VIETNAMESE FUNCTIONAL FOOD MARKET STUDY

Case study: Raisio Benecol and Vietnamese Cardiovascular Health Market

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Worldwide, there has been an explosion of consumer interest in the health enhancing effect of functional foods. Vietnam is no exception to the phenomenon. The Vietnamese market for functional food has been growing tremendously in the last decade. This has attracted much attention from domestic companies as well as foreign investors.

Raisio Benecol is a Finnish brand of cholesterol-lowering products. Proven by many studies, Benecol’s patented ingredient “Plant stanol ester” can effectively lower blood cholesterol levels. The company sells Plant stanol ester and licenses its brand to other food manufacturers. Already engaging in some activities in Vietnam, Benecol looks forward to find more opportunities in this market. This becomes the inspiration for the author to study the Vietnamese functional food market and several main players in order to find business opportunities between these firms and the Case Company.

In this study, the qualitative method and deductive approach are employed. Data are collected from both primary and secondary data sources. Primary data are attained from Benecol’s guidance, the semi-structured interviews with several prestigious people with knowledge about the market and the author’s own observation. Secondary data are gathered from books, journals, reports, websites and previous studies.

Based on the thesis’s findings, the author points out the opportunities of Benecol with the food companies reviewed. This would help Benecol to start realising its intention in the Vietnamese market.

Key words: Vietnam functional food market, cardiovascular health, lower cholesterol, Benecol, licensing
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<th>Description</th>
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<td>CALOFIC</td>
<td>Cai Lan Oils &amp; Fats Industries Company</td>
</tr>
<tr>
<td>CVD(s)</td>
<td>Cardiovascular disease(s)</td>
</tr>
<tr>
<td>FF(s)</td>
<td>Functional food(s)</td>
</tr>
<tr>
<td>HDL cholesterol</td>
<td>High-density lipoprotein, “good cholesterol”</td>
</tr>
<tr>
<td>LDL cholesterol</td>
<td>Low-density lipoprotein, “bad cholesterol”</td>
</tr>
<tr>
<td>Phytosterol,</td>
<td>Includes plant sterols and plant stanols. Steroid compounds similar to cholesterol</td>
</tr>
<tr>
<td>Plant stanol ester,</td>
<td></td>
</tr>
<tr>
<td>Plant sterol ester</td>
<td>Ingredients which can lower cholesterol</td>
</tr>
<tr>
<td>VAFF</td>
<td>Vietnam Association of Functional Food</td>
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1 INTRODUCTION

This chapter starts with the background information about the study, specifying the motives for choosing the Vietnamese functional food market as a subject of research. There will be a brief overview of the food market followed by an explanation of the objectives, questions and limitations of this study. A description of the theoretical framework and the research approach are also included.

1.1 Thesis background

It has been 39 years since Vietnam gained independence from the US. Along with the ultimate prize, there were ruins, poverty and other destructive traces. Once, there were millions of deaths caused by starvation. Since then, Vietnam has struggled greatly. The efforts paid off, as the country has been enjoying a decent growth rate for many years. (CIA Factbook 2014.)

Nowadays, as Vietnam is a leading agricultural exporter, starvation is no longer a threat. Concerns have shifted towards the safety of digestion (Euromonitor 2014). For years, people had been fed with unhealthy, filthy or even fake products, which are evidently harmful to the human body (Deetz 2013). Today, with great efforts from media, science, health organizations and other concerned people, the Vietnamese have been changing the way they consume foods (Mergenthaler et al 2013). Not only have they looked forward to food produced in safe and hygienic processes but also functional food that helps promote the well-being of the human body. The market for functional foods in Vietnam has been rocketing in the past 12 years (Vtown 2013). One of the most potential areas for functional foods in Vietnam is for cardiovascular health. “Cardiovascular health” refers to the heart and blood vessels. (DanTri 2013.)

