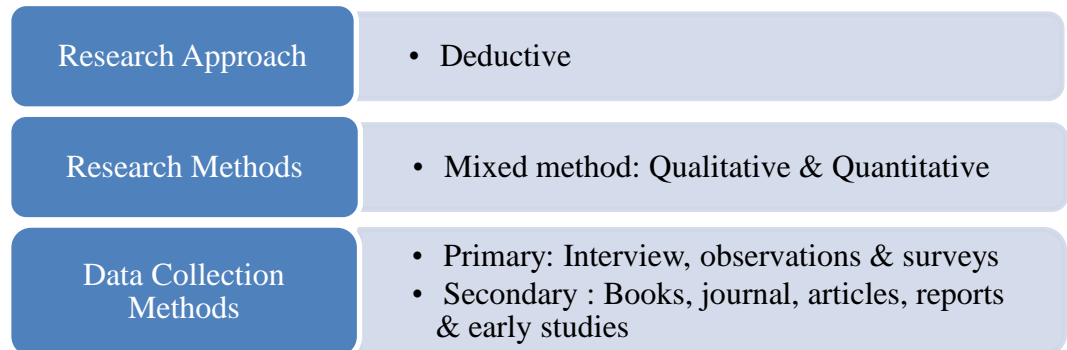


FIGURE 1. Research Methodology

Burney (2008) suggested that there are two main methods of reasoning which are deductive and inductive approaches. According to him, the former approach process from general to more specific while the later moves from specific observations to broader generalizations and theories. It is also possible to utilize the combination of both inductive and deductive approaches which includes both building and testing of the theories (Saunders, Lewis, & Thornhill 2009, 124).

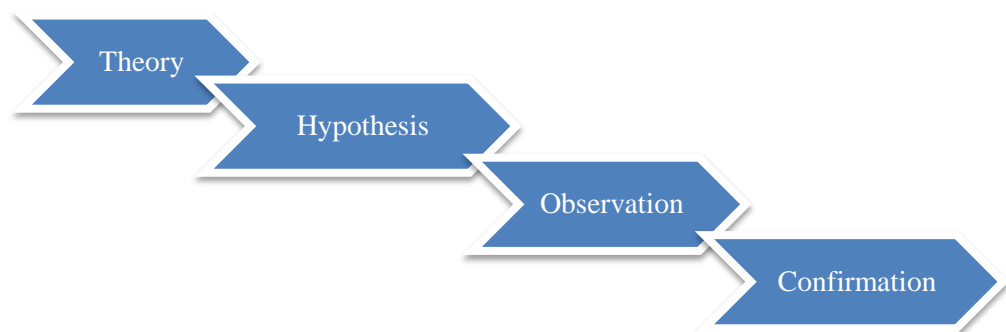


FIGURE 2. Deductive approach model

The choice of research approach is due to the nature of the research. As a result, this thesis will employ the deductive research approach which is indicated in Figure 2.

When it comes to research method, qualitative method is said to involve the use and collection of various empirical data sources in order to make sense of them while quantitative research method is based on numerical measurements from which generalized results are produced (Thomas 2003, 1-2).

This study is planned not only to process qualitative data but also to perform a survey which gives the company certain overviews about Vietnamese beverage market. As a consequence, the mixed method consisting of both qualitative and quantitative method is applied. However, the exploratory aim of this thesis leads to the priority of qualitative research method and simultaneously leaves the quantitative one at the supporting position. The mixed method is believed to have positive complementary strengths together with non-overlapping weaknesses of the two basic methods (Johnson & Christensen 2011, 51).

On the other hand, to gain adequate information as well as to understand a phenomenon thoroughly, the use of different sources of data collection method is normally required. That is due to the fact that each method may have its own strengths and weaknesses (Swanson 2007, 167-168). Accordingly, this study requires the gathering of both primary and secondary data.

In the theoretical framework, primary data used can be the author's personal observations and reasonings while secondary data are published sources such as books, journals, articles, the Case company's reports and early studies.

When it comes to the empirical part, suggested by Axinn & Pearce (2006, 3) data can be collected from primary sources such as surveys, interviews, and observations. Besides, certain secondary sources, for example newspapers articles, company's reports and previous research are expected to be used.

1.4 Scope and limitations

In this thesis, the process of exporting long drink to Vietnam is examined from the Case Company's perspective, i.e. from the exporter's point of view. Relevant information needed for the Case Company to enter Vietnamese market is provided. External factors expected to be considered would be country overview of Vietnam, its beverage market, the legal environment, the potential target market of long drink, distribution channels available in Vietnam, etc. Analysis of the Case Company's, internal aspects, is also explored.

It should be noted that this study only aims to give the Case Company a broad view of the internationalization process with the main focus on marketing-related activities. That means a number of processes such as import-export administrative procedures, other logistical functions, other elements of marketing mix i.e. *Products* and *Promotions* are ignored. As a consequence, Case Company is advised to perform further researches in order to form a comprehensive plan of exporting its products to Vietnam.

In terms of product pricing strategy, the Case Company suggested that the expenses factors would not be taken into consideration by the researcher. Hence, the minimum selling price of OLD to its local importer will be given to the author. Case Company also determined its entry mode to Vietnam as direct export.

Thanks to the Internet, a great number of people in Vietnam are reachable even though the author is working remotely. Consequently the author planned to conduct a short survey among them regarding their behaviour, this potential product and the Vietnamese ABM. It is foreseeable that the conveniently-reached sample might very possibly suffer from being unrepresentative. However, the collected data could still give the Case Company some general understandings of its potential consumers.

Last but not least, the author is assuming that the Case Company is well capable of supplying its goods to the targeted market by any means.

1.5 Thesis structure

This study is structured in two main sections. The first section, theoretical framework, is handled in Chapter 2 where all the theories needed to tackle empirical issues of the second section, are reviewed. These theories are: internal and external analysis tools, export strategies, pricing and distribution strategies.

Chapter 3 examines the Case Company in terms of its own characteristics as well as the product chosen, Original Long Drink (OLD). After that, Chapter 4 gives an exploratory description of Vietnam as the target country and more specifically, the Vietnamese alcoholic beverage industry as the market that Case Company is going to enter. This chapter helps answer the first four research sub-question. Next, Chapter 5 is aimed at resolving the three last sub-questions by conducting a pricing and distribution plan.

Chapter 6 fulfils the core objective of this thesis which is to help the Case Company answer the main research questions. Last but not least, Chapter 7 summarizes the whole thesis.

The structure of this thesis is illustrated in the following figure:

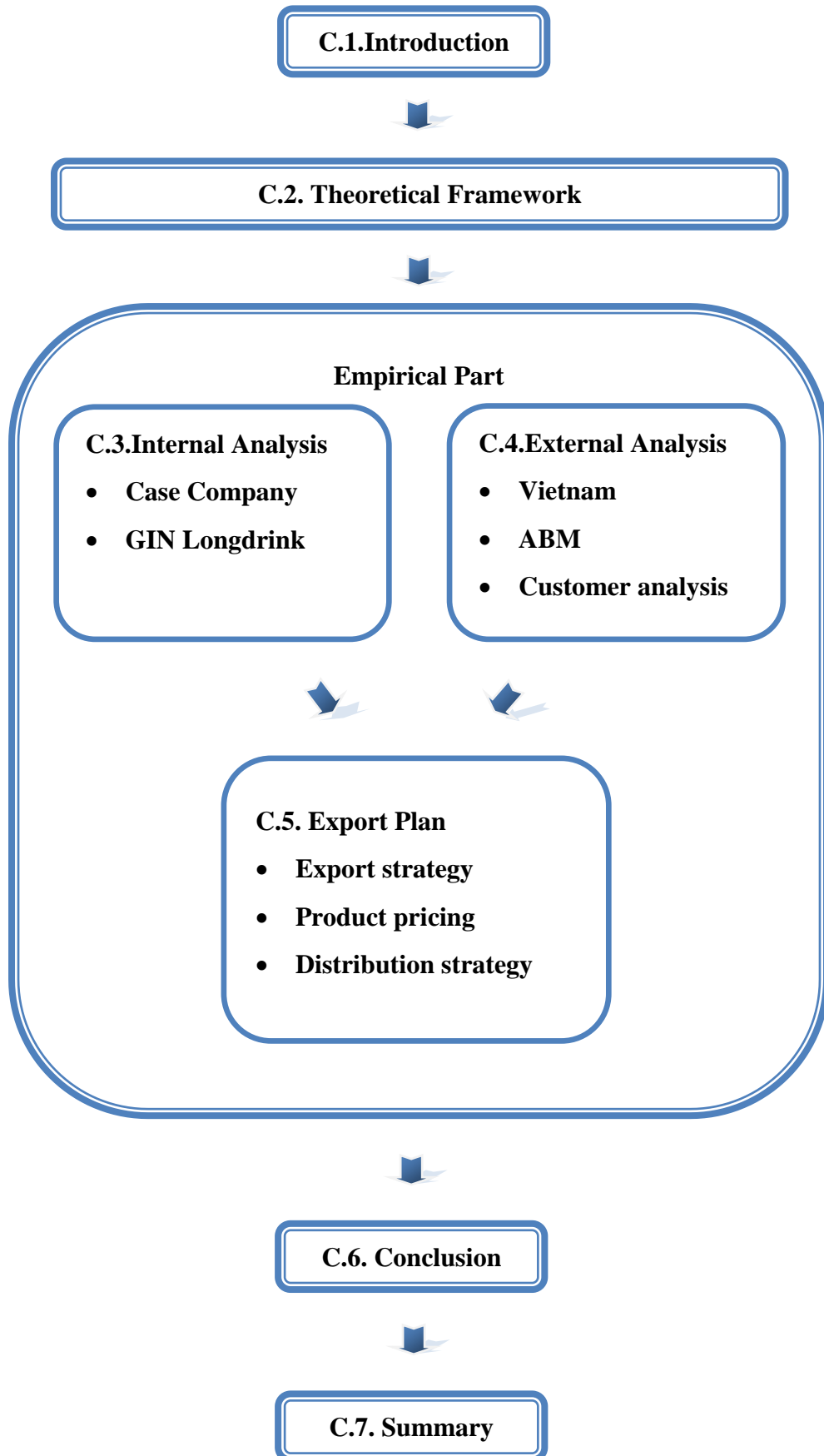


FIGURE 3. Thesis structure

2 EXPORT PLAN: MODELS AND FACTORS

International trade has been growing dramatically since the 1950s and export is one of the oldest subjects in economics (Jain 1989, xiii). Basically, thanks to David Ricardo's theory of comparative advantage, nations worldwide realized their needs to engage in global trade (Maneschi 1998, 10-11). From the countries' perspective, it is simply crucial for a nation to harmonize between import and export of the goods which it lacks and those it can produce excessively. When governments generally expect strong exports for a solid economy (ICC 2008, 18) and thus, support domestic firms to go international, many companies consider export to be even indispensable in their developing path.

“Export or die” (ICC 2008, 18). Multinational firms are implementing their export as a means of maximizing long-term revenue as well as competitiveness. Especially when exporting is nowadays no longer a result of a saturated domestic market, its main goal is rather a competitive strategy. There are a great deal of advantages that firms can expect from trading internationally. Among them, the know-how process seems to be critical as the company can learn new valueable practices and techniques in new markets that may help optimize its businesses as a whole. For example, when the Case Company starts its internationalization process to Vietnam, it should well be able and ready for the expansion to other Asian countries with similar characteristics such as China, a greatly profitable market targeted by a large number of multinaionals. Besides, the diversification of selling market lets the firm to release its heavy dependence on any single market. Hence, in this case, the Case Company can have its “eggs” delivered in more “baskets” in stead of one or a few.

In order to succeed in foreign market, organizations are normally expected to employ a systematic approach which essentially requires a planning process. In this study, as demanded by the Case Company, the author is to carry out an export plan focusing on internal and external analysis; potential customer research; and the two Ps of the marketing mix, price and place. To clearly organize these tasks in a systematic manner, internal and external analysis could be regarded as the inputs of strategic management (Hitt 2009, 2) and this yielded export strategies

will be the guideline for the other processes of pricing and distribution. Figure 4 gives a structured view of this study's framework.



FIGURE 4. Thesis theoretical framework

Accordingly, this chapter deals with theories and models which are used in the empirical part under the guideline of the structure presented in Figure 4 above. As shown in this figure, internal analysis involves the analysis of Case Company and Long Drink while external analysis includes that of Vietnam as the target country, its alcoholic industry, and the potential consumers. These analyses are supportive to determine export strategies which then will be the basis to establish the right distribution and pricing plan. All the theories as well as their relevance and usage are indicated in later texts.

2.1 Internal analysis

It is always critical for a company to understand its own resources and capacities to have sufficient insights of its competences in the market which is normally crowded of players. As a result, internal analysis is the first to be considered for the firm to develop its vision (Hitt 2009, 71). Regarding the model used for

internal analysis, in his book *Export Planning*, Joris Leeman (2010, 32) suggested 7S Model as an useful management tool. Besides, SWOT analysis, one of the most effective analysis tool (Ferrell & Hartline 2008, 117) is also provided.

2.1.1 Mc Kinsey's 7S model

Developed by Mckinsey Company, the 7S model is known as a management tool that describes seven organizational factors of a firm in a holistic and efficient way (Leeman 2010, 32). Therefore, in the empirical part, the 7S model will be used to analyze the Case Company in order to determine the most important forces driving it to success (Lockwood & Walton 2008, 160). Furthermore, the 7S model plays the role of facilitating the Case Company's export strategy as it is one of the crucial inputs as mentioned earlier.

The Mc Kinsey's 7S model basically consists of seven dimensions of organizational design as illustrated in the below figure.

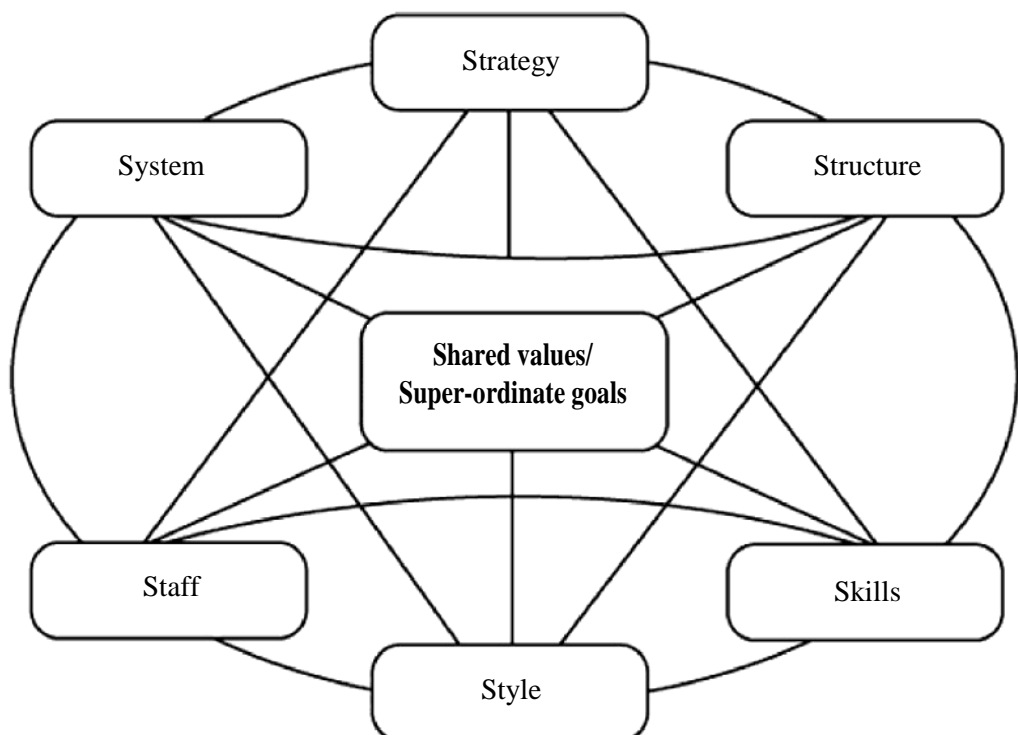


FIGURE 5. Mc Kinsey's 7S Model (Fleisher & Bensoussan 2007)

As can be seen in the model overview, all the seven elements of one firm's strategic effectiveness are, to a certain extent, dependent on each other. More details concerning each of these factors will be given for better understanding.

Strategy. Leeman (2010, 32) believed that strategy outlines the allocation of the firm's limited resources in order to reach its objectives through time. Fleisher and Bensoussan (2007) added that the focus of strategy within 7S model does not handle the development of new strategies but rather the assertion of strategy conception.

Structure shows how the different units of an organization are structured (Leeman J 2010, 32). These structure types could be centralized or decentralized; functional, geographical, matrix. Fleisher and Bensoussan (2007) suggested that although it is prominent to coordinate all the aspects of structure, it is still critical to focus on those core aspects indispensable for strategic changes.

System deals with how the company functions. In other words, it is the description of the firm's processes, procedures and routines. Fleisher and Bensoussan (2007) figured out that the change in system is greatly more effective and less disruptive for one organization than the modification of strategy or structure.

Style is defined by Lockwood and Walton (2008, 160) as the value and behaviors of the workforce. Leeman (2010, 32) stressed the behaviors of key managers in achieving the organization's goals. Fleisher and Bensoussan (2007) also supported this emphasis and pointed out that the way executives spend their time and remain their positive culture will affect the company's fundamental values system.

Skills represent the distinctive competences and capacities of the organization's personnel. Fleisher and Bensoussan (2007) explained the reason for Skills included in this model is that the environmental change would bring about not only the change in company's strategy but also its personnel's skill set. As a result, investments in human resources are always required.

Staff element of an organization includes not only the description of the number and types of personnel (Leeman J 2010, 32) but also the compensation and motivation the company pays to its workforce (Lockwood & Walton 2008, 160).

Shared values, or sometimes referred to "Superordinate goals", seems to be the most important factor around which all the other dimensions revolve. As shown in Figure 5, it takes the central position and interconnects all the rest. Lockwood and Walton (2008, 160) defined superordinate goals simply as the business's long-term goals. Fleisher and Bensoussan (2007) further expressed shared values as an informal and intangible set going beyond the company's mission statement, encompassing strategic intent, underlying beliefs, mental mindsets, future direction, etc. Shared values play the most fundamental role in the 7S model, providing the foundation for the six others.

Last but not least, in the usage phase of this model, it should be noted that all the factors are interdependent within the organization and since each would affect the whole structure, they should all be kept in balance (Leeman J 2010, 32).

2.1.2 SWOT analysis

This simple and straightforward analysis tool has been widely used for many different purposes in business for a long time (Ferrell & Hartline 2008, 117). SWOT analysis involves identifying and recording the *Strengths*, *Weaknesses*, *Opportunities* and *Threats* of the studied objects which vary according to the purposes of researchers. Those studied objects could be a task, individual, department, organization and so on (Business: the ultimate guide 2003, 468). In this work, SWOT analysis is utilized for exploring the product: Long Drink.

To help understand how SWOT analysis takes into account the internal and external factors affecting one business, the following figure presents an example of SWOT analysis for an assumed leading non-alcoholic beverage company.

TABLE 1. Hypothetical SWOT analysis of a soft drink company

<p>Strengths</p> <ul style="list-style-type: none"> • World's leading brand • Large scale of operations • Robust revenue growth in three segment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Negative publicity • Sluggish performance in North America • Decline in Cash from operating activities
<p>Opportunities</p> <ul style="list-style-type: none"> • Acquisition intense competition • Growing bottled water market • Growing Hispanic population in US 	<p>Threats</p> <ul style="list-style-type: none"> • Intense competition • Dependence on bottling partners • Sluggish growth of carbonated beverages

Despite its broad usage, SWOT does have its own pros and cons which users are supposed to recognize before starting their utilization. Table 2 briefly describes the plus and minus sides of this popular tool according to *Business: the ultimate guide* (2003, 468).

TABLE 2. SWOT's Pros and Cons (Business: the Ultimate resource 2003, 468)

Advantages	Disadvantages
<ul style="list-style-type: none"> • Simple and flexible • Provide a clear framework • Provide a strategic guideline • Access core capacities and competences • Give a stimulus to participation in group experience 	<ul style="list-style-type: none"> • Generate long lists • Rely on description rather than analysis • Ignore priorities • Be overlooked in later stages of the planning and implementation process

In order to surmount SWOT's disadvantages, its use is expected to bring critical reasoning based on key emphases of the four componential lists. In a nutshell, once being done correctly and smartly, SWOT analysis can play a key role in supporting the firm's plan (Ferrell & Hartline 2008, 119).

2.2 External analysis

As important as internal analysis, external analysis is also a starting point of strategy formulation. Analoui and Karami (2003, 74) argued that the external environmental analysis should involve, first, the general environmental factors then more specifically, the industry in which the firm is operating. One of the useful tools for understanding the big picture, together with opportunities and threats lying within it, is PEST analysis (Manktelow 2005, 62), which, in this study, is used to analyze Vietnam as the Case Company's target country. In order to go more deeply into the insights of Vietnamese alcoholic beverage industry, Porter's Five Forces model is applied. According to Stonehouse and Campell (2004, 118), this framework is the most widely used in analyzing industry.