This thesis is conducted about Benecol, a brand of Raisio. Raisio is based near Turku, Finland. Raisio sells cereal, animal feeds and engages in life-science. Generally, the Benecol’s business model is licensing the brand and selling the patented ingredients “Plant stanol ester” to other food companies. Plant stanol ester can be incorporated in many food products. Daily intake of these foods has
been proven by many studies to effectively lower the blood cholesterol in just two or three weeks. (Benecol 2014.)

As stated above, Vietnam has risen up as a very promising market for Raisio Benecol. This thesis is inspired by the author’s intention to provide the Case Company with a better view on the market as well as an inspection of the main players on the market. Subsequently, this thesis can be utilised as a benchmark in terms of partnership for Benecol when the company decides to operate in the market.

1.2 Research objectives and research questions

The main objective of this thesis is to evaluate the Vietnamese functional food market, narrowing down to the field of cardiovascular health industry. “Cardiovascular health industry” refers to the functional food products which aim to improve the wellbeing of the human cardiovascular system. The thesis also explores the major functional food companies in Vietnam. Based on the findings, the Case Company can find more opportunities in the Vietnamese market. “Business opportunities” here is defined as selling the unique ingredient Plant stanol ester. Additionally, local companies can lease the rights to the Benecol brand for incorporation into their merchandise.

The main research question: Is there any business opportunities for Benecol with major functional food companies in Vietnam?

The sub-questions are formed to facilitate answering the main question:

- What are the Case Company’s competitive advantages?
- What are the external factors that may affect the Case Company’s intention in Vietnam?
- What are the characteristics of the Vietnamese functional food market?
- What will be the future development of the Vietnamese functional food market?
- What is the consuming trend in Vietnam?
Who are the main players and what are their strategies in the functional food market in general and cardiovascular health in particular?

1.3 Theoretical framework

This thesis is the Vietnamese functional food market research. In the market research, both internal and external factors that affect the Case Company are analysed.

The success of an internalisation plan is closely related to a detailed target market research. Only by receiving precise and up-to-date data about the target market, can a company make an accurate decision. During the process of study, the author selected relevant theories and came up with his own framework as below:

![Country analysis diagram](image)

**FIGURE 1. THESIS FRAMEWORK**

As can be seen from the figure above, there are three levels of analyses included in the thesis. The foremost level is country analysis, which utilises the PESTEL analysis tool. It is used to investigate the macro environmental factors that can affect any organisation.
Next, a more in-depth inspection is performed at the industry-level. This step contains the review of the Vietnamese market characteristics as well as the analysis of the major functional food companies in Vietnam – the decisive factor of this study. “Players analysis” is highlighted in the figure above to emphasise its significance.

A more detailed description of these analytical tools mentioned above will be explained in the Literature Review part.

1.4 Research methodology

To achieve the thesis objectives, the author designed a suitable research method. It is comprised of the selections made in the research approach, research method and data collection methods. Observable in the figure below, these choices of research will, afterwards, be explained.

FIGURE 2. RESEARCH METHODOLOGY
**Research approach**

In science, there are two ways of arriving at a conclusion: Deductive reasoning and inductive reasoning. Deductive reasoning works from the more general to the more specific. Sometimes, this is called the “top-down” approach. The conclusion follows logically from the premises (available facts). Reversely, inductive reasoning works from the specific observations to broader generalisations and theories. It is also called “bottom-up” approach; the conclusion is likely based on premises. However, this approach involves a degree of uncertainty (Burney 2014).

![Diagram of Deduction and Induction Approach]

**FIGURE 3. DEDUCTION AND INDUCTION APPROACH**

The research approach can be chosen based on the nature of the study. The intention of the author initiates with a general idea to encourage the Case Company to invest into Vietnam. This purpose becomes more specific in the end with a market study especially in major functional food firms. Accordingly, the deductive research approach was selected.

**Research method**

Depending upon the desired outcome of the study, scientists may select between quantitative or qualitative design. Quantitative study establishes statistically-significant conclusions about a population by studying a representative sample of the population. It provides a broad view of a phenomenon that can be generalised
to the population. (Lowhorn 2007.) In contrast, qualitative research gains deeper understanding of the meanings and perspectives of the targets studied. It aims at seeing the world from the target’s point of view, rather than from researcher’s view (Maxwell 2013, viii).

This thesis aims to contribute to the Case Company’s knowledge of the Vietnamese functional food/cardiovascular health market. The key information is obtained through interviews with few managers from major functional food companies. Logically, the Qualitative method is adopted.

Data collection

In this thesis, the combination of both primary and secondary data is necessary to fulfil the requirement of the market research.

Primary data are firstly collected from the author’s open discussions with the Case Company’s Area Director, Asia and Australia, Mr Olavi Erkinjuntti. Secondly, the author interviewed the CEOs or the representatives of major functional food companies in Vietnam. Among five chosen food companies with noticeable shares in the market, the author only managed to interview 2 companies’ managers. In addition, some prestigious people were contacted via emails. They have knowledge about certain fields in the market. The information gathered adds credibility to the work. All of these contacts are semi-structured. Below is the complete list of contacts:
### TABLE 1. LIST OF CONTACTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Reason to contact</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olavi Erkinjuntti</td>
<td>Benecol’s Area Director of Asia and Australia</td>
<td>Thesis supervisor</td>
<td>In contact since December 2013</td>
</tr>
<tr>
<td>Nguyen Thi Minh Tien</td>
<td>Vietnam Minister of Health</td>
<td>Broad view over the market</td>
<td>20 March 2014</td>
</tr>
<tr>
<td>Nguyen Thuy Vinh, Prof. Dr.</td>
<td>Deputy Director of the Vietnam Central E Hospital</td>
<td>How Vietnamese hospitals look at functional foods</td>
<td>20 March 2014</td>
</tr>
<tr>
<td>Tran Huu Huynh, Lawyer</td>
<td>President of the Vietnam International Arbitration Centre, former Deputy Head of the Legislation Department</td>
<td>Laws and regulations related to Benecol’s investment into Vietnam</td>
<td>18 March 2014</td>
</tr>
<tr>
<td>Thai Huong</td>
<td>CEO of TH true milk</td>
<td>In-depth information about TH true milk and her perception about the market</td>
<td>22 March 2014</td>
</tr>
<tr>
<td>Nguyen Huu Tai</td>
<td>Deputy Managing Director of Vinatea, President of the Vietnam Tea Association</td>
<td>In-depth information about VinaTea and his perception about the market</td>
<td>4 March 2014</td>
</tr>
</tbody>
</table>

(Note: Besides Mr Olavi – the supervisor, the interviewees are Thai Huong and Nguyen Huu Tai. The others were contacted via emails)

Secondary data source is another source of information acquired from publications such as books, journals, articles, reports, previous studies and electronic sources.)
1.5 Thesis structure

This thesis contains six chapters with two key parts: theoretical and empirical. The allocation of these two main themes is presented below.

| Chapter 1 | Introduction | • Background information  
| | | • Research methodology, research scope and limitation |
| Chapter 2 | Theoretical preview | • Background knowledge  
| | | • Business analytical tools |
| Chapter 3 | Case Company analysis | • Benecol analysis |
| Chapter 4 | Vietnamese market | • Vietnamese functional food market  
| | | • Major functional food companies |
| Chapter 5 | Conclusion | • Conclusion and recommendations for the Case Company |
| Chapter 6 | Summary | • Summary |

FIGURE 4. THESIS STRUCTURE

After the introduction, there are five chapters presenting in the order above.

The theoretical part is accessible in chapter two, which presents background information about functional food, cardiovascular health and cholesterol. And then, an overview of marketing tools is offered. This knowledge serves as fundamentals for the empirical part to develop later.

Subsequently, the empirical part is written in the third and fourth chapters. In the third chapter, the Case Company is introduced in terms of history, products and competitive advantages. Next, the Vietnamese functional food market as a whole and major functional food companies are examined.
All of the information collected is a basis for the author to point out available business opportunities for Benecol in the Vietnamese market. This will be presented in chapter five. The sixth chapter summarises the study at the end.