2.2.1 PEST analysis

The main purpose of PEST analysis is to outline the uncontrollable elements that affect the Case Company's business. Manktelow (2005, 60) maintained that PEST analysis is best used in entering a new market since it helps the company break free of unconscious assumptions and quickly adapt to the new realities. The model is described as a check list of items that have different degree of influences to the company's business (Smith & Raspin 2008, 64).

The acronym PEST itself stands for Political, Economical, Socio-cultural and Technological factors. The descriptions of these factors can be summarized in the following table.

TABLE 3. Factors of PEST analysis (Analoui & Karami 2003, 76)

Political factors	Economical factors
<ul style="list-style-type: none"> • Taxation law • Political changes at different levels • Changes in employment laws • Environmental and consumer-protection legislation • Political stability • Critical situations 	<ul style="list-style-type: none"> • Stage of business cycle • GDP per head • Income distribution • Rate of inflation • Exchange rate • Energy availability and cost • Employment level • Labor costs • Banking policies & interest rate • Investment
Socio-cultural factors	Technological factors
<ul style="list-style-type: none"> • Cultural changes • Customers' values • Demographic changes • Population's age and geographical distribution • Birth and death rate • Life expectations • Education and health care • Social attitudes and social taboos 	<ul style="list-style-type: none"> • Investment in R&D • Impact of emerging technologies • Impact of Internet, changes in communication costs and remote working • Spread of technology transfer • Electronic commerce

The supplied information will mainly be of the Case Company's interests, especially when it is curious about legal matters of alcoholic beverage, this area will be studied in greater depth within the political section of PEST analysis. Besides, since technology is believed to be out of context in this case, as agreed with the Case Company, the author is not going to mention technological factors in the empirical part.

2.2.2 Porter's Five Forces Model

The simple but powerful model developed by the strategy expert, Micheal Porter, in 1979 is well suitable for the identification of the profitability potential of a new product (Manktelow 2005, 56). Descriptions of the five forces are shown in the following table.

TABLE 4. Elements of Porter's Five Forces model (Manktelow 2005, 57)

Bargaining power of suppliers	Bargaining power of customers
Number of suppliers Size of suppliers Uniqueness of service Your ability to substitute Cost of changing	Number of customers Size of each order Differences between competitors Price sensitivity Ability to substitute Cost of changing
Threat of new entrants	Threat of substitute products
Time and cost of entry Specialist knowledge Economies of scale Cost advantages Technology protection Barriers to entry	Substitute performance Price of substitutes Cost of change
Competitive rivalry within an industry	
Number of competitors Quality differences Other differences Switching costs Customers loyalty Costs of leaving market	

Bargaining power of suppliers. Those who supply the inputs of one industry such as labor, materials, services and so on, would have prices driven or standards modified once they are powerful enough. In the empirical part, this aspect of the industry would not be considered due to the fact that the Case Company would have no supplier in Vietnam when exporting cross-border.

Bargaining power of customers. These buyers can be either the ultimate consumers of the product or the resellers such as retailers or wholesalers (Hill & Jones 2008, 60). Just as suppliers manage with their bargaining power, buyers can either drive, for example, their expected prices and product quality or have to bear those imposed by the company, depending on who have the greater power in the market.

Threat of new entrants. Competition would be boosted if the market is wide opened for newcomers. Thus, the firm's security will also depends on the market's level of entry barriers. As a consequence, to prevent the company's position from being weakened, those entry barriers should be high enough.

Threat of substitute products. Stondehouse and Campell (2004, 120) pointed out that the bigger the number of substitutes close to the product, the tougher the level of competition will be. Depending on of degree of availability of substitutes, the company may find its product endangered or at safe place.

Competitive rivalry. This factor refers to the internal competition of the market itself. More specifically, the company's operation in its market, among its competitors results in its weak or strong position which might increase or reduce its power in bargaining with sellers and buyers.

The use of Porter's Five Forces model involves deep market intelligence derived from market experts (Monczka & Handfield 2008, 206). Thus, interviews with key stakeholders of Vietnamese ABM are to be implemented in order to enrich the analysis quality. In addition, since the Case Company desires a detailed analysis of competitive market for Long Drink, the competitive rivalry element of this model will be further emphasized.

COMPETITION

Figure 6 structures the three steps needed in analyzing competitors.



FIGURE 6. Competitor analysis steps (Kotler 2009, 305-310)

The competitive strategy in this case will be presented in a later section of Porter's generic strategies. One remarkable point is that Kotler (2009, 306) stressed that competitors are all the companies that satisfy the same customer need, not just those offering similar products. This argument is critically valuable for the empirical study as long drink is quite a new product in Vietnamese market.

2.2.3 Consumers analysis

Entering Vietnam with *Direct Export* as its mode of entry, the Case Company will have to pay attention to not only B2C customers, who are end-users of long drink, but also B2B customers, those are its selling agents in Vietnam. Thus, the study of both customer types should be carried out. In this section, only the ultimate consumers of long drink are taken into account while the B2B partners will be handled in later chapter as distribution channels.

Stated by McLoughlin and Aaker (2010, 26), one of the first logical steps in external analysis is to analyze consumers. These authors introduce a questions set to describe consumers' segments, motivations and unmet needs. This questions set are modified to suite the Case Company's demands as follow.

Segmentation:

- *How could the market be segmented?*
- *Who are the biggest consumers? The most profitable?*

Customer motivations

- *What elements of the product/service do consumers value most?*
- *What are the consumers' objectives? What are they really buying?*
- *What changes are occurring in consumers' motivation? In customer priorities?*

Unmet needs

- *Why are some consumers dissatisfied or changing brands?*
- *What are the severity and incidence of consumer problems?*
- *What are unmet needs that consumers can identify? Are there some of which consumers are unaware?*
- *Do these unmet needs represent leverage points of competitors or a new business model?*

FIGURE 7. Customer analysis question set (McLoughlin & Aaker 2010, 26)

In the empirical part, the analysis of end-users will be done by executing an internet survey which is available online for one week. Participants are reached via social network and asked to complete a questionnaire of 17 questions aimed at extracting information concerning their behaviours and unmet needs together with assessments of several OLD's competitors. On the other hand, literature reviews of segmentation will be presented in the continuing texts of this section.

SEGMENTATION

Segmentation is defined as a process of dividing the total market of a product into homogeneous segments or groups (Ferrell & Hartline 2008, 163). To make this process effective, Hollensen (2008, 164) introduced the four main criteria in segmenting a market: **measurability** – the possibility of measuring the size and purchasing power of created segments; **accessibility** – the degree to which these

segments can be effectively reached; **substantiality/profitability** – whether the segments are large or profitable enough; and last but not least, **actionability** – whether the firm has sufficient resources to generate effective marketing campaigns.

There are four general categories of segmentation: behavioral, demographic, psychological, geographic segmentation (Ferrell & Hartline 2008, 170). For each category, common examples of variables and the degree of measurability, accessibility and actionability (MAA), are presented in the table below.

TABLE 5. Segmentation categories & variables (Ferrell & Hartline 2008, 170)

Behavioral segmentation	Demographic segmentation	Psychological segmentation	Geographic segmentation
Benefits sought	Age	Personality	Regional
Product usage	Gender	Lifestyle	City/country size
Occasions or situations	Income	Motives	Population density
Price sensitivity	Occupation		
	Education		
Low MAA degree	High MAA degree	Low MAA degree	High MAA degree

The choice of target group will be based on both segmentation results and the Case Company's marketing strategy. As mentioned earlier, in the empirical part, once the chosen segments are determined, a survey researching consumers' motivations and unmet needs will be enforced.

2.3 Export strategy

When it comes to the Case Company's export strategy, Porter's generic strategies are taken into consideration. The author highly believes that the framework provided in Michael Porter's strategic set in 1980 well matches this study's scope as it deals with the firm's competitiveness, the topic in which the Case Company is interested. In this strategic model, Porter offers the combinations of alternatives

in two dimensions which are competitive scope and competitive advantage. Michael Porter himself (1988, 12) argued that a company should always realize its key advantage and the scope it wishes to deal with otherwise, an “all thing for all people” attitude only means that the firm has no competitive at all. The three generic strategies this strategic master established are: cost leadership, differentiation, and focus. Although these three were there when he first introduced this mode, Michael Porter then splited focus strategy into cost focus and differentiation focus (Moon 2009, 7). In this work, the later version of Porter’s generic strategies will be utilized and its illustration is as follow.

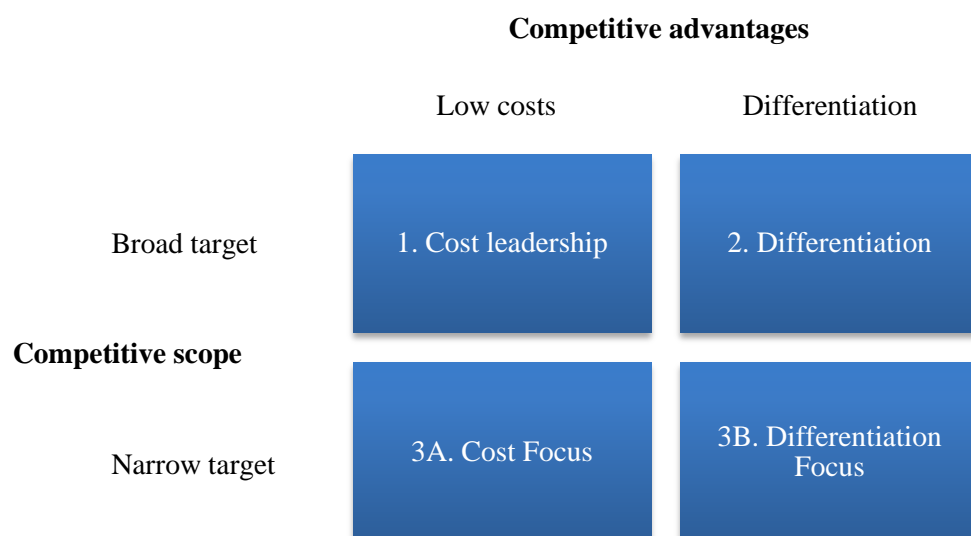


FIGURE 8. Porter's generic strategies

Cost leadership strategy means a business endeavours to be the most cost-effective producer in the industry (Stonehouse & Campell 2004, 176). The typical scheme of this strategy is to reduce cost based on the value chain, setting prices slightly under those of competitors and gaining equal or greater profit with lower unit cost. Thus, Stonehouse and Campell (2004, 176) argued that this strategy is suitable for product with high price elasticity of demand since a slightly lower price might generate far more percentage of sales.

Differentiation strategy is used when the company offers its products with distinctive features for which consumers are willing to pay premium price. It means struggling for low costs is no longer entailed in the firm’s strategic focus.

In contrast to cost leadership, differentiation aims to reduce price elasticity of demand so that the higher prices are acceptable for consumers once they are specially treated (Stonehouse & Campell 2004, 177) . To succeed in this strategy, Michael Porter asserts that unique values perceived by consumers not only lie in the product but the whole value chain (Sehgal 2011, 37). Hence, differentiation can be achieved in numerous ways ranging from distinctive brand, quality, performance to services, distribution, and so on. Stonehouse and Campell (2004, 177) reassure a critical point that the advantageous distinctiveness of a product must be from the customer's perceptions. The author believes this opinion is well helpful for long drink in this case study.

Focus strategy although is divided into two sub-strategies, cost focus and differentiation focus, it all refers to narrowing the competitive scope while using the same strategies presented earlier. Stonehouse and Campell (2004, 178) maintains that focus strategy is a rational choice in situation where a company is not capable of targeting the whole market or there are certain distinctive customer segments with unsatisfied needs in the industry. These authors also hold the belief that cost focus strategy is basically appropriate when firms enter new markets. Nevertheless, Sehgal (2011, 41) questions the low business volume which might weaken the firm's industrial power in comparison with other competitive forces.

Last but not least, a valuable argument given by Porter is that although cost leadership and differentiation, despite the competitive scope, are somewhat polarized, a firm is advised not forget that the optimization of one should not ignore a proper use of the other (Moon 2009, 9).

2.4 Distribution strategy

The Case Company already chose direct export as its entry mode to Vietnamese market. The author's opinion is that it is important to understand how this choice of entry mode might have impacts on the Case Company's distribution strategy. As a result, direct export will be reviewed together with channel types in the first step of generating distribution strategy. The next steps are presented in the below

adapted version of distribution strategy establishment process (Hollensen 2008, 354) to fit the Case Company's situation.



FIGURE 9. Distribution decision process (Hollensen, 2008, 354)

2.4.1 Direct Export and channel analysis

Direct export entry mode occurs when a manufacturer or exporter sells directly to an importer or buyer located in the foreign market area. (Albaum & Duerr 2008, 321)

According to Hills and Jones (2007, 286), exporting is employed by most manufacturers at initial stages of global expansion because it does not require high investment in the target country and also remains the company's centralized production. Quer and Claver (2007, 83), in one of their articles, came to a conclusion that such a low-commitment entry mode is often used to deal with high-risk countries and vast cultural distance. However, Bradley (2005, 291) argued in his book, *International Marketing Strategy*, that the higher the country risk, the more resources should be required by the firm to take proper control of the situation. Thus, he believes that exporting is only suitable for familiar market where the company demands little control.

On the other hand, direct export brings about several drawbacks of which the Case Company should be aware. Hill and Jones (2007, 286) stated that it would be inappropriate if the company still export while they can actually have low-cost production in the foreign market. They added that the high transportation costs and tariff barriers can make exporting seriously uneconomical. Last but not least,

the two authors claimed a point somewhat similar to Bradley's (2005, 291) when saying that the risks of uncontrollable and disloyal foreign agents could be higher than expected. These arguments will be further discussed in the empirical part.

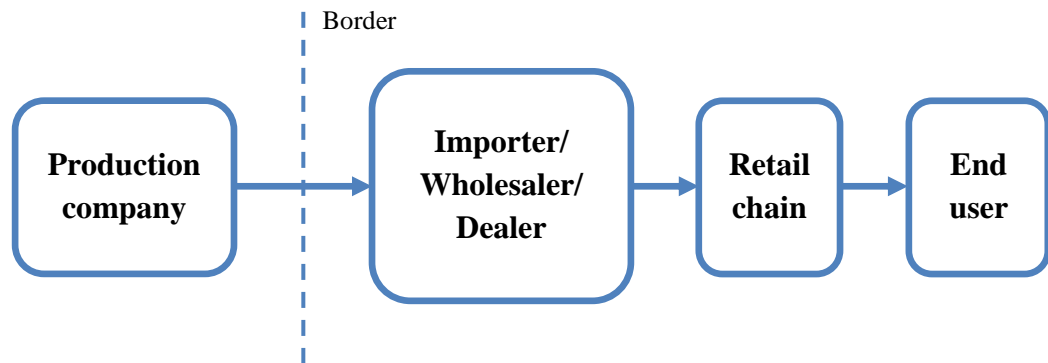


FIGURE 10. Direct export entry modes (Hollensen 2008, 203)

Figure 10 indicates the basic structure of direct export entry mode. In addition to the distribution channel system (DCS), Case Company requested the author to build up a landscape of price escalation or mark-ups associated with each link along the DCS. Besides, as mentioned earlier, the B2B customers will be studied in this sections. As ordered by the Case Company, the author will explore segments within each level of the DCS. Therefore, the DCS for Vietnamese alcoholic drinks presented in the empirical part is expected to be the expanded version of the above structure.

2.4.2 Market coverage strategy

The level of market coverage or the amount of intermediaries is influenced largely by the company's marketing strategy. There are three different approaches for firms to meet its coverage goals: intensive, selective, and exclusive (Hollensen 2008, 357). Although there may be also the direct channel strategy, included in Figure 11 below, where manufacturers sells directly to ultimate consumers, it is still out of context in this case and thus, not to be explored.

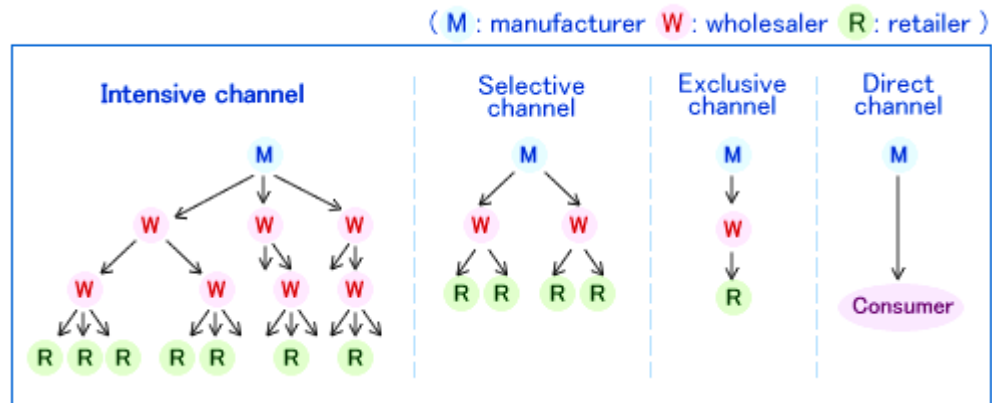


FIGURE 11. Levels of market coverage (foodlabo.net 2011)

Intensive coverage is aimed at spreading the product at as many outlets as possible. Thus, it is likely that the firm would employ the largest number of both channel types and intermediaries within each type (Hollensen 357). Armstrong et al. (2009, 350) associate this strategy with convenience products since marketers need to maximize their brand exposure. Nonetheless, intensive coverage suffers from a big minus point when producer fails to hold control over the large number of distributors.

In contrast, **Exclusive distribution** portrays the circumstance involving choosing only one intermediary in the market. This most restrictive type of market coverage best suits firms with well-defined single market segments, and often goes hand in hand with prestigious and luxurious products and brands (Ferrell & Hartline 2008, 262). Armstrong et al. (2009, 350) added that exclusive distribution also helps improve the product brand itself while keeping a strong relationship between manufacturer and dealer.

Lying in between intensive and exclusive coverage, **selective distribution** offers companies higher control over selling channels as well as good market coverage. Partnering with a limited number of intermediaries, companies widely use this strategy across numerous different product categories. Once only a few retailers are chosen, consumers must seek out the products (Lamb et al. 2009, 339). As a consequence, selective distribution is utilized to keep the premium images and accordingly premium prices of upper-class products.

To determine which coverage strategy, or channel width, is suitable, Hollensen (2008, 358) forms a helpful set of influencing factors. The author picked up relevant elements to present in the figure below.

		Channel width				
		Intensive	↔	Selective	↔	Exclusive
Factor	Product type	Convenience	↔		↔	Speciality
	Product life cycle	Mature	↔		↔	New
	Product price	Low price	↔		↔	High price
	Brand loyalty	Brand-preferred	↔		↔	Brand-insisted
	Purchase frequency	Frequently purchased	↔		↔	Infrequently purchased
	Product uniqueness	Common	↔		↔	Distinctive
	Selling requirement	Self-service	↔		↔	Personal selling

FIGURE 12. Factors influencing channel width (Hollensen 2008, 358)

This figure will be used in the empirical part to make decision over the Case Company's distribution strategy.

2.4.3 Distributors selection

The process of selecting distributors involves a crucial evaluation step which requires a great deal of business market insights. Therefore, under the scope of this study, the author will focus on providing the Case Company with the key names that have the potential to play important roles in the Case Company's supply chain of long drink in Vietnamese market. Hollosen (2008, 361) suggested five criteria for the descriptive work of these possible partners: financial and company strengths, product factors, marketing skills, commitment, and facilitating factors. These criteria will be adapted to match the Case Company's interests in the empirical part.

2.5 Pricing strategy

In most marketing theories, it is said that the number of factors affecting a firm's pricing strategies is vast. In this case, because the author is requested to perform a competition-based pricing, a proportion of these factors are skipped. As a consequence, basing on pricing theories given by Kotler et al. (2009, 582) and Hollensen (2008, 330), the author came up with the following pricing framework customized for the Case Company's expectation.