1.6 Scope and limitation

By now, the Case Company has had activities in Vietnam and appearance in many of its neighbouring countries. Besides basic knowledge about the market, the thesis offers a more close-up look on the industry: current activities and future plans of the main players in the Vietnamese functional food/cardiovascular health market. This information is of deep interest.

This thesis is a market research only. The conclusion does not include any plans or actions. Rather, it attempts to draw a current picture of the Vietnamese functional food market. In the industry level, the competition is deemed unnecessary by the Case Company. Furthermore, other methods to lower cholesterol such as medication and surgery are also not mentioned. Therefore, only two elements namely the publics and customers are analysed. The major players in the market are the core subjects of illustration. Recommendations for the Case Company will be stated shortly at the end. Further research and planning are required to apply appropriate actions onto the Vietnamese market.

During the process of writing thesis, the author has the opportunity to have Mr Olavi Erkinjuntti, Area Director, Asia and Australia, as his mentor. Mr Olavi agreed to supervise this work, providing however, Benecol’s public information only. No legal agreement is made and both parties are free of obligations.
2 THEORETICAL PREVIEW

In order to conduct a study which is logical and scientifically reliable, the author selected relevant theories and tools that serve as fundamentals for the research to develop. This chapter explains in detail what those fundamentals are and why they are compatible to achieve the thesis objective.

Initially, the first half of this chapter shares the knowledge about functional foods and cardiovascular health issues.

The second half focuses on the marketing tools. As a market research, this thesis is suitable to employ situational analyses. These analyses allow the author to fulfil his purpose of demonstrating the current condition of the target market.

Referring back to figure 1 (page 3), the foundation to create the framework can be seen in the citation below:

“To be successful over time, an organization must be in tune with its external environment. There must be a strategic fit between what the environment wants and what the organization has to offer, as well as between what the organization needs and what the environment can provide.” (West et al 2010, 72.)

In another word, the success of a company is defined by two elements: (1) forces created by the external environment; (2) its own resources and capabilities.

The external environment is further divided into two sub-environments: the ‘macro’ or remote environment; and the ‘micro’ or competitive environment (West et al 2010).

Therefore, the content of this chapter is presented in the following order:

- Functional foods
- Cardiovascular health issues
- Macro environment level analysis
- Micro environment level analysis
- Internal level analysis
2.1 Functional food

**Definition**

"Let medicine be thy food and let food be thy medicine."

-Hippocrates-

The idea of functional food was originally introduced in 1984 by Japanese scientists who studied the relationships between sensory satisfaction, nutrition, modulation of physiological systems and fortification. In 1991, the Ministry of Health issued rules for approval of a specific health-related food category called FOSHU (FOod for Specified Health Uses) which included the establishment of specific health claims for this type of food. (Siró et al 2008.)

So far there has been no universally accepted definition for the term “functional food” (Alzamora et al 2005). However, to give a basic understanding about this group of food, the author can list a few definitions as below:

According to Hasler et al (2002), functional foods is regarded as whole, fortified, enriched or enhanced foods that bring health benefits beyond the provision of vital nutrients (e.g., vitamins and minerals) when they are consumed at efficacious levels as part of a varied diet on a regular basis.

On the other hand, the European Commissions’ Concerted Action on Functional Food Science in Europe (FuFoSE) defines functional food as “a food product can only be considered functional if together with the basic nutritional impact it has beneficial effects on one or more functions of the human organism thus either improving the general and physical conditions or/and decreasing the risk of the evolution of diseases. The amount of intake and form of the functional food should be as it is normally expected for dietary purposes. Therefore, it could not be in the form of a pill or capsule just as normal food form”. (Siró et al 2008.)