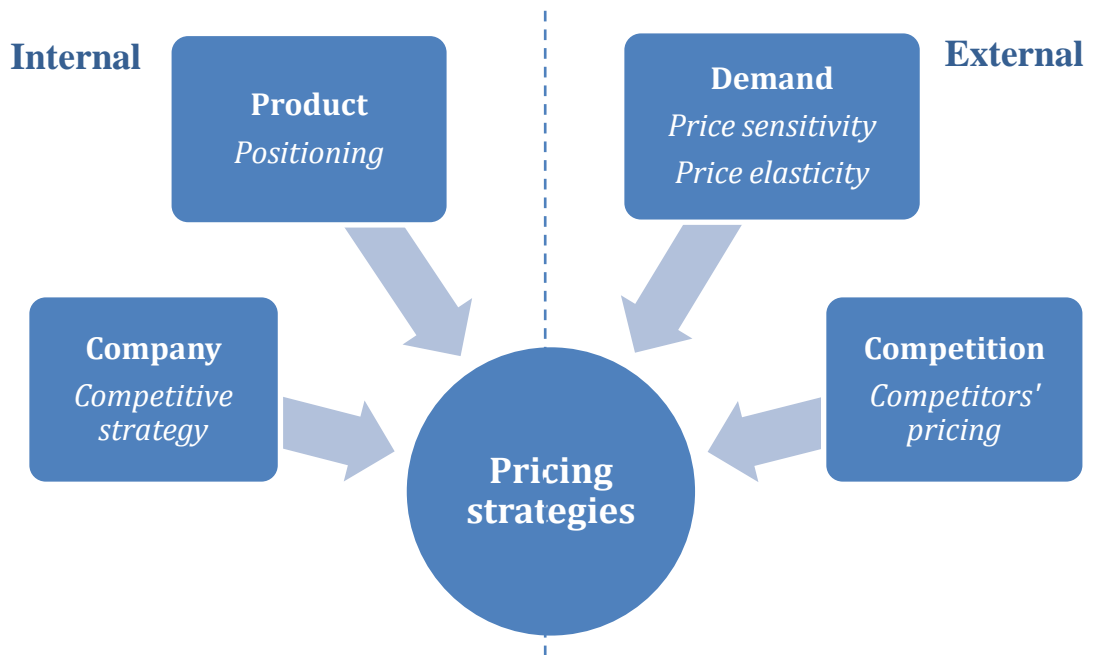


FIGURE 13. Factors influencing pricing strategies (Kotler et al. 2009, 582) (Hollensen 2008, 330)

On the internal side, the main influential elements within the company and its product are respectively competitive strategy and product positioning. While the former was already reviewed in section 2.3, the latter is up to the Case Company's own strategies. In this section, only external factors together with pricing strategies are to be clarified. Besides, in the empirical part, the author is ordered to base OLD's pricing on the minimum export price of this product that the Case Company is willing to offer.

2.5.1 External influencing factors

Demand is one of the very first factors to take into consideration when setting prices. In normal sense, demand drops when price is raised. However, in some case, when consumers perceive higher price as higher quality, the phenomenon might be reversed (Kotler et al. 2009, 585). At this point, customer's **price sensitivity** is to be paid attention as it shows the way in which consumers take prices into consideration when making purchases. Kotler (2009, 585) believes that consumers with less price sensitiveness are best for the firm. This can be generated by distinctive product, customer's perception of product as high quality, low awareness of substitutes, substitutes-comparison difficulty, etc.

On the other hand, to understand the level of responsiveness consumers take towards different price levels, firms should learn about **price elasticity** of their product type. According to Kotler (2009, 587), there is a comprehensive study revealing that higher magnitudes of price elasticity of demand are likely to occur at the introduction stage of a product. This provides a meaningful basis to price long drink when it enters Vietnam.

The other external factor under examination is **competition** which is the core focus of this study. Kotler (2009, 590) advised companies to start their consideration from the nearest competitors' prices. He recommended that firms should set their prices higher or lower than opponents depending on whether their offers are more or less valuable to consumers. Hollensen (2008, 333) punctuated that customer's perceived value is crucial at this point as it justifies the firm's offered price.

2.5.2 Pricing strategies

Among the pricing existing pricing techniques, the author believes that perceived-value pricing and going-rate pricing have great potential should be used in this study. These two techniques are both non-cost-based.

Perceived-value pricing, accordingly Phillip Kotler (2009, 592) is increasingly used by companies. The main idea of this technique is to set a price level corresponding to the product's values that consumers perceive in their mind. Examples of these values are product image, firm's reputation, customer service, etc. Since such elements are greatly enhanced by the firm's marketing mix such as advertising and personal selling, companies can enjoy collecting higher return once consumers are convinced that they are making higher-quality purchases.

Going-rate pricing, on the other hand is a completely competition-based technique. Companies utilizing this popular pricing method are expected to charge consumers the same, more, or less than their major competitors. Kotler (2009, 594) believed that going-rate pricing is best for situations where it is difficult to measure costs, or where the competitive response is uncertain. In the Case Company's situation, this technique seems to be massively helpful, not to mention that competition-based pricing is the core request to the author. As a result, in the empirical part, going-rate pricing will be the main technique while perceived-value pricing acts as a supportive tool.

This section closes the theoretical part of this study. The empirical part will be implemented from Chapter 3 to Chapter 7 where the main interests of the Case Company will be fulfilled.

3 CASE COMPANY PRESENTATION

The data of this chapter is collected from unpublished sources: Case Company's presentations given to the author. Founded and has been operating in Finland for more than 150 years, the Case Company is a dynamic and innovative drinks manufacturer. At the moment, it is at the 4th position of its Finnish beverage industry by volume. Its product range covers 33% of its home country's drinks market and offers a wide product portfolio including beers, ciders, long drinks, bottled waters, soft drinks, speciality drinks, wines and other alcoholic drinks. As a result of its proactive innovation, every year, the Case Company brings to Finnish beverage market dozens of new products and offers which are customized for different occasions and needs. At the moment, the Case Company's main objective is to become "*The fastest growing drinks company in Finland*" which is then a strategic supportive base to achieve its ultimate goal: "*The number one drinks company in Finland by 2020*".

Today, the Case Company's head office is in Helsinki while its state-of-art production facility and logistics centre is located in Lahti, Finland. Further analysis of the Case Company and its product will be presented in next sections with the utilization of McKinsey's 7S model and SWOT analysis.

3.1 Case Company analysis

Shared values. The Case Company recognizes its core values as: Customer focus; Customer-first commitment; Good profitability; Trust; Responsibility.

It stresses that corporate responsibility is nowadays more important than ever before as public sector's resources are being laid on the line. The firm believes that companies are playing a strong role in affecting the society's future. Thus, constant assessments of responsible business are indispensable for the Case Company on daily basis.

Strategy. As mentioned, the imminent objective of the Case Company is to become “*the fastest growing drinks company in Finland*”. In order to reach this goal, the Case Company summarizes its strategy in what it calls “*the 6-pack of success*” as follow.



FIGURE 14. The 6-pack of success of the Case Company (Nieman, 2011)

One notable point concerning the Case Company’s strategy is that it has not seriously planned to export to Asia at the moment. As a result, it is the author’s mission to give advice on whether exporting to Vietnam should be added to the Case Company’s development strategies.

Staff. Following Heineken’s acquisition, since 2009, a new managing director coming from Heineken’s senior managers group has been serving at Case Company. This could be good news for the firm’s exportation to Vietnam as the new leader has prior experience in Asian markets. The Case Company is at the moment hiring around 900 employees who are said to be all experts in their fields. Besides, the firm is constantly looking for specialists to work on its many processes and most of the new employees go to the production site in Lahti and the company’s headquarter in Helsinki.

Systems. The Case Company's processes are specialized in different departments i.e. marketing and communication, finance, human resources, legal, and production which, at corporate level, are monitored and managed by its executive management team. Since quality is the key focus of the Case Company's operation, all of its business processes are in accordance with its own quality assurance system.

Style. Similar to many other Nordic companies', leadership style at the Case Company is participative which means the decision-making process is normally based on consultation with specialists of the fields. In the end, the ultimate decision-maker still lies at the managing director's responsibility. This style works well with Finnish non-hierarchy culture.

Structure. The Case Company's structure is shortly illustrated in Figure 15.

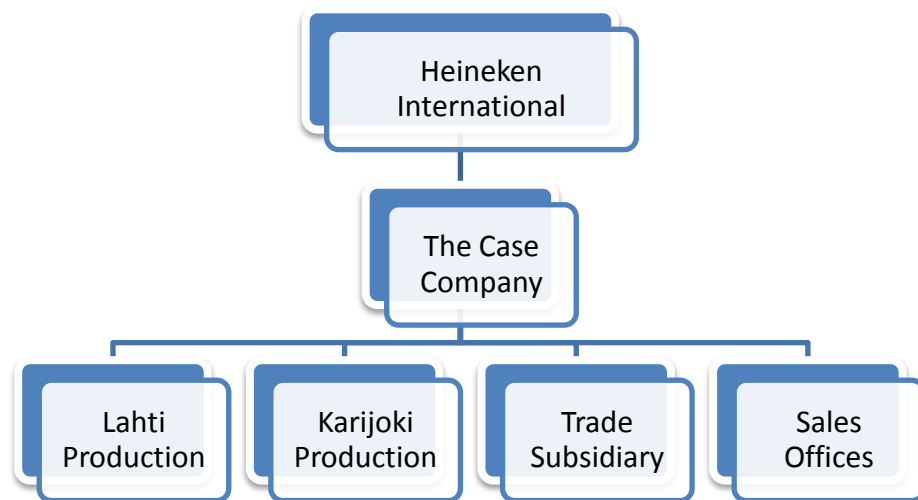


FIGURE 15. Case Company's structure (Nieman, 2011)

After some times of changing hands, the Case Company is now performing as a subsidiary of Heineken International which is the largest European brewer and the world's third largest by volume. The Karijoki Production plant bottles the Case Company's spring water, while its Lahti facilities operates as a logistics and production centre manufacturing all types of beverages. This modern and highly automated plant is the largest investment ever made by the Finnish food and drink industry. In addition, the Case Company's trade subsidiary specializes in imports

and distributions of hundreds of alcoholic products supplied by many of the world's largest spirit and wines companies. Last but not least, the Case Company has 30 sales offices located all over Finland.

Skills. After nearly two centuries operating in the Finnish drinks industry, the Case Company has built up its strong set of skills to well reserve and develop its business position within Finland. As the Case Company is highly Finnish customers-oriented, in order to achieve further successes in internationalization, the Case Company will have to pay attention to foreign markets know-how as well as other abroad operating skills.

3.2 Product Analysis

Launched in 1952 in the Helsinki Olympic Games, Original Long Drink (OLD) is a refreshing ready-to-drink (RTD), mixture of gin and grapefruit lemonade type soft drink. OLD was made first aimed at providing premixed drink to save serving time and effort during the Olympic Games. After that, it turned out to be exceptionally popular in Finland. The Case Company's OLD is by far the most famous long drink in Finland and the bestselling brand in Alko, the monopoly state-owned liquor stores in Finland. Table 6 describes OLD with key details.

TABLE 6. Key descriptions of OLD

Product Details
Alc. 5.5%
Sugar content 5.5g/dl
Energy 53 kcal/220 kj/dl
Brand Values (in Finland)
Finnish, genuine, honest, straight-backed, traditional and trust-worthy
Brand Positioning (international)
High quality
Unique taste

SWOT ANALYSIS OF OLD

The input information for SWOT analysis is taken from not only the product itself but also the environmental analysis in Chapter 4. The below table is the summary of SWOT analysis for OLD when exported to Vietnamese market.

TABLE 7. SWOT Analysis of OLD in Vietnam

<p>Strengths</p> <ul style="list-style-type: none"> • Strong brand in home country • New taste • New alcoholic segment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • High price in Vietnamese ABM • Not a global brand compared with Smirnoff Ice
<p>Opportunities</p> <ul style="list-style-type: none"> • Low excise comparing to imported beer in Vietnam • Expansion of Vietnamese ABM • Unexploited market area: RTD • Consumers' favors of imported product • Vietnam - Finland decreasing trade barriers • Open-economy-oriented Vietnamese government 	<p>Threats</p> <ul style="list-style-type: none"> • Continuing disadvantageous inflation and exchange rate of VND • Vietnamese government unfavorable restrictions over imports • Potential issues because of new legal and political practices. • Local entrants to RTD segment • Strongly developing substitute market - beer

Put in the context of Vietnamese market, OLD seems to have its most prominent strength as being relatively unique in terms of both its taste and the new alcoholic segment it is in. The strong position in home country might be one plus point but it largely depends on the ability of OLD's marketer to take advantage of its

national reputation not to mention the fact OLD brand is not as internationally well-known as its direct competitor's, Smirnoff Ice. Besides, OLD even bears the weakness of unfavorable price-competitiveness caused by the fact that its production is based in an expensive Nordic country while the foreign market is a developing third country with high inflation and exchange rate. Diageo and its Smirnoff Ice might have better cost-effectiveness than the Case Company since it has manufacturing facilities in India (Diageo, 2011) and its own local subsidiary, Diageo Vietnam, to be in charge of import and distribution of the product.

On the other hand, the Case Company and OLD appear to have quite a number of appealing opportunities waiting for them in Vietnam. While the total taxations on imported beer are around 135% of the product's price, the number for long drink is only 113% because this beverage is still categorized as liquor with low alcoholic content. This fact partly shows that products like OLD is not yet under Vietnamese government's concerns or in other words, the RTD market is still at the very low step of its development ladder. Besides, as the ABM is booming and excise duties for imported beer is lowering, products in premium beer segments have been massively rushed into Vietnamese market and despite their somehow aggressive pricing, lots of Vietnamese are still showing great favors for these perceived "better-quality-foreign-modern" products. Foreign investors like Case Company should also be glad to learn that Vietnamese economy is going to be wide-open for international trade thanks to Mr. Nguyen Tan Dung's government which has been showing its concentration on developing economics. Besides, since Vietnam is bound to certain trade agreements with WTO and the EU of which Finland is a member, it can be foreseen that trading from Finland to Vietnam will also be facilitated, not to mention the fact that bilateral cooperations between the two countries are being well progressive (Vietnam Embassy in Finland 2010).

Although Vietnam proves itself to be an attractive market, it does not mean the Case Company would keep its eyes off dozens of worrying risks here. First, high inflation and disadvantageous exchange rate are two great forces that might continue driving OLD's prices higher than Vietnamese consumers' range of affordability. Importers would also be more cautious in choosing the right

products to import when VND is too much devaluated. Another drawback to notice is that Vietnamese government is very likely to have actions considering the restrictions of alcoholic business because of a heap of social problems facing this highly populated country. Besides, while Vietnamese economy is suffering from large trade deficits, expensive products like imported beers are still flooding to the market. In addition, Vietnamese government also considers growing its beer industry as a strategic economic section which would very possibly lead to the consequent legal and economic protection for domestic manufacturers which means foreign products will have to face certain obstacles when entering Vietnam. The next threat to keep in mind is the critical fact that Vietnamese political and legal environment does not operate in the same way as those of Western countries. As a result, the Case Company should consider good understanding of the system as well as suitable approaches to be its key to success. Last but not least, the Case Company should be aware that drinking beer has become even a cultural trait of Vietnamese people, and changing such a strong habit might not be an easy job. And even when it was able to establish the new RTD segment in Vietnamese ABM, local players with decent insights of local people's preference and plenty of other advantages would be tremendous challengers for the Case Company.

In summary, even though OLD does have a good chance to succeed in Vietnamese market, there are undeniable risks that require the Case Company to consider thoroughly before really acting. The detailed analysis of external factors including opportunities and threats of OLD will be presented in the next chapter.

4 TARGET MARKET: VIETNAM

This chapter is split into two parts of which the first sub-chapter is country overview where PEST analysis is used to give a screening overview of Vietnam as the Case Company's target country. The second sub-chapter utilizes Porter's Five Forces analysis to help gain insights of Vietnamese alcoholic industry.

4.1 Country overview

Located in an advantageous strategic position, enjoying the rapid economic reformation, Vietnam is playing an increasingly important role in the international arena. With the area of about the same size as Finland's, the Southeast-Asian country with more than 90 million inhabitants is an absolutely attractive destination for global businesses. In this section, the Case Company is to receive a comprehensive exploratory description of Vietnam under the guideline of PEST analysis.

4.1.1 Political factors

Socialist Republic of Vietnam is a single-party state operating under the Communist Party of Vietnam. After the two wars with France and the US, Vietnamese government, for decades, was running the country in a conservative manner causing a serious lack of economic progress. However in recent years, Vietnam is gradually known as an open country both politically and economically. This is largely due to "Doi Moi", the great renovation launched in 1986 by Vietnamese government aiming at transforming Vietnamese economy into a market economy by allowing private ownership and encouraging foreign investments. As a consequence of this new open-minded direction, Vietnam is attempting to be a reliable partner of all countries worldwide. At the moment, Vietnam has diplomatic relations with 172 countries and is a member 63 international organizations including the UN, ASEAN, WTO, etc.

More importantly, foreign trade is at the moment motivated more than ever before. This is partly thanks to Mr. Nguyen Tan Dung, the recently re-elected Prime Minister of Vietnam, one of the key facilitators of Vietnam's new era (BBC Vietnamese, 2011). Under his control, Vietnam has been gaining remarkable economic achievements. However, there are still undeniable challenges left behind the rapidly growing economy that Mr. Dung has been running. These issues will be addressed in the next section, economics.

LEGAL ENVIRONMENT

As mentioned in the theoretical part, the Case Company is to be provided with further research concerning legal environment. With regards to this issue, a number of remarkable laws, regulations and legal trends are filtered by the author to meet the Case Company's concerns.

According to Vietnamese legislations, trading activities of alcoholic drinks are under the monitor of three main bodies of authorities which are: Ministry of Industry and Trade (MoIT), Ministry of Finance, and Ministry of Health (Decree of alcoholic business 40/2008/NĐ-CP, Chapter 4). MoF manages the import and custom procedures of alcoholic business while the MoIT is responsible for business and market-related factors together with Ministry of Health supervising hygiene and safety standards of alcoholic beverages. In fact, the matter of alcoholic consumption is broadly related to the scope of many other governmental agencies. For example, recently, in an effort to align chaotic traffic system due to high accident rates, Ministry of Transportation demanded that the MoIT forbidding alcoholic sales at public transportation stations and that Ministry of Information and Communication banning advertising of alcoholic drinks in mass media (Nhu, 2011).

Although the above topic is still highly debated, it still should be considered so that the Case Company can have a clear vision of its strategy when Vietnamese government is increasing attention paid to alcoholic restrictions. Recently, the MoF issued circular 08/2010/TT-BTC limiting the sale of tax-free alcohol in border gates and tourism locations nationwide. In other document, the MoIT

clearly stated additional limitations of alcoholic sales such as: no alcoholic sale to under-18-year-old; launching advertising and discounts against official regulations; etc. (Decree of alcoholic business 40/2008/NĐ-CP, Section 29). Concerning the alcoholic sale, in the decree 150/2005/NĐ-CP, selling alcohol with ABV higher than 14% to teenagers under 16 is forbidden and violators are to be fined up to 500,000 VND, equivalent to less than 20 EUR. Alcoholic sales in schools and several specific areas are also illegal. However, as observed by the author, those restrictions are commonly ignored in Vietnamese ABM due to poor governmental controls which is likely to be improved along with stricter punishments in the near future as alcohol is causing a lot of social troubles for this developing country.

Another remarkable matter is the new proposal to restrict imported alcoholic products by the MoF requiring this kind of goods being stamped for obeying certain quality standards before entering Vietnamese market (Anh 2011). The MoIT, in addition, demands alcoholic importers to acquire letter of attorney from the foreign manufacturers with confirmation of Vietnamese authority in that country. This requirement is said to be causing difficulties for Vietnamese alcoholic importers recently since most foreign manufacturers are not aware of this brand new regulation coming into effect since 1st of June 2011 (Anh 2011). One possible explanation for recent restrictions on imported alcohol is the 2009 vision plan for the development of domestic alcoholic beverage industry issued by the MoIT (2435/QĐ-BCT). This vision plan stated that Vietnamese authorities would be supporting domestic alcoholic manufacturer in improving competitiveness to win over foreign rivals. Nonetheless, imported alcohol is still all around Vietnamese market at the moment. This will be studied in more detail in later sections.

While the Case Company's importing partner in Vietnam will normally takes care of all domestic matters, the Case Company is still in need for knowledge of custom duties in order to have a clear vision of OLD's consumer pricing level. According to the author's study, when long drink is imported to Vietnam, it will have to bear three types of taxes which are import tariff, excise duty and VAT. According to the official news source of the MoIT (Vinanet 2010) these taxations

are experiencing a sharp drop resulting in a huge number of alcoholic beverages, especially beer, rushing into Vietnamese market over the past year. Because long drink is basically spirit with juice, it is categorized as liquor with ABV lower than 20%. As a result, the following taxation components are extracted from Vietnamese General Department of Taxation (Import taxes & 27/2008/QH12).

TABLE 8. Taxation on long drink and imported beer

Taxation	Rate of OLD	Rate of imported beer
Import Tariff	55%	47%
Excise Duty	25%	45%
VAT	10%	10%

It should be noted that the import tariffs above are Vietnam's preferential duties because Finland is in Vietnam's list of Most Favoured Countries. One other remarkable point about these figures is that while imported beer might well be a close substitute to long drink in Vietnamese market, it has slightly lower import tariff but largely greater excise duty. Although it might seem like the Case Company could have certain cost advantages comparing to other rivals, according to an official organ, Hanoimoi Online newspaper (2011), in 2012 beer's import tariff will drop to 30% due to a Vietnam's agreement with WTO. Nevertheless, General Department of Taxation, in its schedule, is planning to increase beer's excise duty to 50% from 2013. An advice for the Case Company is to monitor the taxation change and act soon before mixed liquor faces governmental intention of restricting like imported beer is facing now.

When it comes to the calculation of these taxes and long drink's price, an example based on circular 5371/TCT-CS is presented as follow.

Assumption: 1 litre long drink imported to Vietnam

Price: 5 EUR (equal to approx. 150,000 VND)

- ➔ Import Tariff = $150000 * 55\% = 82,500$ VND
- ➔ Excise Duty = $(150000 + 82500) * 25\% = 58,125$ VND
- ➔ VAT = $(150000 + 82500 + 58125) * 10\% = 29,061$ VND
- ➔ **Total taxation** = $82500 + 58125 + 29061 = 169,686$ VND = 5.65 EUR
- ➔ Total taxation is equal to around 113% of importing price

FIGURE 16. Example of long drink taxes

Last but not least, as the Case Company is interested in particular restrictions regarding the sales of up to 5.5% alcoholic drinks, it should be informed that Vietnamese authorities still allows unlimited import of these products (12/2006/NĐ-CP), not to mention that restrictions over beer are still insignificant as beer advertisements are not banned anywhere although beer traders are required to have business licence. However, it could expect that numerous changes are to be made after the recent election of Vietnam. As a result, the Case Company is highly recommended to review the validity of the above information when officially implementing its export to Vietnam. Still, the Case Company is expected to be aware of the fact that governmental controls over alcoholic matters are greatly loose in Vietnam. Another critical issue is Vietnamese government that has long been criticized for being bureaucratic and complex in operating. This leads to the suggestion that Case Company should choose a suitable approach to Vietnamese administrative procedures those are in totally different realities.

4.1.2 Economic factors

Although state-owned enterprises are still contributing to 40% of Vietnam's GDP, this densely populated country has been showing its commitment to economic liberalization and international integration (CIA World Factbook 2011). In the new *Green Book 2011* reporting on Vietnamese economy, the EU declared that Vietnamese government has done a good job when managing its economy nicely

through the global financial crisis. The EU also reassured that Vietnam is one of its strategic partners in all aspects including trade, investment, economic, politics and cultures (Vietnam in foreigners' eyes, 2011). In fact, Vietnamese economic growth rate truly has been remaining at an impressive figure, average of slightly less than 7% per annum, over the last decade. However, both the EU's report and the *Annual Report* of Economics College - Hanoi National University agreed that Vietnamese economy is at a critical stage where government is facing increasing macro-instability (Ha 2011). To tackle this great challenge, researchers of the *Annual Report* suggest Vietnamese authorities to spend efforts solving number of serious troubles among which inflation, exchange rates and trade deficit are explored in this study.

TABLE 9. Summary of Vietnamese economy's figures in 2010 (CIA 2011)

GDP (Official Exchange Rate)	\$103.6 bil.
GDP growth rate	6.8%
GDP per capita	\$1,160
GDP per sectors	
<i>Agricultures</i>	20.6%
<i>Industry</i>	41.1%
<i>Services</i>	38.3%
Inflation rate	11.8%
Labor force	46.21 million people
<i>Agricultures</i>	53.9%
<i>Industry</i>	20.3%
<i>Services</i>	25.8%
Unemployment rate	2.9%
Population below poverty	10.6%
Export	\$72.03 bil.
Import	\$84.3 bil.
Exchange rate	Approx. 1 EUR = 29,000 VND

While the economy is export-oriented, Vietnam is still faced with a large trade deficit as can be seen in the table above. The main reasons for import exceeding export, according to Vietnamese government (11/NQ-CP 2011), are the investment expansion and even the export production itself when these activities involves lots of importing machinery, raw materials, semi-finished goods, ect. As a result, it is ironic while Vietnam is in no position to grow export without boosting import at the same time. However, such disadvantageous economic structure is not the mere obstacle for Vietnamese government to solve trade deficit. According to the Minister of Industry and Trade, Mr. Vu Huy Hoang, although Vietnamese government is working hard on cutting down exceeding import, its trade barriers are still shrinking because of Vietnam's economic agreement with WTO, ASEAN countries, and bilateral commercial agreements with other countries (VnEconomy 2011). Besides, Mr. Hoang claimed that Vietnamese people's heavy tendency to purchase foreign goods is still worsening the situation despite the fact that all the trade barriers have reached their agreed ceilings. This trend leads Vietnamese government to focus its effort on limiting the import luxurious goods such as cars, cosmetics, alcohol, and so on by technical standards, quality requirements, environmental friendliness, hygiene safety, and other non-trade methods (VnEconomy 2011). This could be a good notification for foreign exporters like the Case Company.

Sky-high inflation rate seems to be the most alarming problem of Vietnamese economy beside instability. Therefore, it is the most urgent focus of Vietnamese government at the moment (11/NQ-CP 2011). Until the middle of 2011, the General Statistics Office (Press Release, 2011) annouced that Vietnam's CPI in July has extended 22.16% in comparison with the same period last year. According to Mr. Pham Quang Nghi, the municipal party committee secretary of Hanoi, Vietnam's inflation rate is the highest in Asia and the second highest in the world, behind Republic of Venezuela. However, the World Bank believes that if all the actions needed to tackle inflation are to be done according to Resolution 11/NQ-CP, Vietnam will be able to restrain its inflation to around 15% in the end of this year, and the economy will enjoy its growth rate of 7 to 7.5%. Then again, great inflation and trade deficit are key contributors to devaluate Viet Nam Dong. This could be a big disadvantage for the Case Company when EUR is

tremendously appreciated compared with VND, meaning the Case Company loses its cost competitiveness especially when Vietnamese regulators are aiming at diminishing export. Nonetheless, as tying up monetary policies is one of Vietnamese government's main targets in the upcoming periods, new economic refreshments are totally expectable.

4.1.3 Socio-cultural factors

With the population of more than 90 million people, Vietnam is one of the most inhabited nations in the world. Around 50% of its population are people under 30 who form up a young culture as well as strong purchasing power. The local cultures within the country are various however, the mainstream norms of Kinh people, with 85.7% of the population (CIA Factbook 2011), seem to dominate the 53 others'. For thousands of years under different feudal dynasties, Vietnamese culture has been maintaining a great deal of traditional values and customs which, through time, are endangered by Westernizing trends as globalization has been penetrating so well into Vietnam. In this section, certain traits and changes of Vietnamese culture which might have impacts on the Case Company's business in Vietnam are under examination.

This Asian country used to be Confucian however, since the time its economy was wide-opened to the world, lots of traditional cultural values are being faded away and replaced by materialism. As a matter of fact, Vietnamese people are increasingly in favour of income-based social classification. Accordingly, expensive purchases become a common way to prove social status. Although there have not been many official researches concerning this abstractive phenomenon, the flood of world-class luxurious cars to this developing country is a strong evidence for Vietnamese excessive spending. Besides, partly because of low quality of goods produced domestically and the thirst for "enjoying life" after the long period of fulfilling basic needs, Vietnamese people tend to make purchases of foreign imported products. In addition, the dramatic spendings on food and drinks of Vietnamese people, reported by Master Card Worldwide (Le

2011), accumulatively make it a well potential market for foreign beverage manufacturer like the Case Company.

When it comes to alcoholic drinking culture, there is one common saying among Vietnamese people “Nam vô tửu như kỳ vô phong” meaning a man without alcohol is like a flag without wind. Women used to be discouraged to drink. However, in recent years, drinking alcohol has become a typical trait in Vietnamese culture. Not only for socializing and celebrating events, alcohol is also important in facilitating business. In many occasions, drinking is considered a good sign of showing respect and understanding for partners. This happening can even be seen in political and official communications. One notable point is that in the past, there were a very limited number of alcoholic products in Vietnamese market, however since the rapid economic integration took place, ABM is getting more crowded. As a consequence, alcoholic beverages are progressively being categorized in recent years. In other words, Vietnamese people are gradually aware of different types of alcohol and thus locate their usage in different purposes.

4.2 Vietnamese alcoholic beverage industry

It should be noted that in general, Vietnamese alcoholic industry is still at low level of development and as a result, fragmented. Thus, the whole market is still commonly segmented into beer, wine, and spirit according to government's and business's terms normally used when referring to the market. As a result, RTD is not yet a recognizable alcoholic type in Vietnamese market although Smirnoff Ice, one of the most well-known brands of this kind has been around for 1 year. Because of OLD's nature of usage for consumers, although the product is categorized as liquor, according to the Case Company's experience, consumers use it as an absolute substitute for beer. Thus, the Case Company would like the author to focus on the market of low alcoholic drinks from 4-6% ABV which mostly refer to beer in Vietnam. As a consequence, this section will concentrate on Vietnamese beer market, the closest competitive market of OLD, with Porter's Five Forces model to analyze Vietnamese RTD market.

Vietnamese beer industry is said to reach 2.9 billion litres in 2010 (Canadian Beer Service 2011) and according to Ministry of Planning and Investment, beer industry is enjoying its strong growth at around 20% annually. This is largely due to the increasing consumers' disposable income, and already high proportion of Vietnamese's private consumption which accounts for approximately 65% of GDP through many years, not to mention the fact that Vietnamese people tend to spend more on food, drinks and entertainment (Le 2011). Furthermore, as trade barriers are diminishing, since 2007 when Vietnam joined WTO, the volume of imported beer has been rocketing at the pace of around 50% per year (Plato Limited 2011). Nonetheless, imported beer only accounts for a small fraction of the total market, which makes Vietnamese beer market more competitive than ever before.

Because of the weather and lifestyle differences between the North and the South of Vietnam, beer consumption in these two main regions of Vietnam varies. In the North, consumers drink less during the cold winter while in the South, beer consumption stays stably high thanks to its typical tropical weather. Also, Northern Vietnam is said to be less westernized than the South which is why “*nhau*”, the Vietnamese word for drinking, is especially common among Southerners. Another notable difference is about beer drinking culture as people drink more draught beer, *Bia Hoi*, in the North while in the South, mostly bottled and canned beer are consumed.

There are three common ways to segment Vietnamese beer market as illustrated in the figure below.

TABLE 10. Most common beer segmentations in Vietnam

Price-based (Off-trade 2010)	Brand scope-based	Speciality-based
Discount (< 0.7 EUR/L)	Local	Blonde/Dark/Red
Mainstream (0.7 – 1 EUR/L)	National	Packaged/Draught
Premium (1 – 2 EUR/L)	International	beer
Superpremium (> 2 EUR/L)		

Basing on the reviewing of numerous market reports from experts and key players in Vietnamese beer market, price-based segmentation seems to be most relevant in this case. This segmentation technique is very consumers-oriented and it also cover brand scope-based as in fact, brands belonging to the segments in the two techniques are fairly corresponding from low to high.

The next table gives key facts of segmentation, distribution and packaging of beer market of Vietnam. It shows that drinkers only bring home 25.1% of their beer consumption; and glass bottled beer are most popular while metal cans are increasingly used (Canadean Beer Service 2011).

TABLE 11. Key facts of segmentation, distribution and packaging of Vietnamese beer market (Canadean Beer Service 2011)

Segmentation 2010	Discount	Mainstream	Premium	Superpremium
% Share	18.9 %	70.3 %	10.6 %	0.2 %
Distribution 2010	On-Premise	Off-Premise		
% Share	74.9 %	25.1 %		
Packaging 2010	Glass	Metal		
% Share	60.6 %	20.8 %		

Discount segment's share is decreasing as a result of the increase in excise duty for Bia Hoi and consumers' moving preference for better quality beer and well-known brands. Hence, local producers who are main players in this segment is facing with tougher and tougher competition. (Canadean Beer Service 2011)

In contrast, Superpremium beer is forecasted to take a big leap in the near future as import taxations has significantly reduced in 2010 and are even planned to be further cut down in coming years. Normally, brands falling in this segment are of international products which are imported by independent companies and distributed to high-class Horecas serving wealthier people who often associate superpremium purchasing with their superior social status. Nonetheless, as a consequence of lowering taxation, prices of this segment's products are potentially viewed as premium quality with more affordable prices. (Canadean Beer Service 2011)

According to Sabeco, it is the biggest manufacturer in Vietnamese beer market by the end of 2010 with 51.4% market production. This company and the other domestic giant, Habeco are dominating the mainstream segment while the second largest manufacturer, Vietnamese Brewery Limited, has conquered 93% shares of the premium segment with its two global brands: Heineken and Tiger (Canadean Beer Service 2011). It can be foreseen that as the superpremium segment of imported beer is in good opportunity to surge, premium segment will be endangered. As the Case Company determined its international brand positioning as high quality with unique taste, its potential group of substitute competitors can be limited to premium and superpremium segments of beer. This argument will be reserved for the competitor analysis section.

4.2.1 Porter's Five Forces Analysis of RTD ABM

Table 12 shows the adapted version of Porter's Five Forces analysis of this market. In each criterion of the analysis model, advantages and disadvantages of the Case Company are presented. First, regarding the issues of buyers' bargaining power, in the plus side, the Case Company will be able to find numerous distributors to trade within Vietnamese market; OLD's performance in Finland is so good that it gives the Case Company's credit when dealing with Vietnamese B2B buyers; Heineken, the Case Company's parent company, with its huge business in Vietnam, is likely to give the Case Company certain benefits while niching its product to the market. However, in the minus side, since RTD is a new segment in Vietnamese market, many importers might take caution considering OLD not to mention the high inflation rate that already lowers their willingness to import. Besides, the likely high price-sensitivity of end users is also a force to drive down the Case Company's expected price. As a result, the author assesses buyers' bargaining power at medium level.

Second, since the RTD segment is new in Vietnamese ABM, once it succeeds in showing profitability, there would be plenty of rooms for newcomers to enter the arena. Entrance barriers seem to be thin in this case because of the fresh market and easy-going governmental restrictions. As a result, local producers with better

understanding of local tastes as well as superior advantage of cost-effectiveness domestically would be a real threat for the Case Company. Nevertheless, on the plus side, the Case Company could still gain the pioneer benefits and can dominate certain sub-segment within RTD market with its “imported-brand” status. After all, high threat of new entrants is still definitely predictable for the Case Company.

TABLE 12. Adapted version of Porter’s Five Forces analysis of Vietnamese RTD ABM

Buyers’ bargaining power	Threat of new entrants
(+) There are numerous potential importers (+) Performance at home country	(+) Imported brand (+) Pioneer advantages
(-) New product type (RTD) makes importers cautious (-) Inflation reduce import willingness (-) High price sensitivity of end users (discussed in Pricing section, Chapter 5)	(-) Easy entrance because of weak trade barriers (-) New entrants’ better understanding of local taste (-) Local producers’ cost effectiveness
→ Medium buyer’s bargaining power	→ High threat of new entrants
Threat of substitute products	Competitive rivalry in the market
(+) OLD’s unique taste (-) Easy substitution (-) Familiar substitutes	(+) Sole competitor (+) Easy withdrawing (-) Sooner arriving competitor (-) Strong competitor (To be discussed on next section)
→ High threat of substitute products	→ Medium level of competitive rivalry in the market

In terms of threat of substitute products, the Case Company should be aware of the fact that Vietnamese drinkers have long been familiar with beer and this market is at the flourishing stage of rapid expansion. Although OLD can offer consumers the unique taste, they might find it difficult to alter their traditional drinking habit. This means OLD will have to take the responsibility for developing demands for the whole RTD segment apart from stimulating

consumers for its own. In short, Vietnamese beer market does boost the threat of substitute products for RTD market to a high level.

Last but not least, the most obviously identified rival of the Case Company seems to be Smirnoff Ice that will be further analyzed in the next section. For the assessment of rivalry within RTD market, it is still at low level of competition as the Case Company is not to be bound to the market by direct exporting even though the sole competitor is a tough opponent. In conclusion, the Porter's Five Forces analysis has revealed that the RTD market within Vietnamese alcoholic industry is a fairly competitive and risky battlefield for the Case Company to join.

4.2.2 Competitors analysis

The first point to note is that RTD ABM is not well recognizable in Vietnam. According to Canadean Beer Service (2011), the total consumption of all RTD products in Vietnam for 2010 is only around 30,000 litres while the same figure of beer market is impressively 2.9 billion litres in the same year. As a result, when it comes to competitors of OLD in Vietnamese ABM, certain beer brands are also taken into consideration because they are greatly interchangeable with OLD. Thus, this section will be split in two parts: direct competitors and substitute competitors.

DIRECT COMPETITORS

The most identifiable direct competitor of OLD in Vietnam seems to be Smirnoff Ice. The vodka-mixed product is owned by Diageo Vietnam, a member of Diageo Plc, the world's leading premium-drinks company. The company was founded in Vietnam in 2006 and has been expanding rapidly since then. Recently, Diageo Vietnam has entered in a strategic partnership agreement with Halico, the largest domestic branded spirit producer in Vietnam and a subsidiary of the second biggest Vietnamese state-owned brewery Habeco (Diageo Press Release, 2011). This sign clearly shows that Diageo Vietnam is enlarging its interests covering not only its luxurious spirit market but also the higher quality but more affordable

liquor in this Asian country (Bland 2011). Nonetheless, as stated by Diageo Vietnam, its main focus seems to still lie on its key premium spirit brands such as Johnnie Walker, Baileys and Smirnoff Vodka. Still, the spread of Smirnoff Ice in different distribution channels as well as the product's recent sponsoring activities have shown Diageo Vietnam's increasing attention to the RTD segment. At the moment, Smirnoff Ice in Vietnamese market is imported and distributed by Diageo Vietnam.

TABLE 13. Key information of Diageo and Smirnoff Ice (Diageo brochure 2011 and Thuy 2010)

Diageo Vietnam's objectives	Spreading company's image Increase brand awareness Focusing on premium spirit brands Expansion of other alcoholic segments
Diageo Vietnam's strategies	A company of social responsibility <ul style="list-style-type: none"> ○ Reliable image ○ High-class brands Customer-oriented Establishing own nationwide distribution channels Big investment in marketing Building up Super Deluxe Reserve Portfolio and a sale execution team World-class foundation of people, processes and system Absolute commitment to Vietnamese market
Smirnoff Ice's strengths & opportunities	Self-supply imported Smirnoff Ice Increasingly popular image of Diageo Smirnoff vodka's strong reputation Consistent promotion campaign Pioneer product in RTD market
Smirnoff Ice's weaknesses & threats	Inconsistent image in consumers' eyes (section 4.3.2) Losing male segment because of its image dependent on "strong" Smirnoff vodka New entrants like OLD to join the RTD market

The following table describes key information of Diageo Vietnam and its Smirnoff Ice, a strong rival of OLD. Basing on these descriptions, it can be said that this company is the most remarkable competitor for the Case Company in Vietnamese market. However, the fact that Smirnoff Ice is not yet a strategic focus of Diageo Vietnam is an opportunity for newcomers like the Case Company take lead in this not yet well-established RTD segment. On the other hand, the Case Company can also consider the option of entering alliance with Diageo Vietnam to cooperate in pulling demand of RTD products during the establishment stage of this market. In doing so, the Case Company could even benefit the wide distribution system of Diageo. Nevertheless, the first obvious mission of the Case Company is still to compete with Diageo Vietnam's Smirnoff Ice. The pricing section of Chapter 5 will deal with this issue in more details.

SUBSTITUTE COMPETITORS

The Case Company's international positioning strategy is to place OLD at the premium position in the market. In addition, when entering Vietnam from its original manufacturing plant in Finland, its price and the status of imported drink already make OLD an unconventional product. As consequence, OLD is likely to compete with its closest substitutes which are premium and superpremium beer segments.

Heineken and Tiger, the two licensed brands manufactured domestically, are already absolute rulers of the premium beer segment. The local operator of these two products is Vietnam Brewery Limited (VBL), a joint-venture company partly owned by Heineken. By investing largely and consistently in marketing and sales for its two strategic brands, VBL has remained its third largest market share in the whole beer market together with around 93% of the premium segment (Canadean Beer Service 2011). However, progressively affordable imported brands are becoming real threats for Heineken and Tiger since Vietnamese consumers are in great favour of imported goods in general. That also explained the ironical and controversial fact that VBL even works on importing Heineken from France and the Netherlands when the company itself is the exclusive producer of Heineken in

Vietnam. Hence, it can be clearly foreseen that imported beer will be a greatly fruitful segment as trade barriers are lowering.

The coming table lists several most noticeable brands belonging to these two segments.