**Types of functional food**

According to Lau et al (2013), there are several types of functional food, and the most prominent ones can be seen in the table below:
TABLE 2. TYPES OF FUNCTIONAL FOODS (Lau et al 2013)

<table>
<thead>
<tr>
<th>Functional Food types</th>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-altered products</td>
<td>Foods naturally containing increased amounts of nutrients</td>
<td>Natural foods</td>
</tr>
<tr>
<td>Altered products</td>
<td>Unwanted components reduced/removed</td>
<td>Milk or meat skimmed off the fat</td>
</tr>
<tr>
<td>Fortified products</td>
<td>Existing nutrients fortified</td>
<td>Fruit juice fortified with Vitamin C</td>
</tr>
<tr>
<td>Enriched products</td>
<td>New nutrients added</td>
<td>Benecol’s margarine with plant sterol ester</td>
</tr>
<tr>
<td>Enhanced products</td>
<td>One component has been naturally enhanced by special growing/feeding conditions, genetic modification etc.</td>
<td>Chicken eggs with enhanced Omega-3 fatty acids</td>
</tr>
</tbody>
</table>

The Market for Functional Foods

Globally, functional food category accounts for a great value and currently growing on a fast track. According to the Leatherhead Food Research (2011), from 2003 to 2010, the functional food market expanded 1.5 times, with a Compound Annual Growth Rate (CAGR) of 14%, reaching $24.2 billion in 2010. Comparatively, in 2003, it was only $9.9 billion. The value of 2014 is expected to be 29.8 billion, representing 22.8% of growth.
Detail about the Vietnamese functional food market will be informed later in the empirical parts.

2.2 Cardiovascular health and cholesterol

This part shares common knowledge about the cardiovascular health issue and cholesterol at a global level. In-depth information regarding the target country Vietnam is specified later in the fourth chapter.

Key facts

Heart disease or cardiovascular disease (CVDs) is the leading cause of deaths worldwide. It accounts for around 30% of all global deaths. According to World Health Organisation, in 2008, an estimated 17.3 million people died from CVDs. 80% of those taking place in low and middle-income countries. It is forecasted that, by 2030, more than 23 million people will die annually from CVDs. (WHO 2014.)
Definition

Cardiovascular diseases (CVDs) are a group of disorders of the heart and blood vessels. Strokes and heart attacks are typically acute events and are mainly caused by a blockage that stops blood from flowing to the brain or heart. The primary reason behind this is a build-up of fatty substances (cholesterol) on the inner walls of the blood vessels that nourish the brain or heart. Strokes can also be triggered by bleeding from a blood vessel in the brain or from blood clots. (WHO 2014.)
The factors contributing to the damage to the cardiovascular system include high amount of blood fats and cholesterol, high blood pressure, high amounts of blood sugar, blood vessel inflammation, overweight and obesity (US National Institute of Health 2014). These are caused by unhealthy diet and physical inactivity, tobacco and alcohol abuse (WHO 2014).

**Cholesterol**

Around one-third of CVDs is attributable to high cholesterol (WHO 2010). Cholesterol is a waxy, fat-like substance that exists in all cells of the body. It helps to build new cells, insulate nerves and produce hormones. Usually, the liver produces a sufficient amount of cholesterol. However, cholesterol also enters the body through digestion. It comes from animal-based foods like milk, eggs and meat. (WebMD 2014.)

Cholesterol travels through the bloodstream in small packages called lipoproteins. These packages are formed by proteins on the outside and fat (lipid) on the inside. (NIH 2012). There are two types of cholesterol: low-density lipoproteins (LDL) and high-density lipoproteins (HDL). LDL is considered to be “bad” cholesterol, as it leads to a build-up of cholesterol in arteries, and HDL is considered as “good” cholesterol, as it helps clearing cholesterol out of the body. (Dvorsky 2013.)

Therefore, to lower risks of CVDs, it is clear that the LDL level should be lowered. It is reported that a 10% reduction in serum cholesterol in men aged 40 results in a 50% reduction in heart diseases within five years. 70-aged men with the same serum cholesterol reduction are 20% less likely to be affected by heart diseases in the next five-year period. (WHO 2010.) Globally, the prevalence of raised total cholesterol among adults (aged 25 and over) is 39%, which means four out of ten adults are exposed to the risk of getting CVDs (WHO 2010).