TABLE 14. Most noticeable substitute competitors of OLD

Segment	Brands	Local operator / owner
Premium	Heineken	Vietnam Brewery Limited's licensed brand
	Tiger	Vietnam Brewery Limited's licensed brand
Imported Supremium	Budweiser	Anheuser-Busch InBev, US
	Corona	Cerveceria Modelo, Mexico
	Heineken	Heineken International, Netherlands
	Chimay	Chimay Brewery, Belgium
	Lefte	InBev, Belgium
	Duvel Etc.	Duvel Moortgat Brewery, Belgium

Almost all the imported beer brands seem to fall in supremium segment among which, Budweiser and Corona are the two major dominants with respectively 30% and 28% shares of the total segment. Mainly from European countries and the US, not many of these beer brands are handled by authoritative distributors but rather, a number of separate regional and local importers. As a result, their approaches to Vietnamese market are mostly unsystematic and based mainly on local operator's own strategies and the salesforces' efforts to spread the products in different channels. Nonetheless, several official partnerships between international brand owners and local operators have been found. Budweiser is a good illustrator. The leading beer brand of the US produced by Anheuser-Busch InBev (AB InBev), the global biggest brewery, has been imported and delivered exclusively by Gannon Vietnam since 2008. Recently, the beer giant even planned to build up Budweiser brewery in Vietnam. However Gannon Vietnam engaged in a legal dispute which led AB InBev to cancel its agreement and plans with the currently problematic partner in the beginning of 2010 when Budweiser sales in Vietnam is at fast growth. AB InBev announced that it will continue the path to Vietnam and

reassure that this booming market is its important strategic destination (Bland 2010). In fact, despite its legal issues, Gannon Vietnam had done a good job in bring Budweiser to Vietnamese market with its initial focus on Horeca channels. At the moment, Budweiser is one of the most successful imported brand in Vietnam's premium beer segment (Canadean Beer Service 2011).

The next table summarizes imported beer brands' key characteristics that the Case Company needs to know.

TABLE 15. Imported beer brands' general information

	Brands with authoritative dealers	Brands imported by independent companies
Objectives	Spread company's image Increase brand awareness Long-term commitment	Increase brand awareness Generating sales Surfing business
Strategies	Focus on biggest cities (Hanoi, HCM City, etc.) Connecting regional distributors Starting at Horeca channels and key retailers High investment in marketing and saleforce	
Strengths & Opportunities	Selective dealers Well-established DCS Strong products' images Systematic market approach	Large number of distributors High market coverage Competitive prices
Weaknesses & Threats	Higher prices Low market coverage	Unreliable origins Unsystematic marketing Fragmented market availability

In another example, just as AB InBeve did, the well-known German brewery Bitburger Brewery assigned Kinh Bac Investment and Trading JSC as its strategic exclusive dealer in Indochinese region. Its initial focuses are also on Horeca

channels. This clever route to market will be a valuable alternative for the Case Company to consider when it enters Vietnam.

Another noteworthy trend is that while glass bottles are found in most of consumed packaged beer, the use of cans is increasingly accepted. This is partly because most of the imported beer is canned, especially those of 500 ml. Hence, consumers tend to perceived half-a-litre cans as higher class resulting in the fact that consumption of these products normally witnesses peaks during special events when consumers are in search for expensive gifts for their friends, such as Lunar New Year. Nevertheless, glass bottles are still dominant in on-trade channels which are the main consumption gateway for premium and superpremium beer. This is an important notification for the Case Company as it is targeting Horeca channels while OLD is not yet available in glass bottle.

4.3 Consumer analysis

There are two big tasks in analyzing consumers which are segmentation and the study of their behaviors and unmet needs. The questions set presented in Figure 7, section 2.2.3 acts as the main guideline the outcomes of this section. One noticeable issue is that, as mentioned earlier, RTD products are not yet a recognizable alcoholic segment in Vietnamese market that leads to the author's suggested solution to analyze Vietnamese consumers' behaviour by tapping into the usages of beer and cocktails which both are OLD's closest substitutes.

4.3.1 Segmentation

According to Canadian Beer Service (2011), the age group that are most important in trial and consumption of beer are ranged from under 18 to 35 year-old. The Case Company should be informed that even though Vietnamese government restricts drinking age to 18, this law is commonly not adhered to. Canadian Beer Service recommends group of 21 to 35 year-old as the main target consumers for beer. They normally are fresh graduate and first jobbers who are

single and in control of their private finances (Canadian Beer Service 2011). The Case Company agreed to choose these consumers as its target segment. However, further actions to narrow targeting scope are still required since the Case Company is not in a good position to reach a broad range of consumers. The following table illustrates the Case Company's target consumers segment optimized by the author.

TABLE 16. Case Company's target segment

Age	21 to 35
Gender	Female focus (see section 4.3.2)
Occupation situation	Fresh graduates New jobbers
Income	> 10 mil. VND (appx. 350 EUR)
Regions	Hanoi (Capital of Vietnam) Ho Chi Minh City (biggest city – key market)

Income and regions variables are corresponding to brand and distribution strategies of the Case Company. All the used criteria for segmentation are with high MAA degree. It should be noted that this initial segmentation is still rough and simple. Once the Case Company officially enters Vietnam, more market insights are gained and its target consumers segment is to be refined through new situations.

4.3.2 Survey analysis

The main purpose of implementing this survey is to give the Case Company a relative and general overview about its potential consumers. The data collection method is internet survey with convenience sampling. Therefore, the Case Company agreed to ignore the sample's representativeness. Even so, the author's opinion is that the survey's results are fairly valuable for the Case Company. SPSS is the main tool employed in this section. The survey analysis is divided

into three main parts which are sample description, consumer habits, and new product testing.

SAMPLE DESCRIPTION

In total, there are 1220 people accessing the survey link, however, only 318 respondents managed to finish the questionnaire. The author decided to extend age limit of attendants to from 18 to 35 as the are still regarded as important potential consumers for new products like OLD (Canadean Beer Service). As a result, only 6 respondents who are under 18 are filtered out of the survey. Thus, the examined people will be 312. There are four demographical questions asked in the end of the survey to discover respondents' gender, income, employment status and origins in Vietnam. The following charts distribute obtained information.

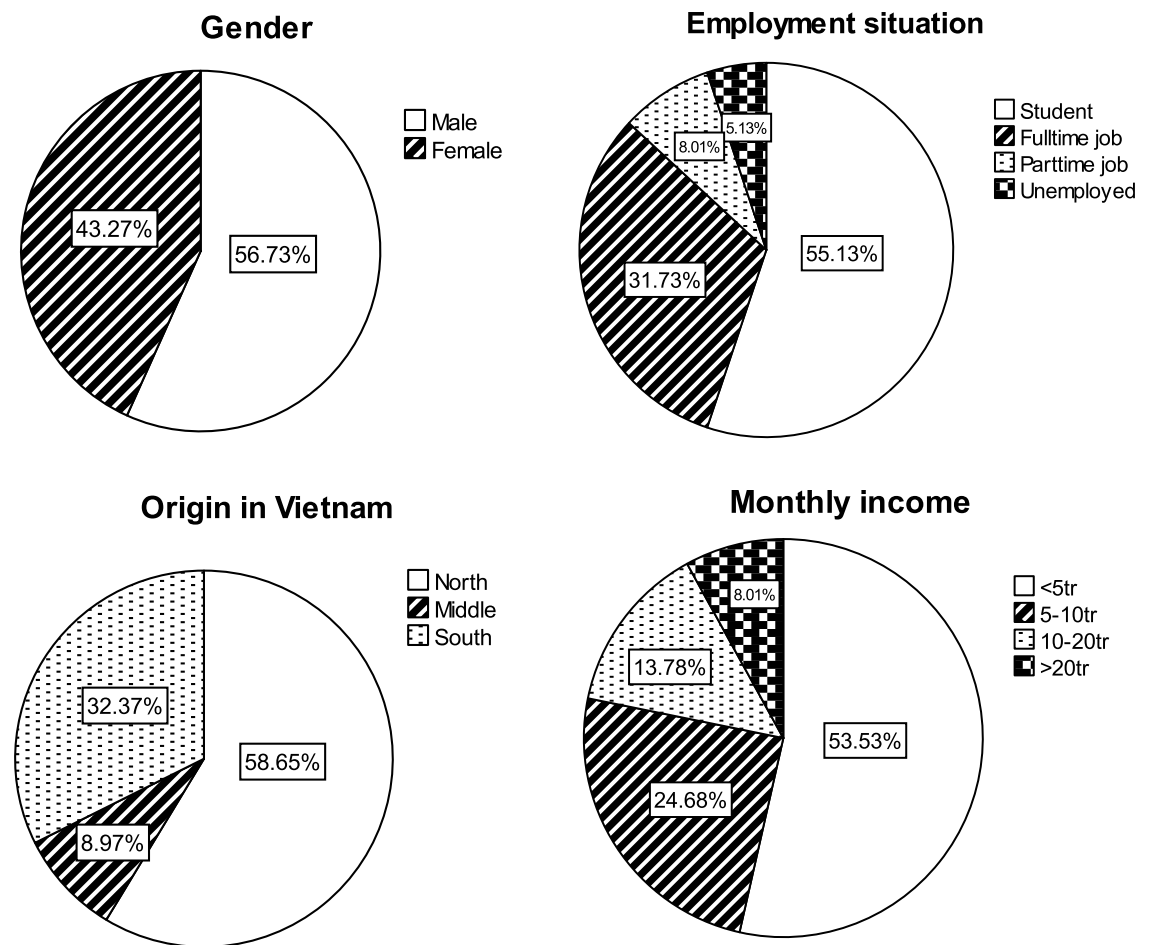


FIGURE 17. Demographic information of respondents

As can be seen in the above figure, 56.73% of respondents are males who are key consumers of alcoholic products in Vietnam. While 55.13% of participants are students, around 40% are under employment and nearly 5% jobless. The Case Company should be aware of the fact that students generally earn much less than employed people who live a rather different lifestyle and are supposedly able to buy superpremium or imported alcohols. Thus, the survey's output might partly be affected by a large proportion of those with low financial capacity. Monthly incomes of more than 53% of respondents are considered relatively low with less than 5 million VND (around 170 EUR) which might be the direct effects of high quantity of students. Those who earn from 5 to 10 million VND (170 to 340 EUR) account for 24.68% and the middle class with income of above 10 million VND (340 EUR) are of the rest 21.8%. When it comes to respondents' origins, majority are from the North while merely 32% are from the South, the strategic market for many beer sellers. The possibly prompt conclusion about this survey's sample is that despite its unrepresentativeness, it can partly show the common behaviours and attitudes of Vietnamese towards alcoholic drinks regardless of social class.

CONSUMER HABITS

The first question inquires about consumers' drinking frequency of spirit, wine, beer and cocktails. By using paired-sample T-test, it is discovered that Vietnamese' drink frequencies of the four alcoholic types vary significantly ($p < 0.05$). However, when the sample is split by genders, remarkable differences occur.

TABLE 17. Usage level of different alcoholic types (top-down)

Common sample	Male	Female
1. Beer	1. Beer	1. Beer
2. Wine	2. Wine	2. Wine
3. Cocktails	Spirit	Cocktails
4. Spirit	3. Cocktails	3. Spirit

Beer is used excessively by both male and female. Both genders have wine as the second most-drunk beverage. According to independent T-test, the main difference within genders is while male tend to drink significantly less cocktails ($p < 0.05$), female prefer cocktails ($p < 0.05$). The other test, regression, reveals that male's usage of wine has positive correlation with their usage of cocktails their spirit usage is in contrast ($p < 0.05$). However, these relations are fairly weak. A noticeable point about cocktails usage is that Southern respondents' frequency is significantly higher than that of respondents from the North and Middle of Vietnam. In other words, HCMC seems to be the better for drinks like OLD.

Next, respondents were required to give opinions over several statements about their reasons to drink beer and the results are indicated in the below figure. Grade 3 shows the neutral level of agreements while higher and lower marks represent agreeing and disagreeing respectively.

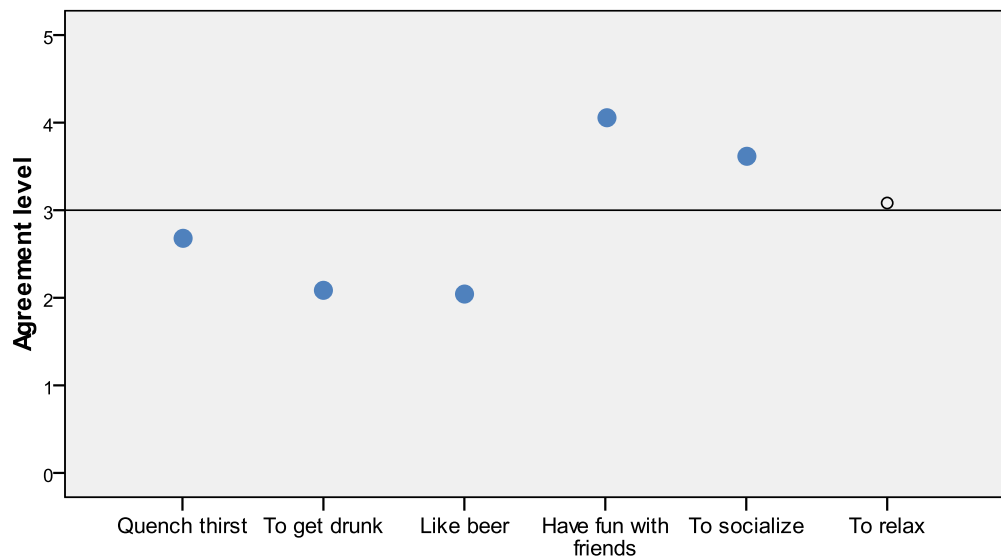


FIGURE 18. Respondents' average opinions on reasons of drinking beer

Examined by one-sample T-test, except for attitude towards “relax” - the last statement ($p > 0.05$), all the other statements witness significant assessments of respondents ($p < 0.05$). The main finding is that respondents disagree strongly with statements saying that they drink beer to quench thirst, to get drunk or just because they like it while on the other hand, they firmly take beer as a means to

have fun with their friends and especially to socialize, which is one of the typical cultural traits of Vietnamese people. The only significant difference when it comes to genders is that male drink beer to relax more frequently than female do. When asked about the time they drink beer, it is quite foreseeable that weekend is the option scoring the most. When specified during a day, paired-sample T-test shows that dinner is the common time when consumption of beer peaks, followed by afternoon and night time. However, there are certain differences regionally. Northern people drink significantly more than Southern people during lunch time, while those from the South take rather night time as their favourite moments ($p < 0.05$). This makes good sense as HCMC, or Saigon, is known for having a faster lifestyle.

In the next question, respondents had to make their assessment of the most important factors they consider when buying beer. The results yielded by paired-sample T-test show that they value brands the most while taste is at the second position followed by prices. Although respondents in general tend to pay much less attention to the product's ABV, women indicate that ABV is significantly more important to them than men ($p < 0.05$). The Case Company should also beware that Southern people consider prices more frequently than those from the North ($p < 0.05$).

After the assessment question, respondents again had to give their attitudes about some general statements regarding their usage of beer. Respondents highly agree that they trust famous brands more than those less-known (one sample T-test, $p < 0.05$). They also claim that they normally only drink a limited number of their favourite brands ($p < 0.05$). One surprising answer is that regardless of gender, regional origins, occupations and income, respondents choose neutral opinion when being asked if they think imported beers are better on quality compared to those produced domestically ($p > 0.05$). This result is contradictory to the fact of Heineken that, imported Heineken beers are sold better than domestically produced same brand. Possible explanations can be either that consumers are unaware of their tendency to purchase foreign beverage or that they unconsciously avoid admitting the phenomenon which is widely criticized as an indecent cultural trait of Vietnamese. Nonetheless, regression analysis shows that the heavier the

beer drinker, the more he or she agrees that imported beer's quality is better. Finally, respondents indicate strong favour for the two last statements claiming that they are willing to accept higher price for better quality and service. This is useful information for the Case Company's marketers in their effort of boosting OLD's perceived values.

The next three questions are about consumers' usage of cocktails. Respondents claimed that their cocktails consumption is mostly at Horeca channels rather than at home. Female respondents also beat their opposite gender when drinking cocktails significantly more regardless of places (Independent T-test, $p < 0.05$). In terms of the reason they drink cocktails, respondents gave the following answers. Scores higher than 3 represent agreement in contrast to those lower than 3.

TABLE 18. Reasons to drink cocktails (one-sample T-test)

Drinking reasons	Male		Female	
	Scores/Sig. value	Opinion	Scores/Sig. value	Opinion
Cocktails are stylish	2.16 $p = 0.00$	Disagree	2.32 $p = 0.00$	Disagree
To enjoy the drink	3.36 $p = 0.00$	Agree	3.65 $p = 0.00$	Agree
To relax	2.93 $p = 0.44$	Neutral	3.27 $p = 0.00$	Agree
I like cocktails	2.67 $p = 0.00$	Disagree	3.27 $p = 0.00$	Agree

As learnt from the table above, all respondents disapprove "stylishness" as a reason they drink cocktails while strongly indicating the favourable enjoyment of drinking cocktails. Female respondents maintain their love for cocktails and claim that it does help them relax. In contrast, males reaffirm their dislike of cocktails and have neutral opinion about relaxing. Finally, the last question concerning cocktails usage again asks respondents to show the extent of agreement they hold over certain statements. The next table illustrates results of this question analyzed by one-sample T-test. Grade 3 again indicates neutral point.

TABLE 19. Respondents' attitudes about cocktails

Statements	Male		Female	
	Scores/Sig. value	Opinion	Scores/Sig. value	Opinion
I like cocktails more than beer	2.62 <i>p</i> = 0.00	Disagree	3.29 <i>p</i> = 0.00	Agree
Cocktails are more expensive than beer	3.18 <i>p</i> = 0.45	Neutral	3.45 <i>p</i> = 0.00	Agree
Cocktails are sophisticated	3.01 <i>p</i> = 0.94	Neutral	3.43 <i>p</i> = 0.00	Agree
Cocktails are high-class	2.73 <i>p</i> = 0.00	Disagree	2.99 <i>p</i> = 0.92	Neutral
Cocktails cannot be drunk as much as beer	2.95 <i>p</i> = 0.59	Neutral	3.16 <i>p</i> = 0.09	Neutral
Making cocktails consume time	3.09 <i>p</i> = 0.29	Neutral	3.05 <i>p</i> = 0.59	Neutral
I would like premixed cocktails	2.81 <i>p</i> = 0.03	Disagree	2.86 <i>p</i> = 0.13	Neutral
I want to drink cocktails more often	2.72 <i>p</i> = 0.00	Disagree	3.14 <i>p</i> = 0.10	Neutral
I like to make cocktails myself	2.60 <i>p</i> = 0.00	Disagree	3.14 <i>p</i> = 0.17	Neutral

It can be easily seen that males tend to have more negative attitude towards cocktails. They strongly present themselves as unfavourable drinkers of cocktails by stating that they like beer much more and have no further interests in premixed cocktails as well as drinking and making this drink. On the other hand, female respondents maintain their favors for cocktails by saying they like it more than beer and believe that it is sophisticated as well as more expensive than beer. However, for many statements, females choose neutral point which might mean that their attitudes towards cocktails are not well shaped. Still, descriptive analysis reveals that females' answers' standard deviations are lower than those of males' answers'. It means female respondents are more stable than their male fellows in judging cocktails.

NEW PRODUCT TESTING

The ultimate purpose of the last part is to test OLD's product concept with its potential consumers in Vietnam. First, respondents were asked what kind of new alcoholic product they would like to have in the market. As shown in the next figure, premixed cocktails gain highest interests from respondents when it comes to new alcoholic product.

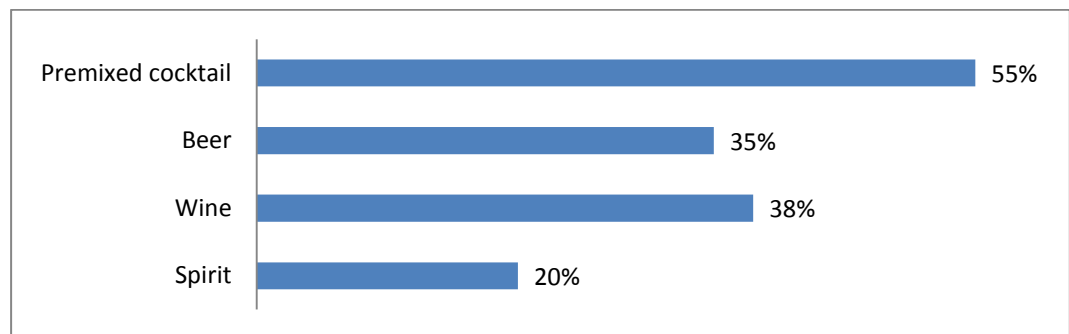


FIGURE 19. Percentage of respondents who would like new alcoholic product in each category

When enquired about their frequency of trying new products, majority of respondents claim they do not make alcoholic trials too often. In terms of their reason to try new alcohol, friends' recommendation is the absolutely dominant motivation for respondents. Other motivators such as ads, launching campaigns, Horeca saleforce and newspaper are at similar levels of effectiveness. Discounts in markets seem to affect respondents least of all. Regarding genders' differences, independent T-test points out that male respondents are affected by saleforce at Horeca significantly more than females ($p < 0.05$). This result might be one of the main causes leading to the next finding that men try new alcohol in Horeca much more often than women. Nonetheless, markets and alcohol shops remain the key channels where sampled respondents buy new alcohol.

In the next section, respondents are informed about a possible new product with description of OLD and asked about their first impression of the products. The outcomes are shown in the figure bellow.

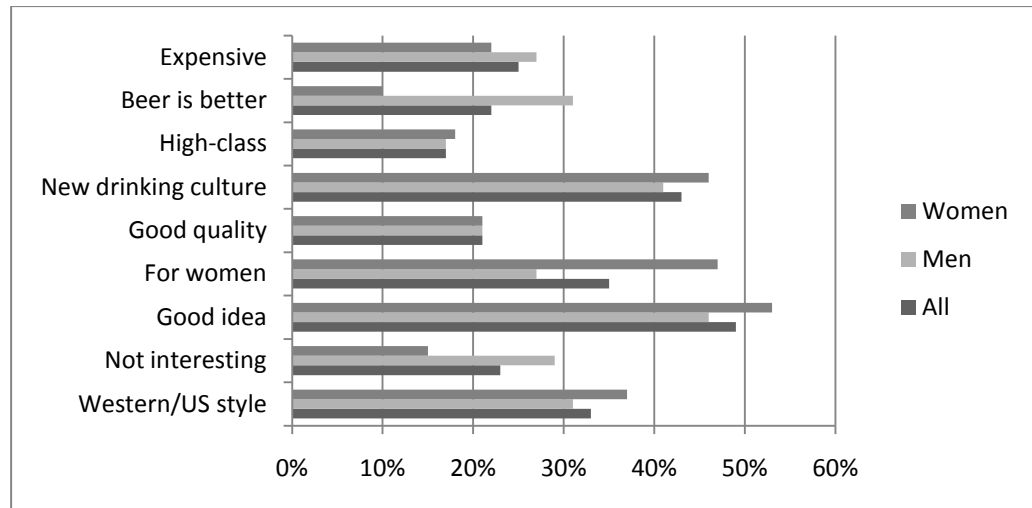


FIGURE 20. Percentage of respondents having particular impression on the described product

As can be seen in the bar chart, for all respondents, the five impressions with highest agreements are "good idea", "new drinking culture", "for women", "Western/US style", and "expensive". The Case Company can accordingly take into consideration these descriptive impressions when characterizing OLD in Vietnamese market. One noticeable point is that the number of men impressed that OLD is not interesting and beer is better are excessively more than women. On the other hand, numerous women think OLD is the right product for them.

In the next question, respondents have to choose whether they are willing to buy the described product or not. While 30% of them answer "yes", 15% says "no", and the rest majority claim that it depends essentially on the product's price which means consumers might be greatly price-sensitive with OLD. More specifically, when asked about the possible prices they would like to pay for such product, respondents gave the following answers.

TABLE 20. Respondents' pricing for OLD

	Equivalent beer segment	Male	Female	High income
1 - 1.5 EUR/L	Premium (lower)	43%	22%	M: 44% F: 22%
1.5 - 2 EUR/L	Premium (higher)	37%	49%	M: 26% F: 27%
> 2 EUR/L	Superpremium	20%	29%	M: 30% F: 50%

The three pricing options presents thresholds between corresponding beer segments of Vietnamese market which are higher, lower premium and superpremium. As can be seen in the table, males are much more intolerant with pricing of OLD than females. While nearly half of all female respondents would place OLD at higher part of premium segment, the similar proportion of those with higher income shows their great financial capacity by stating that they are willing to pay for OLD at the prices equivalent to superpremium beer.

There were also two questions aimed at examining the performance of Smirnoff Ice, OLD's biggest direct competitor in Vietnam. The outcomes show that 65% of respondents are unaware of this product's existence in Vietnamese market. While 17% claims that they heard but never tried Smirnoff Ice, 15% says they only drink this new product for sometimes, and barely 3.2% of respondents are regular buyers of Smirnoff Ice. Nonetheless, when only respondents with higher income are taken into consideration, the proportion of people without knowing about Smirnoff Ice does drop moderately. It can be seen that Smirnoff Ice is still at a very early life stage in Vietnam.

When it comes to consumers' evaluation of OLD's rivals, respondents' ratings indicate Heineken's incomparably strong position. Budweiser and Corona, the two leader of superpremium beer segment, together with Smirnoff ice are even placed slightly lower than Heineken which shows the clear sign of vague perception consumers have over these superpremium brands. This argument is also backed by the fact that standard deviations of examined superpremium brands' grades are higher than those of brands in lower segments. This phenomenon can be explained by the fact that most of the high-class brands are

still young in the market and consumers are not yet well knowledgeable about them, especially Smirnoff Ice which has been around for merely more than one year.

The last question asking about visiting frequency of respondents to key Horeca channels is to be utilized in section 5.2.1.

The section of consumer analysis can be concluded with the following key findings.

- Women drinks cocktails far more than men
- Women show great interests in OLD than men
- Women generally have highly positive attitude towards cocktails
- Vietnamese people tend to take alcohol as a means for having fun and socializing.
- They pay remarkable attention to the alcohol brands
- Women are more conscious about ABV of the drinks than men
- Southern people are more price-conscious than those in the North
- Southern people are also more interested in OLD
- The heavier the drinker, the more likely he/she thinks imported beer are better
- Respondents are willing to pay higher price for better quality and services
- Words-of-mouth seems to be the most effective motivation for trials of new alcohol
- Women are less affected by personal sale at Horecas
- The five most chosen impressions about OLD: "good idea", "new drinking culture", "for women", "Western/US style" and "expensive"
- Consumers in general might be sensitive about OLD's price
- Female with higher income tend to price OLD at superpremium segment (>2 EUR/L)
- Smirnoff Ice is not at all popular in Vietnam
- Consumers' perceptions of products in superpremium segment are highly ambiguous

5 CASE STUDY: EXPORT PLAN

This chapter is designed as an export plan consisting of three main parts of which, the first section forms a sufficient set of export strategies for the Case Company. In the second and third parts, the two Ps of marketing mix, *Place* and *Price*, will be handled. Reasoning of this chapter will be led crucially by the analyses in previous chapters.

5.1 Export strategy

According to the literature reviews presented in theoretical part, the Case Company's export strategy is formed by Porter's generic strategies which will act as a core tool in forming Case Company's strategic competitiveness.

The set of Porter's generic strategies consists of four alternatives yielded from combining different options of competitive scope and competitive advantages. When the firm's competitive scope is narrow, it focuses all efforts on satisfying only a piece of the total market. Stonehouse and Campell (2004, 178) suggested this strategy in the situation where a company is not capable of targeting the whole market or there are certain distinctive customer segments with unsatisfied needs in the industry. This is also the situation of Case Company with its new Asian market. As a result, the author and the Case Company made an easy agreement on its narrow target in terms of Vietnamese consumers. What still under discussion is whether cost leadership or differentiation should be employed. Pros and cons of the two approaches will be interpreted to answer this question.

First, if the Case Company takes cost leadership as its key strength, it seems the firm would have to face a great challenge. The Case Company's production and its other main business premises are located in Finland where costs are generally far higher than other parts of the world. As a result, pursuing cost leadership seems to be a tough mission for the Case Company. However, Stonehouse and Campell (2004, 176) made a good point when stating that cost leadership should be taken into consideration by newcomers of a market. The reason for that is the

typical nature of new product, high price elasticity of demand, of which lower price might take advantage. Furthermore, in this situation, even though the Case Company is in hard position to optimize its costs, still it does not mean its competitors' pricing are with better cost advantage. This is largely due to the fact that differentiation strategy is aggressively utilized by lots of imported beer suppliers. Many of these OLD's substitute competitors normally are not marketed intentionally by its true brand owners that results in irrational pricing based mostly on Vietnamese's "foreign preferences". As a consequence, prices of imported beer are commonly unaffordable. In other words, even wealthier people, the target group of superpremium segment, might sometimes find the prices unreasonable high. This is the point where the Case Company should gain its benefits by placing OLD as a more affordable product.

In the other perspective, differentiation appears to suite Case Company the best. The author believes that the two most notable distinctive values OLD may have in Vietnamese market are "imported" status and new product line belonging to new RTD segment. As mentioned above, "Imported" status is already widely employed by many other importers. Although Canadean Beer Service (2011) predicts that Vietnamese consumers' favour for imported drinks is rapidly growing in the near future, the Case Company is still advised to focus more on marketing OLD as a new product of a new market segment, RTD, because of two reasons. First, by segmenting itself in a not-yet-formed segment, the Case Company will obviously gain its pioneer's advantages. Thus, it is important for the Case Company to not only stimulate demand for its own product but also for the whole segment of RTD products. An example for this is Apple's Ipad, the first-of-its-kind tablet that opened the new market for tablet computers and benefited hugely from the pioneer position. Second, it is simply predictable that as trade barriers to enter Vietnam are being laid down while Vietnamese beer market is at its booming stage, dozens of foreign brewers will come to join the party and competition within beer market will unavoidably get cruel. Therefore, to ingeniously circumvent direct competition, the Case Company ought to create its own separate arena. Even though Smirnoff Ice, the only identifiable direct competitor of OLD, has been showing up in the market, its image is not yet nationwide well-known and the RTD market is also not nurtured sufficiently by this sole product. Thus,

becoming one of the first RTD products will give the Case Company an easily-seen distinctive value from consumers' eyes. In addition, according to Sehgal (2001, 37), Case Company can enrich OLD's values by improving any other links of its supply chain which are perceived as beneficial for consumers. For instance, spreading sale teams to different Horeca channels has been an effective way that brought Heineken to the domination of premium segment in Vietnamese beer market. Other ideas are expected to be developed later when the Case Company officially internationalizes to Vietnam and differentiates itself from the competitors there.

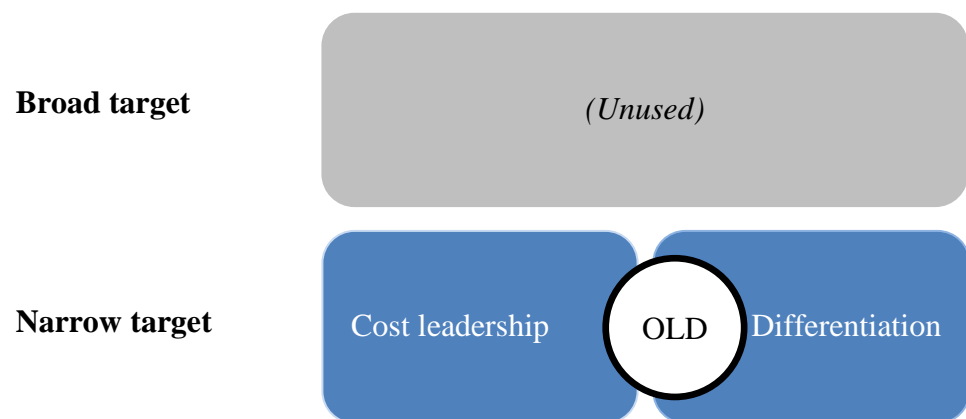


FIGURE 21. Case Company competitive strategy

Figure 21 above summarizes Case Company's competitive strategy for OLD suggested by the author. As can be seen, Case Company will keep its scope down to narrow and focus mostly on differentiation without losing attention to cost leadership. The author believes such a choice will benefit the advantages of both competitive strategies according to Moon (2009, 9).

5.2 Distribution plan

Following the framework given in theoretical part, distribution plan will be split in three main sections: channels analysis, market coverage strategy and distributors selection.

5.2.1 Channels analysis

This section carries out the analysis of different distribution channels for OLD or in other word, the B2B customers for the Case Company in Vietnam. First of all, the Case Company should be informed that the DCS of Vietnamese ABM is highly undeveloped and disordered. Thus, there might be different DCS shapes existing. However, key players in the market are working hard in optimizing their distribution in order to compete with more efficient rivals entering the market with tremendous international experiences.

According to the author's interview with Mr. Hung (2011), the sales supervisor of Vietnamese alcoholic giant Habeco, there are normally three levels of distribution within the DCS of Vietnamese ABM. Since the Case Company chose direct export as its entry mode, it will have to contact first the importers. Mr. Hung believes that there are a big number of alcohol importers in Vietnam and their scopes are mostly narrow. Gaining the margin of around 30% to 40% depending on additional business agreements with foreign exporters, these importers then supply their products to local wholesalers in provinces of Vietnam, who resell the goods with 10% higher prices to local on-trade and off-trade channels. While off-trade channels are said to take less than 5% of mark-up (Hung N. 2011), on-trade channels' pricing vary vastly in terms of different products as well as the class of Horeca. For example, Heineken's normal price in markets can be doubled or tripled when placed in premium Horeca. In another illustration, while prices of Heineken, in average, increase 140% in on-trade channels, the same figure for Budweiser is only 20%. In average, prices of imported drinks in Horeca channels are around 90% higher than those sold in off-trade channels. It means that Horeca channels can take mark-ups of around 100% or even far higher when it comes to

high class bars, clubs and restaurants. Mr. Hung emphasized that the specific deals in specific cases would affect the margin rates between distribution channels.

However, the product's price at off-trade channels normally increases by 40% compared to its after-tax value at the entrance to Vietnamese market. On the other hand, pricing at on-trade channels remains largely dependent on the outlet's operator's own will which means there needs to be high control over Vietnamese DCS if OLD's pricing is to match Case Company' strategy.

The DCS presented in the next figure shows the typical number of intermediaries that OLD have to go through in order to reach its Vietnamese end users (Hung N. 2011).

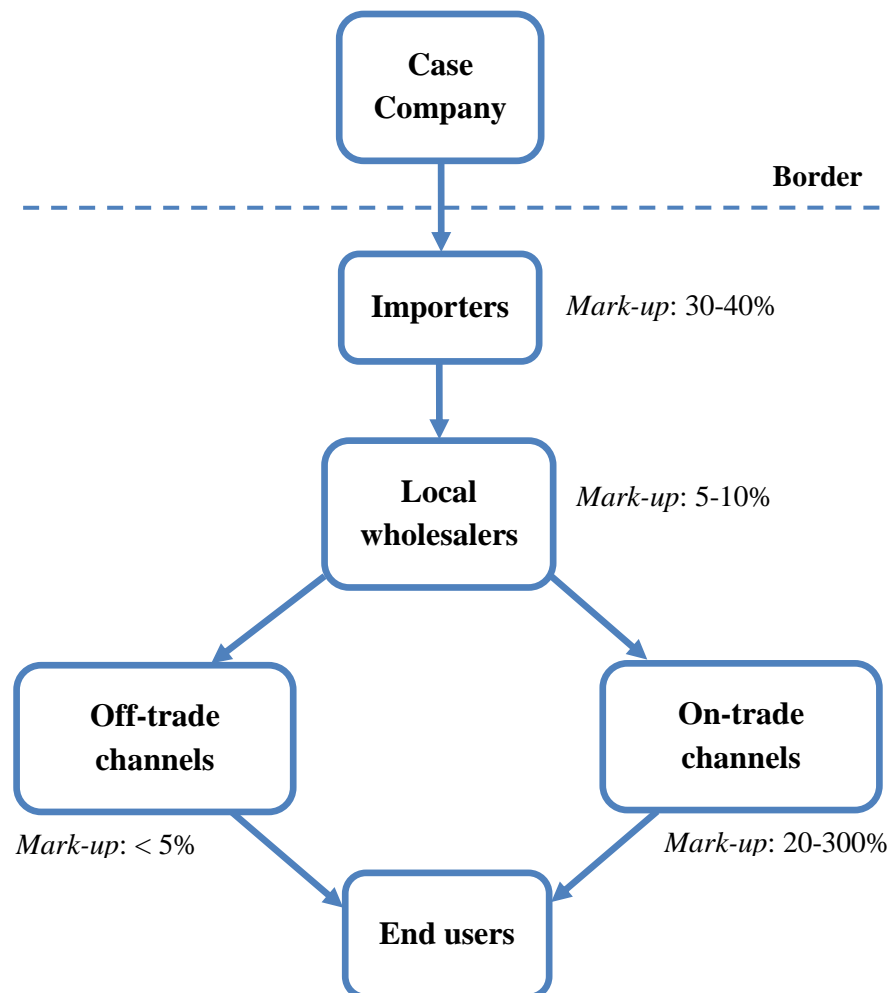


FIGURE 22. Distribution channels system and price escalation in Vietnamese beer market

Off-trade channels refer to the shopping places where consumers buy products to take away. In Vietnam, traditional private-owned groceries stores, those can be found at all corners around big cities, are still dominating off-trade segment. However, the number of modern retailers such as market and supermarket chains is recently booming along with expanding Vietnamese economy. Most of imported or superpremium beers, OLD's potential substitute competitors, are increasingly found in these outlets. Accordingly, the share of beer consumption in off-trade channels is steadily increasing in recent years. An additional point to notice is that a large proportion of beers offered in modern retail chains are observed available in cans thanks to their great convenience to carry home. Last but not least, the new type of off-trade channel to which alcohol sellers should pay attention is private alcoholic shops where survey respondents normally come to find new alcoholic products. The following table shows key facts of off-trade channels in Vietnam until 2010.

TABLE 21. Key facts of off-premise channels (Canadean Beer Service 2011)

Number of outlets (2009)	
Traditional groceries stores (in HCMC only)	87,200
Convenience stores	1,053
Super market	325
Hypermarket	29

Key modern retail chains for beer in Vietnam

Supermarket and Hypermarket		Convenience stores	
Saigon Coop	50	G7 Mart	460
CitiMart	30	Hapro Mart	153
Hapro Mart	32	Coop food	100
Fivimart	15	Shop & go	40
Maximark	6	Speedy	13
Big C	14	Others	287
Lotte Mart	3		
Metro Cash & Carry	12		
Others locals	192		

On the other hand, on-trade channels with the share of 75% consumption are still playing the key role in consumption of beer and other alcoholic products. These channel type most remarkably include bars, clubs, karaoke bars, cafes, restaurants and hotels. However, it should be noted that in Vietnam, consumption of alcohol in hotels are much less intensive than that of other on-trade outlets. Thus, hotels are not counted as one of the key on-trade channels. Besides, to the best of the author's knowledge of Vietnamese consumers' behaviour, restaurants might not be the best consumption point for OLD as the taste of the drink and the nature of local cuisine appear not to match each other. From the author's point of view, the more suitable places for OLD could be bars, clubs, karaoke bars, and coffees.

Via the survey, the author asked respondents about their visit frequency to certain Horeca channels. Cafes are the locations with highest visiting while restaurant are settled at the second place following by karaoke bars, the extremely popular party destinations for lots of Vietnamese people. Bars and clubs seem less common among Vietnamese due to the fact that such outlets have not broadly penetrated to Vietnamese culture not to mention the high amount of expense visitors are normally expected to spend there. Nonetheless, as most customers of bars and clubs are those with higher income, these channels are playing a key role for consumption of alcoholic drinks especially when local lifestyle is being westernized rapidly. Subsequently, the key channels that are profitable for the Case Company would be: clubs, bars, karaoke bars, restaurants and coffee.

It is a typical habit of Vietnamese people to drink at on-trade premises with their families, friends and other social relationships. This trait is further strengthened as Vietnamese have been enjoying higher disposable income in recent years. It should be noted that key competitors of OLD, such as Diageo's Smirnoff Ice, Budweiser, and Corona all started their distribution at premium Horecas and focused mostly on major cities like Hanoi and HCMC. Thus, it is not difficult to conclude that on-premise channels should be the key concentration of Case Company when launching OLD in Vietnam. However, it should still be informed that controlling over on-trade channels is not an easy task as can be seen from the fact that Budweiser is a rare brand that is able to keep its prices from jumping high when sold in Horecas. Besides, as Horeca outlets are the main battlefield for

premium and superpremium segments where the number of players is growing fast, Case Company can totally expect brutal competition to dominate distribution channels from its rivals who are more and more willing to exploit “unsound” tricks (Ministry of planning and investment 2010). Because of poor market data availability, details on on-trade channels are limited to the number of total Horecas in HCMC until 2009, which is about 14450 outlets among which 46% are restaurants (Canadean Beer Service 2011).

5.2.2 Market coverage strategy

In reference to Figure 12, OLD will be characterized in order to establish the Case Company’s channel width. The author believes that there are several crucial traits that play overwhelmingly important roles in this situation which are product life cycle, product price, brand loyalty, product uniqueness and selling requirement. The below table presents further details on specific characteristics of these factors as well as the likely market coverage strategies that should be used.

TABLE 22. OLD's characteristics and likely coverage strategies

Factors	Characteristics	Coverage strategies
<i>Product type</i>	<i>More “speciality”</i>	<i>Selective or exclusive</i>
<i>Purchase frequency</i>	<i>Moderate</i>	<i>Selective</i>
Product life cycle	New	Exclusive
Product price	High	Exclusive
Brand loyalty	More “Brand-preferred	Intensive or selective
Product uniqueness	Distinctive	Exclusive
Selling requirement	More “Personal selling”	Selective

As mentioned in the analysis of competitors, the common distribution strategies of foreign newbies in Vietnamese beer market is entering an exclusive partnership. The local representative will then make their products available at key Horeca channels for launching. These channels help such premium brands reach their

targeted higher-income consumers who also are the very guides that orient purchasing behaviours of mass consumers. However, the author strongly believes that new alcoholic beverages should be also placed at a number of selective modern retail chains as a result of respondents' answers in the survey that supermarket and alcohol shops are the main locations where they normally buy new drink brands. This conclusion is consolidated by Canadean Beer Service (2011) as they state that Vietnamese normally order popular alcohol brands when drinking out with friends. Besides, retailing business has been booming in Vietnam recently and modern retail chains are becoming increasingly important for consumers with higher income seeking for better-quality products.

On the other hand, HCMC is said to be the key sub-market within Vietnam. According to experts of the beer market, once a company wins a position in this region, national expansion will just be a matter of time (haimat.vn, 2011). This argument is simply undeniable as HCMC is the business centre of Vietnam where people are living with fast and modern lifestyle which seems to make them much more open with new business phenomenon than those who live in North and Middle of Vietnam. Nevertheless, Hanoi, the capital of Vietnam remains a key market for the whole Northern region. Given its capacity, the author highly recommends the Case Company to focus its activities on the two major cities which are Hanoi and especially HCMC.

The consequent conclusion from prior analysis is that Case Company should perform at both on-trade and off-trade channels which are located in Hanoi and HCMC. The only question left is whether it should employ an exclusive dealer of several selective ones. The author's answer to this question is nationwide "exclusive". This decision is backed by two core reasons. First, control of dealer in new foreign market is crucially important especially when it comes to a country with tremendous risks like Vietnam. All of the leading beer brands of premium and superpremium segments in Vietnam made the same choice while most of other players in these segments who are struggling with their unsystematic distributional issues went with quite a number of dealers. Working with a few distributors would also keep OLD's end-price from being boosted to high levels by uncontrollable random suppliers.

The other reason lies at the Case Company's scope. Since the firm is suggested to narrow its business to Vietnam's two major cities, its potential distribution network briefly consists of key Horeca channels and supermarkets situated around the two areas. Thus, an exclusive importer seems more than enough for such a job, resulting in the Case Company's last important mission which is to choose the right partner. This issue will be discussed right in the next section.

5.2.3 Distribution routes and distributors selection

Mr. Minh (2011), a local distributor of food and drinks stated that there are numerous Vietnamese trading companies which are qualified to import OLD. However, he believed those that have adequate capacity to bring the product to great success are barely several. He, in addition, emphasized that a good dealer might normally take higher mark-ups as they have to work in broader scale to make sure the product fit in the market rightly. Still, specific agreements on different business terms between the Case Company and local dealers can only be assured once they officially enter a partnership.

On the other hand, to the best of her knowledge about the market of imported alcohol, Ms. Huong (2011), the director of a hospitality firm claimed that in Vietnam, foreign beers are broadly imported by independent importers in various roots which, for many times, are unauthorized by brands owners. Nonetheless, the two market leaders of superpremium segment, Budweiser and Corona, still made strong position in the market by employing authoritative dealers. According to the author's observation, international brands officially enter Vietnam normally also employ exclusive dealers who act as their representatives and focus mostly on marketing their products to Vietnamese market. As discussed in the analysis of competitors, unsystematic approaches of independent importers normally can hardly compete with authorized dealers of strong brands such as Budweiser and Corona.

In the Case Company's situation, the author believes that there are four criteria that it should carefully review when choosing local partner, those are distribution network, political influence, marketing capacity and the required commitment of Case Company. While it is crucial that the partner should have a strong distribution network in order to place Case Company's OLD at desired channels. It should be noted that with the nature of OLD and the Case Company's brand strategy, not only a strong network of on-trade channels is essentially expected but also the premium Horeca segment within on-trade channels should be the core focus. Thus, whether the chosen dealer could penetrate these channels does matter greatly in the success of the Case Company. Marketing capacity is as well important that it is an indispensable job to do if the product is to take a proper share in the market. Political influence, as discussed above, is a greatly typical factor that a strong partner in Vietnam does normally have and the Case Company ought to adapt to this fact. Lastly, because the Case Company made direct export as its choice of entry mode, its commitment in Vietnam would be rather low. Therefore, the assessment of required commitment is also involved when reviewing possible distribution routes to market.

The author has been able to identify three types of importers which are highly potential to be the Case Company's partner. The first option is big distributors of imported beers. This type of company normally works on merely importing and distribution of beers without performing much further marketing activities. Besides, they commonly supply other product ranges rather than just focusing on one. However, they are likely to have relatively strong distribution network of both on-trade and off-trade channels which normally include premium Horecas as their imported products are rather expensive. They also tend to have fairly good political relation as they have been in the business for a long time. In addition, as the Case Company's entry mode is likely to suite a low-commitment partnership, such importers might totally be a good choice.

TABLE 23. Assessments of partner types

	Normal distributor	Exclusive dealer	Local manufacturer
Distribution network	Moderate-Good	Poor-Moderate	Poor-Good
Marketing capacity	Low	High	High
Political influence	Moderate	(?)	High
Required commitment	Low	High	Low-High

Another increasingly popular solution for fresh foreign brands in Vietnam is to assign a trade company as an exclusive partner who is responsible for the nearly entire marketing activities of one sole product. Budweiser and Corona are great illustrations for this alternative. Despite the fact that the chosen firm can be a newbie or an existing player in the market, its distribution network is unremarkably not as strong as the above-mentioned distributors. However, as the exclusive dealer normally has to establish its distribution network gradually, it can optimize as well as simplify the network so that not only the distribution system is efficient but also prices of expensive products are prevented from being boosted through a long list of distributors. As a result of a sole focus on the foreign partner's product, the exclusive dealer's efforts spent on marketing can be expected to be satisfying. Political influence of the dealer is still subject to whether the Case Company is able to figure out. The most unfavourable obstacle the Case Company might meet with this type of dealer is the prospectively high level of commitment that normally an exclusive agreement might require, not to mention that it takes time for the dealer to establish a good distribution network.

The last type of potential importer is the existing local manufacturers who should be also market leaders of consumer goods. Regardless of the market of consumer goods that a local leader is operating in, as long as it has a strong distribution network which matches the Case Company's needs, it could be a great partner for the Case Company. For example, SABMiller came to Vietnam cooperated with Vinamilk, the giant state-owned dairy company. Even though the foreign brand

was not successful when taking advantage of Vinamilk's distribution network which seriously lack of on-trade channels, it is undeniable that the brand has been flooded to off-trade channels, the key strength of Vinamilk. However, state-owned companies' DCS is still considered much less efficient than other competitors'. Even the distribution networks of Habeco and Sabeco, the two biggest local breweries, are said to be greatly confusing (Canadean Beer Service, 2011). This practice might threaten the Case Company in terms of possibly boosted price of OLD. Despite all that matters, leading players remain highly potential as they normally have tremendous influence to local government as well as desirable marketing capacity gained through a rich foundation of experience. The author believes that commitment required in this case is likely to be high since the local giants would normally look for sustainable businesses. However, it would still depend also in the Case Company's negotiation in specific situations.

The author's ultimate suggestion for the Case Company is either employing a strong distributor or partnering with a local manufacturer because an exclusive dealer would require large commitment which means a short time of trial export may not be enough for them to work hard for the Case Company. Moreover, the exclusive dealer will usually have to spend a great amount of time establishing a new distribution network which is likely to be a huge challenge as OLD's target channels are upper-class Horecas which has been dominated aggressively by local market leaders. The list of Case Company's potential partners with further details is included in the Appendixes section of this report.

5.3 Product pricing

As presented in the theoretical framework for pricing strategies, involved internal and external factors are under investigation before determining the eventual prices of OLD in Vietnamese market.

In terms of internal factors, it is mentioned earlier that the Case Company will take differentiation as its main competitive strategy together with cost effective as a supporting tools. It means that Case Company should place OLD at high price level to emphasize its distinctions but still have to keep this level from being excessive as many importers of superpremium beer brands are doing. As an example for effective pricing, Smirnoff Ice is doing a good job in harmonizing both differentiation and cost effectiveness in Vietnamese market. Diageo Vietnam has been able to price its product at the edge between premium and superpremium beer segment. This pricing strategy could well be applied to the Case Company's OLD as its positioning, the other influencing internal factor, is high-class brand with unique taste.

Interactions with consumers demand are also fundamental in this case. Basing on the reasoning of section 2.5.1, the author believes that OLD's consumers in Vietnam will have low price-sensitivity about the product mainly because of its uniqueness and high perceived-values. As a result, high pricing of OLD is forecasted not to cause unfavourable reactions of consumers' demand for the product. However, as stated by Phillip Kotler (2009, 587), a leading marketing expert, companies should be cautious in pricing their products in new markets as a consequence of high price elasticity of demand that consumers are greatly likely to have towards unfamiliar products. As a result, a less expensive price of OLD should be expected in order to boost its number of first-trials.

The last but absolutely not least influential external factor is competitors' pricing. This is also the key focus in pricing OLD as expected by the Case Company. Pricing of not only OLD's direct competitors but also its substitute competitors is involved in the assessment of this factor. The next section deals with this issue in more details.

5.3.1 Competitors' pricing

According to the outcome of competitor analysis section, the author maintains that there are five main competitors whose pricing is largely important in this case. The first two are Heineken and Tiger that is taking around 95% share of premium beer market. Budweiser and Corona are the next two substitute competitors as they are dominating the superpremium beer segment with 60% of total market share. Inspecting Smirnoff Ice's pricing is indispensable in this case as it is the sole direct competitor of OLD in Vietnam. It should be noted that since 2011, there has been an unprecedentedly large number of international beer brands imported to Vietnam. As the superpremium segment is flourishing, it can be foreseen that any of these new comers might potentially be OLD's key competitor. Thus, their pricing strategy should also be investigated in the future when Case Company is entering Vietnam. Under the scope of this study, to keep the outcome precise without losing focus, the author takes into consideration no competitors rather than the current market leaders.

The below table presents the average prices of several competing brands of OLD, broken into on-trade and off-trade channels. Most of the prices are the summary of data collected in different sources. Thus, they can only be taken as a relative reference source for the Case Company. To gain more precise data, a closer look to the local market should be carried out.

TABLE 24. On-trade and off-trade pricing of OLD's rivals

Brands	Off-trade price (EUR/L)	On-trade price (EUR/L)
Smirnoff Ice	2.6	8.8
Heineken	1.6	3.7
Tiger	1.3	3.5
Budweiser	4.1	4.8
Corona	3.7	8.9

*Exchange rate: 1 EUR ≈ 29,000 VND

Accordingly, the next graph is drawn up to illustrate the difference between on-trade and off-trade pricing of each brand in a visual and more effective way.

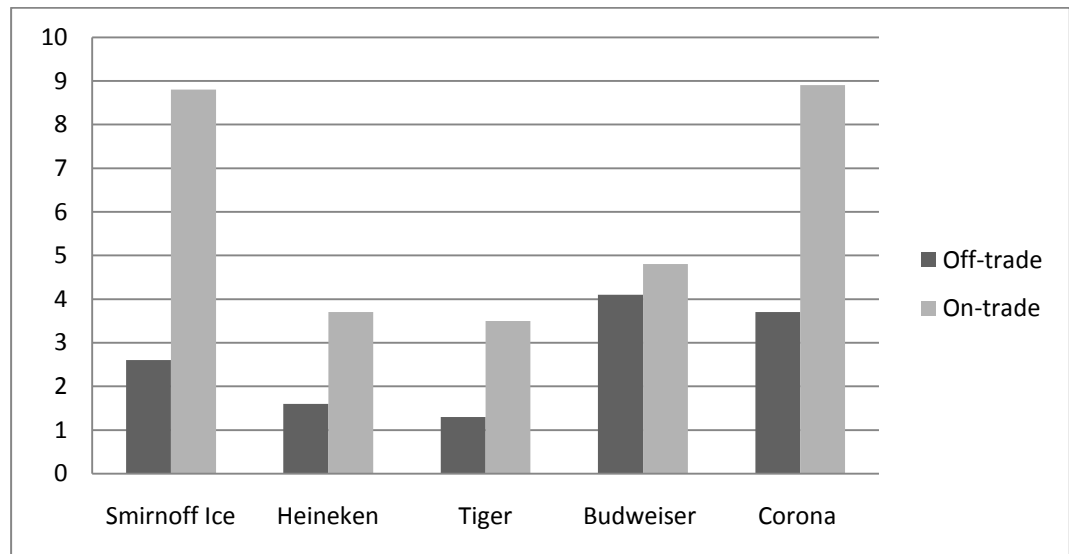


FIGURE 23. On-trade and off-trade pricing of OLD's rivals

It should be noted that pricing of alcoholic products at on-trade channels in Vietnam is greatly complicated and it is widely common that owners of premium Horecas at least double or triple purchased prices. Hence, as can be seen on Figure 23, almost all the examined brands have their price significantly enlarged from off-trade to on-trade channels. Budweiser seems to be the only brand of which the increase of on-trade price is kept at an exceptionally low level. This could be a result of the brand owner's strategy to focus on costs leadership when launching the product in Vietnam, or possibly Budweiser has not been penetrating well to premium Horecas.

In contrast to the leader of premium beer brand, the most remarkable RTD product, Smirnoff Ice is recorded at sky-high prices in the Horecas where it is sold. The author is keen on the assumption that with the on-trade price more than triple as normal, Smirnoff Ice might have found itself merely sold in a limited number of selective premium Horecas as this product in fact, has not been in the market for too long. Besides, according to the author's observation, Smirnoff Ice is not well visible in many premium Horecas in Hanoi but relatively recognizable in HCMC. It means that Diageo seems to focus on high-class off-trade channels in

Southern Vietnam or in other words, this direct competitor might have its target narrowed down to a very similar scope which the author recommended to the Case Company. The more detailed discussion regarding OLD's competition with Smirnoff Ice is reserved for the next section, OLD's Pricing.

Last but not least, as on-trade pricing has been said to cause confusion, the author believes it would be wiser to inspect the above brands' prices at off-trade channels as they are more stable and often reflect the actual positioning strategy as consumers normally perceive quality and brand image via prices, especially with this type of alcoholic product. As a result, the following picture is the illustration of OLD's competitors' pricing and positioning based on their off-trade prices.

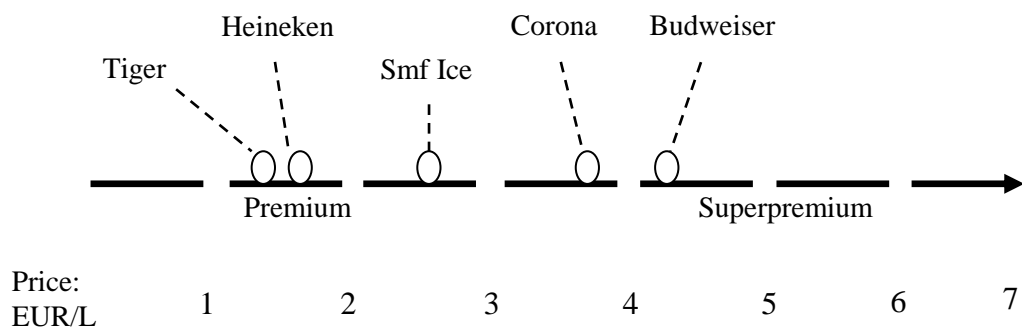


FIGURE 24. OLD's competitors' pricing and positioning

The above figure will be utilized in the next section to assist the pricing of OLD.

5.3.2 OLD pricing

The very first task in pricing OLD is to identify its minimum prices at the entrance into Vietnam. As a result, the estimated prices of OLD to end-users should not be placed below its accumulated price through the distribution network. The following example explains in more details about OLD's minimum price. In this example, the author assumes that the Vietnamese dealer of Case Company would import 3000 packs of 24 x 330ml cans of OLD for its first launch in Vietnam. This quantity of such packages fits in a 20 feet container.

Quantity: 3000 packs

EXW price: 6.47 EUR/ pack (24x330ml cans)

→ Product costs: $3000 * 6.47\text{EUR} = \mathbf{19,410 \text{ EUR}}$

Transportation & port handling costs:

Lahti → Helsinki: 600 EUR (estimated – including VAT)

(Quoted by Kiitolinja, Finland)

Helsinki Port, Finland → Cat Lai Port, Vietnam: 1000 EUR

(Quoted by Hanjin Shipping, Korea)

Insurance estimated: 0.8% of total values $\approx 155 \text{ EUR}$

→ Taxed value = CIF price $\approx 19\,410 + 600 + 1000 + 155$
 $= 21,165 \text{ EUR}$

→ After import tariff, excise duty, VAT:

$21\,165 * 155\% * 125\% * 110\% = 45,108 \text{ EUR}$

→ Total purchasing costs of 1 pack (24x330ml cans) of OLD:

$45\,108/3000 = \mathbf{15.04 \text{ EUR}}$

→ Price/litre = $15.04/(24*0.33) \approx \mathbf{1.9 \text{ EUR}}$

FIGURE 25. Illustration of OLD's price at its entrance in Vietnam

Accordingly, the model of price escalation of alcoholic beverage in Vietnam through distribution channels is used to show OLD's minimum price at consumer level. In the figure below, mark-up of each link of the distribution chain is sampled by the average rate in Vietnamese business.

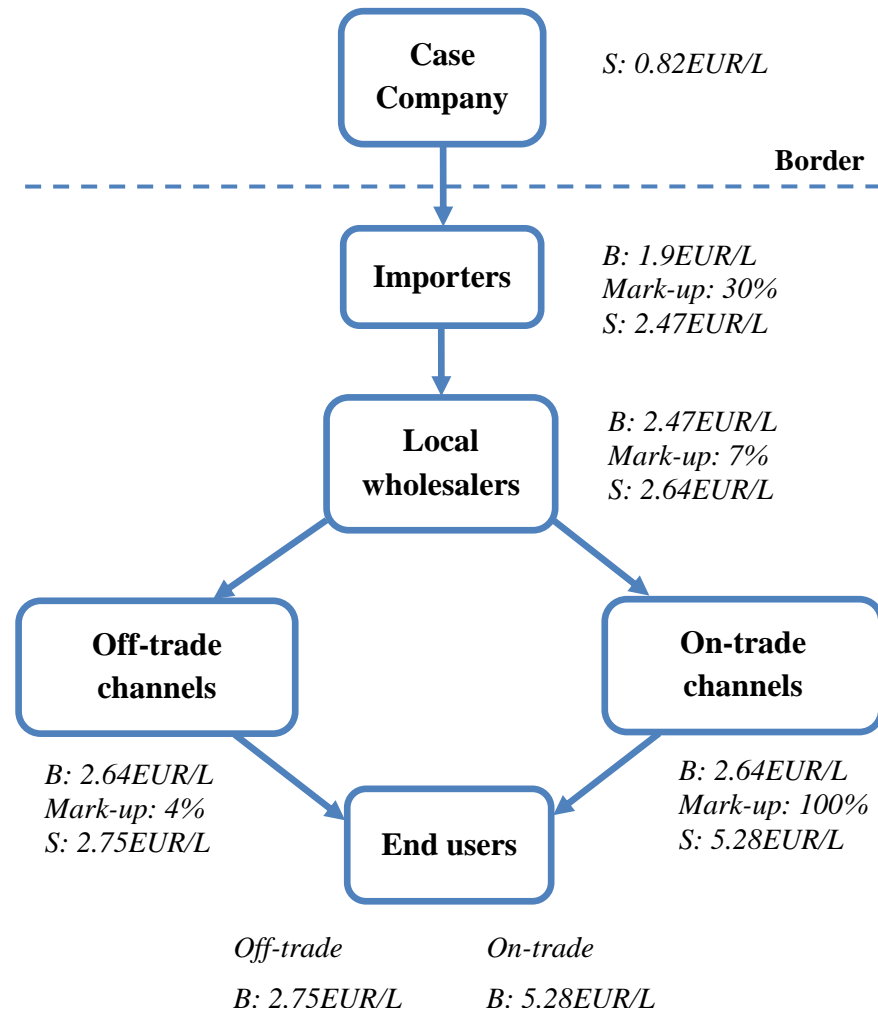


FIGURE 26. OLD's price escalation through distribution channels

Based on results of Figure 26, it can be clearly seen that the minimum consumer price of OLD at off-trade channels exceeds that of its direct rival, Smirnoff Ice, by around 0.15 EUR which is not a significant gap to eliminate. However, as Diageo, the owner of Smirnoff brand, has its manufacturing facilities in India, it appears that this giant opponent would take the upper hand in the competition of cost-effectiveness with the Case Company. Furthermore, if the Case Company works on its DCS to somehow reduce price escalation, it will very possibly have to lose considerable marketing functions to minimize the dealer's costs. In other words, the best job the Case Company could do in that situation is to place OLD at some channels with a slightly lower price compared to its direct competitor. The author's suggestion at this point is that even though cost leadership might not work well with Smirnoff Ice, it seems still valuable when it comes to the whole

picture of superpremium-imported-low-ABV alcoholic drinks. Put differently, in terms of pricing, OLD still has a good chance to win over imported beers which have far higher price-level.

The average price of imported beer brands in Vietnam is around 5.4 EUR/L at off-trade channels. As can also be seen in Table 24, prices of two superpremium market leaders, Budweiser and Corona, are respectively 4.1 and 3.7 EUR/L, both remarkably lower than average of the kind. On the other hand, Heineken, the absolute dominating brand of premium segment, has its price at around 1.6 EUR/L which is nearly equal to premium beers' average price. From these data and basing on Figure 25, the next picture clarifies the author's pricing strategy for OLD.

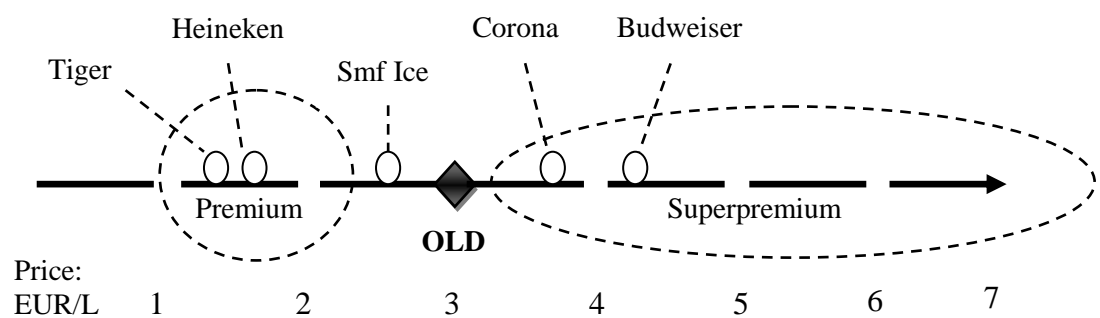


FIGURE 27. OLD's pricing and positioning strategy

It is worth-noting that the price range of premium beer segment is far narrower than that of superpremium segment because of the fact that competition in superpremium segment is only at the early stages. As mentioned in the analysis of OLD's substitute competitors, distributors of imported beer brands, in general, excessively take advantage of the "imported" status when pricing them. This is in fact, OLD's big opportunity to sneak in the middle gap between Premium and Superpremium segment. As can be seen in the the above figure, Smirnoff Ice already sneaked into this slit.

The final decision that the author would recommend to the Case Company is to price OLD in the middle point between Smirnoff Ice and Corona which is around 3 EUR/L at off-trade channels as illustrated in Figure 27. By this pricing strategy,

the Case Company can keep its cost leadership over a big number of superpremium products while on the other, it has to fight for the added values that help differentiate OLD from Smirnoff Ice and help justify for the higher price consumers have to pay instead of choosing Diageo's product. It is the author's strong belief that added values in alcoholic beverage business could be achieved mostly via *promotion* and *place* as the nature of this product type gives consumers great difficulties in comparing products' quality. More specifically, the author highly suggests the Case Company to position OLD as an extra-premium brand and make it only available at a limited number of on-trade channels which should be premium Horeca outlets. As a result, a dealer with great marketing capacity and strong premium distribution network is ideal for the Case Company. However, as discussed before, increased functions of the dealer brings about higher mark-ups. In this case, Mr. Minh (2011) and Mr. Hung believe that importers who perform additional marketing activities could sell the product after taking even 50% of their purchasing costs which means OLD's prices could be boosted to higher than 3 EUR/L at off-trade channels.

One notable point about *place* of OLD's marketing mix is that when it comes to on-trade channels, the key consumption gateway of alcohol in Vietnam; i.e. the Case Company has a chance to keep OLD's price close to its direct rival. Especially at premium Horecas where mark-ups for these outlets are high, there might be rooms for controlling prices by specific deals with the outlets' owners. This task is even easier when the Case Company's targeted channels are restricted to a small number of premium Horecas. Finally, although the prices of alcoholic drinks at on-trade channels vary greatly through different outlets, the approximate price of OLD can be estimated by adding a small proportion to Smirnoff Ice's corresponding prices of which the average is around 8.8 EUR/L.

In a nutshell, the author would price OLD at **3.0 EUR/L** at off-trade channels and around **9.0 EUR/L** at on-trade channels.

6 CONCLUSION AND RECOMMENDATION

After all, the biggest question remaining is whether exporting OLD to Vietnam could be a good option for the Case Company to add to its strategic visions as its current main goal is to first win the domestic market before any further expansion. This chapter will close the study by giving the ultimate answer to this question.

TABLE 25. Key factors affecting Case Company's export of OLD to Vietnam

	Advantages	Disadvantages
Case Company	Availability of resources	Poor experience in international trade
OLD	Unique taste	Non-international brand
Vietnam	Lowering trade-barriers	Unfamiliar political system
ABM	Booming Freshly new segment	
Competitor	Sole direct rival	High threats of new-entrants & substitutes Low commitment in competition
Consumers	Large potential interests	Poor cultural insights
Distribution	Availability of dealers	Chaotic distribution system
Pricing	Positive profitability	Higher pricing than direct rivals'

The author believes that when it comes to the final decision, all the prior analyses should be simplified and filtered out in order to review only factors which have significant impacts on the Case Company's exporting to Vietnam. Consequently, the above table presented a concise summary of key advantageous and disadvantageous findings which matter in this case. As can be seen from this table, the most remarkable point from the Case Company's perspective is that it lacks of experience in international trade which is disadvantageous especially when it comes to a highly risky country like Vietnam. Although OLD has an unique taste and would potentially open a completely new segment in Vietnamese ABM, it suffers as a non-international brand of which Vietnamese consumers

commonly have great favour. The fact that Vietnam ought to lower its trade-barriers does attract more and more foreign newbies to the market. However, the legal environment still leaves a great deal of question marks for many international companies which have poor knowledge about the way business and politics interact in this country. Good news for the Case Company is that the competition of OLD seems not too worrying in this case. However, it is likely to get much fiercer as the number of new-entrants to RTD segment could boom at any time, not to mention beer sellers would do their best to prevent their market share from being stolen. Subsequently, the low-commitment entry mode, Direct Export, might bring the Case Company to a well disadvantageous state with accordingly low resources for competition. For the next criteria, consumers, the Case Company could be glad to learn that there is a greatly potential market for its product in Vietnam. Nonetheless, it should also beware of the fact that knowledge of the local culture is not only the key to success of any present market leaders in Vietnam but also the core of sufferings for many failures in the past.

From the author's point of view, the most important results after pricing and distribution plan is done is that the Case Company would have to face great challenges in these two areas when coming to Vietnam. While establishing an effective distribution system and penetrating into the targeted channels appear well tough for the Case Company, the issues grow higher as a competitive price compared to Smirnoff Ice's might be out of scope for the firm. Moreover, Diageo is expanding rapidly its marketing activities in Vietnam with evidently big investments. It can be clearly seen that this international firm takes Vietnam as its important strategic market in South-East Asian. The author would argue that there are many ways to circumvent these obstacles, such as high investment in marketing, or gradual establishment of an optimized DCS, or narrowed down target market and business scope to operate as a nicher. Anyhow, the most essential requirement for all the solutions is a high degree of resources committed for Vietnamese market which might not be a good move for the Case Company's strategies.

On the other hand, if the Case Company is interested in a trial export to Vietnam, it would be totally possible as there are potential importers who are capable to be

its partners. In addition, right now is more than ever the right time to take benefits out of a young and vivid market according to the analysis of the booming Vietnamese alcoholic industry. In the next years, there might not be such plenty slots for newcomers when the market is saturated like in European countries. Furthermore, the author holds the opinion that local consumers are still thirsty for new products and once RTD segment is really established, opportunities for players arriving early in the beginning cannot be underestimated. At present, Diageo is pushing Smirnoff Ice to the market and RTD segment is beginning to take shape. The author anticipates that if OLD also presents in Vietnam, it can totally generate profit by playing the role of a challenger. The below table explains the author's perspective.

TABLE 26. OLD in Vietnamese beer and RTD market

Segment	Beer market	RTD market
Superpremium	Budweiser Corona	OLD Smirnoff Ice
Premium	Heineken Tiger	N/A
Mainstream	Saigon Hanoi 333	N/A
Discount	Hanoi Ben Thanh	N/A

The core meaning of Table 26 is that RTD market is only at establishment stage and there are going to be segmenting similar to the current beer market. Smirnoff Ice takes the pioneer position which could lead to its domination but still, OLD could be the challenger in the superpremium segment of RTD market. Even if local new entrants are likely to enter the battle field, their positioning should very possibly fall into premium or lower segments within RTD market. Thus, OLD's might find itself secure inside its own territory if the Case Company does a good job in launching the product in Vietnam.

It has always been the author's strong belief that there is no absolute impossibility in doing business, including exporting OLD to Vietnam, even though the conditions might seem unfavorable. Furthermore, the author maintains that those existing challenges could be overcome by appropriate solutions. Vietnamese ABM is a true attraction, and status quo when facing a great opportunity would be somewhat perfectionistic. Still, it is undeniable that because of the Case Company's current position in Finnish market, it would be better if it concentrates all the efforts on winning its key arena first and foremost. It is therefore understandable if the Case Company's capacity can only meet the state of low commitment which results in additional risks to the situation where the Asian country itself is already risky.

After all, the final decision should be made, and the author's answer to the being-debated question is: *Yes, the Case Company should take the opportunity and internationalize to Vietnam.* The competition is going to be inevitably hazardous but greatly profitable at the same time. Further researches are expected to be carried out promptly as the booming period of imported alcohol would not last for too long, or at least, Vietnamese government will soon try to circumscribe it, not to mention the fact that the market has been being flooded by a host of other international players. Supplementary information concerning possible routes to Vietnamese market can be reviewed in the list of potential importers included in the Appendices section.

7 SUMMARY

This thesis has been designed to assist the Case Company in assessing the potentials of Vietnam as a destination for exporting its OLD. As a consequence, all the key subjects discussed within the study are based on the Case Company's interests. There are two main parts into which the whole work is divided.

The first part, theoretical framework, reviewed and collected theories suitable for the case study. As the main focuses are to give the Case Company relevant information and analysis for its exporting of OLD to Vietnam, the chosen theories are: Mc Kinsey 7S Model and SWOT for the internal analysis; PEST analysis and Porter's Five Forces Model for the external analysis; together with other relevant theoretical techniques to deal with the analysis of competitors and consumers. These models and theories acted as supportive tools to determine the Case Company's export strategy which is the outcome of the utilization of Porter's generic strategies. Basing on the yielded strategy as well as prior analyses, the author then apply selective distribution and pricing theories to answer questions in which the Case Company is most interested about these business fields.

As a result of theoretical findings, the author approached the empirical part in a systematic manner. The main outputs reveal that the Case Company and its OLD do have great potential to succeed in Vietnam even though the country is highly risky and competition within the market is intense. The most remarkable points to which the Case Company should pay attention are: distribution and pricing of OLD are relatively favourable; Vietnamese ABM is hunger for products like OLD; and the Case Company would have to commit more resources in order to win this market.

As the Case Company is considering whether exporting to Vietnam should be added to its strategies set, the author highly recommends that Vietnam has a great potential to be the Case Company's strategic target and it is now the right time for the Case Company to enter this booming market. Further researches are advised to be done once the Case Company seriously approves this suggestion.

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APPENDICES

APPENDIX 1. Survey questionnaire

Section I. Consumers' drinking habits

Q1. How often do you drink the following types of alcohol?

Never Sometimes Often Frequently

- a. Spirit
- b. Wine
- c. Beer
- d. Cocktails

Q2. To what extent do you agree/disagree with the following statements?

Totally disagree Disagree Neutral Agree Totally agree

- a. The reason that I drink beer:
 - To quench thirst
 - To get drunk
 - I like alcoholic drinks
 - To have fun with friends
 - To socialize
 - To relax
- b. The time I usually drink beer:
 - Lunch time
 - Afternoon
 - Dinner
 - Night time
 - Weekday
 - Weekend
- c. When choosing to buy beer, I consider:
 - Brand
 - Taste
 - Price
 - ABV
- d. I trust well-known beer brands more than others
- e. I only drink one or two favourite beer brands

f. I think imported beers have higher quality than those produced domestically

g. I am willing to pay higher for better beer quality

h. I am willing to pay higher for better serviced beer

Q3. To what extent do you agree/disagree with the following statements about cocktails?

- | | Totally
disagree | Disagree | Neutral | Agree | Totally
agree |
|--|---------------------|----------|---------|-------|------------------|
| a. I normally drink cocktails at: | | | | | |
| • Home/self-made | | | | | |
| • Horecas | | | | | |
| b. Normally, the reason I drink cocktails is: | | | | | |
| • It is stylish | | | | | |
| • To enjoy the drink | | | | | |
| • Because I like cocktails | | | | | |
| • To refresh | | | | | |
| c. I prefer Cocktails more than beer | | | | | |
| d. I think cocktails are normally more expensive than beer | | | | | |
| e. I think cocktails are sophisticated | | | | | |
| f. I think cocktails are upper-class | | | | | |
| g. I think cocktails cannot be drunk as much as beer | | | | | |
| h. I think it is time-consuming to make cocktails | | | | | |
| i. I would like to have ready-mixed cocktails if possible | | | | | |
| j. I would like to drink cocktails more frequently | | | | | |
| k. I like to make cocktails myself | | | | | |

Q4. Rate the following brands in terms of brand Image (leave it blank if you don't know the brand)

Scale: 1: Inferior brand/affordable – 7: Premium brand/expensive

- a. Corona
- b. Tiger
- c. Budweiser
- d. Heineken

Q5. Rate the following brands in terms of taste (leave it blank if you haven't tried the brand)

Scale: 1: Conventional taste – 7: Unique taste

- a. Corona
- b. Tiger
- c. Budweiser
- d. Heineken

Section II. New product testing

Q6. If you are to have a new alcoholic drink in Vietnamese market, what segment should that drink belong to?

- a. Spirit
- b. Beer
- c. Wine
- d. Pre-mixed cocktails

Q7. To what extent do you agree/disagree with the following statements about new alcoholic drinks?

Totally disagree	Disagree	Neutral	Agree	Totally agree
---------------------	----------	---------	-------	------------------

- a. I am willing to try new alcoholic drinks
- b. The reason that I buy new alcoholic drinks:
 - Advertising
 - Supermarket discount
 - Friends recommend
 - Good review on news sources
 - See launching events/campaigns
 - Persuaded by personal sales

- c. I normally buy new alcoholic drinks at
- Bars/clubs/karaoke/restaurants
 - Supermarkets/markets/convenience shops
 - Alcohol shops

Supposed there is a new product with the following features: pre-mixed cocktail; 5.5% ABV; imported; can 330ml or 550ml

Q8. What first comes to your mind about this product? (You can make multiple choices)

- a. Western/US style
- b. Not interesting
- c. Good idea
- d. For women
- e. Good quality
- f. New drinking culture
- g. High-class product
- h. Not as good as beer
- i. Expensive
- j. Others

Q9. Would you be willing to try the product?

- a. Yes, I would like to try it
- b. No, I'm not interested
- c. Depends on the price

Q10. What price range do you think this product would fall into?

- a. < 0.7 EUR/L
- b. 0.7 – 1 EUR/L
- c. 1 – 2 EUR/L
- d. 2 EUR/L

Q11. Have you ever tried Smirnoff Ice?

- a. No, I don't know this product
- b. I know this product but have never tried
- c. I drank it sometimes before
- d. I am a regular buyer of Smirnoff Ice

Q12. If you are a regular buyer of Smirnoff Ice, please rate it in terms of

- a. Image. *Scale: 1: Inferior brand/affordable – 7: Premium brand/expensive*
 b. Taste. *Scale: 1: Conventional taste – 7: Unique taste*

Section III. Demographics questions

Q13. What is your year of birth? YYYY

Q14. What is your gender? Male Female

Q15. Where in Vietnam are you from?

- a. Northern Vietnam
 b. Southern Vietnam
 c. Middle of Vietnam

Q16. How often do you go to

Never Sometimes Often Frequently

- a. Clubs
 b. Bars
 c. Karaoke
 d. Restaurants

Q17. What is your monthly income?

(1 EUR = approx. 29 000 VND)

- a. < 5 mil. VND
 b. 5-10 mil. VND
 c. 10-20 mil. VND
 d. > 20 mil. VND

APPENDIX 2. Partner list

1. Gannon Vietnam**Field:** Logistics, trading, manufacturing**Founded:** 1994**Turnover:** N/A**Product portfolio:**Beverages including beer & spirits,
Cosmetics and others**Notes:**One of the leading logistics companies
Budweiser's former exclusive dealer
Ended partnership due to legal dispute
Clients include: Nestle, Pepsi, Unilever,
L'Oreal, Maybelline, and Diageo
Nationwide**Case Company's possible routes**

Exclusive dealer

ContactsGannon Vietnam Limited
198 Nam Ky Khoi Nghia Street
District 3
Ho Chi Minh City, VIETNAM
Phone: +848 930 2929
Fax : +848 930 1204
Email: info@gannon.com.vn**2. Vietnam Brewery Limited****Field:** Beer manufacturing**Founded:** 1991**Turnover:** > 115 Mil. EUR**Product portfolio**Heineken, Tiger, Foster, Larger, Biere
Larue, BGI, Bivina**Notes**Owned by Heineken International
Market leader in premium beer segment
High political influence
Powerful premium distribution network
Recently import also Heineken beer
while already manufacturing it
Nationwide**Case Company's possible routes**

Exclusive dealer

ContactsVietnam Brewery Limited
2 Ngo Duc Ke Street, Floor 15
District 1
Ho Chi Minh City, VIETNAM
Phone: + 848 382 22755
Fax : +848 382 58005
Website: career.vblgroup.vn

3. Sabeco

Field: Beer manufacturing

Founded: 1977

Turnover: 690 Mil. EUR (2010)

Product portfolio

Saigon beer, 333

Other drinks

Notes

Market leader in mainstream segment

State-owned company

Intends to target premium segment

Wide but somewhat inefficient
distribution network

Nationwide, Southern-focus

Case Company's possible routes

Exclusive dealer

Contacts

Sabeco

6 Hai Ba Trung Street

District 1

Ho Chi Minh City, VIETNAM

Phone: + 848 382 94083

Fax : +848 382 96856

Website: sabeco.com.vn

4. Vinataba

Field: Tobacco manufacturing

Founded: 1985

Turnover: > 1.1 Bil. EUR (2009)

Product portfolio

Tobacco, food

Sapporo beer

Notes

Largest tobacco manufacturer

State-owned company

Exclusive right to import cigarettes

Intend to expand product portfolio
including drinks

Wide distribution network

Nationwide

Case Company's possible routes

Exclusive dealer

Contacts

Vinataba

25A Ly Thuong Kiet Street

District Hoan Kiem

Ha Noi, VIETNAM

Phone: + 844 382 65778

Fax : +844 382 65777

Website: vinataba.com.vn

5. Magic Wave

Field: Distribution

Founded: 2000

Turnovers: N/A

Growth: 40% annually

Product portfolio

Home appliance

Machinery

Alcoholic drinks

Notes

Emerging distribution company

Doing a good job with Asahi, a

Japanese beer brand

Focused distribution network

Nationwide

Case Company's possible routes

Exclusive dealer

Contacts

Magic Wave

26/26 Vuong Thua Vu Street

District Thanh Xuan

Ha Noi, VIETNAM

Phone: + 844 356 82815

Fax : +844 356 82817

Email: info@magicwave.com.vn

Website: magicwave.com.vn

6. An Nam Group

Field: Importation, distribution & retail

Founded: 2000

Turnovers: N/A

Growth: 30-40%

Product portfolio

Imported beer: Chimay, Duvel, Leffe,

Stella, Hoegaarden, Coopers, etc.

Food & Cosmetics

Notes

Importing and distributing large
portfolio of beer brands

Specialist in imported beer

Strong distribution network

Nationwide

Case Company's possible routes

Selective dealer

Contacts

An Nam Group

6/26 D2 Street, Ward 25

District Binh Thanh

Ho Chi Minh City, VIETNAM

Phone: +848 351 26400

Fax: +848 351 26401

Email: info@annam-group.com

Website: annam-group.com

7. Thuc Pham Plaza/Nhat Tan Limited

Field: Distribution

Product portfolio

Food & Drinks

Budweiser, imported Heineken,
Corona, Bitburger, Leffe, Duvel,
Chimay, Coopers, MOA, etc.

Notes

Recommended by several Horecas' owners

Distribution in Northern Vietnam

Wide range of imported beer brands

Case Company's possible routes

Selective dealer

Contacts

Thuc Pham Plaza

14B/6, 294 Kim Ma street

District Ba Dinh

Hanoi, VIETNAM

Phone: +844 392 75111

Website: thucphamplaza.com

Nhat Tan Limited

37A Hang Bun/74A Quan Thanh

Hanoi, VIETNAM

Phone: +844 392 75435

Email: nhattan.vietnam@gmail.com

Website: importer.vn

8. Diageo Vietnam

Founded: 2008

Notes

Increasing marketing for Smirnoff Ice

→ Developing RTD segment

Shows strategic commitment to Vietnam

Further info can be found in competitor analysis section

Case Company's possible routes

Exclusive dealer

Contacts

Diageo Vietnam

23 Phan Chu Trinh, floor 9

Hoan Kiem District

Hanoi, VIETNAM

+844 393 35829

+844 393 35830

Website: Diageo.com