**Preventive Care**

According to the Medical Center of the University of Maryland (2013), medications such as Statins could be prescribed to treat high cholesterol. However, it is strongly recommended to eat a well-balanced diet, exercise
regularly, and avoid gaining excess weight. Nutrition and dietary supplements can help reduce cholesterol as well as promoting overall health. Plant stanol ester is among the best choices of the preventive care. (Ehrlich 2013.)

2.3 Macro environment analysis

The macro environment is, according to the online Business Dictionary (2014), “the major external and uncontrollable factors that influence an organization's decision making, and affect its performance and strategies. These factors include the economic factors; demographics; legal, political, and social conditions; technological changes; and natural forces.” According to Manktelow (2005), PESTEL is a useful tool which can not only analyse this big picture but also comes with opportunities and threats lying with it.

Definition

PESTEL is a simple yet effective tool in identifying the main forces (macro level) that might affect an organisation.Usually beyond control, such influences can create both opportunities and threats to a firm. (Mohammed 2014.) Besides, PESTEL ensures that the performance of a company is associated with the forces of change that can affect the business environment (Porter 1985).

There are several variations of this model, including PEST, PESTLE and STEEPLED etc. However, these variations share the same characteristics with PESTEL. All the names originate from the acronym of the following factors:

- P – Political
- E – Economic
- S – Social
- T – Technological
- E – Environmental
- L – Legal
- Additionally, the “STEEPLED” has the extra Demographic and Ethical factors, which can nonetheless be grouped inside the core factors. (West et al 2010, 74.)
FIGURE 6. PESTEL MODEL WITH ADDITIONAL COMPONENTS (DEMOGRAPHIC AND ETHICAL) (Jurevicius 2013)
The detailed framework of PESTEL that will be used in this thesis can be seen below:

**TABLE 3. PESTEL FRAMEWORK** (West et al. 2010, 74)

<table>
<thead>
<tr>
<th>Political</th>
<th>Economic</th>
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<td>• Government stability and likely changes</td>
<td>• GDP growth rates</td>
</tr>
<tr>
<td>• Government involvement in trade unions and agreements</td>
<td>• Inflation and interest rates</td>
</tr>
<tr>
<td>• Relations with Finland</td>
<td>• Stock market trends</td>
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<td>• Household expenditures</td>
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<table>
<thead>
<tr>
<th>Socio – Cultural</th>
<th>Technological</th>
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<td>• Population growth rate</td>
<td>• Basic infrastructure level</td>
</tr>
<tr>
<td>• Demographic dividend</td>
<td>• Technological development</td>
</tr>
<tr>
<td>• Lifestyle</td>
<td></td>
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<tr>
<td>• Middle class growth</td>
<td></td>
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<tr>
<td>• Health consciousness</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental (Ecological)</th>
<th>Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Weather</td>
<td>• Law on foreign investment</td>
</tr>
<tr>
<td>• Climate change</td>
<td>• Tax policy (rates and incentives)</td>
</tr>
<tr>
<td>• Air and water pollution</td>
<td>• Tariffs</td>
</tr>
</tbody>
</table>

**Outcome**

The outcome of PESTEL is an understanding of the whole picture surrounding the company. It is also done to evaluate the potential of a new market. The result of the analysis enables the company to respond accordingly:

- Recognise existing external factors that have an impact on the firm
• Predict external factors that may change in the future
• Exploit the opportunities or defend against threats

However, if the threats in a new market are too significant, a company might decide not to engage in any activity in it. (Byars 1991; Cooper 2000; Jurevicius 2013.)

2.4 Micro environment analysis

In order to gain deeper knowledge about the marketplace and the consumers, it is vital to thoroughly examine the micro environment. Micro environment refers to the “forces that are close to the company and affect its ability to serve its customers; it includes the company itself, its suppliers, marketing intermediaries, customer markets, competitors and publics”. (Boundless 2014.) An analysis of an industry and competitive conditions is a starting point in evaluating a company’s situation and market position (Thompson et al 1999). It helps a company to find a suitable position in the market where the company can best defend itself from threats in the industry (Hollensen 2011, 110).

The figure below demonstrates the major actors in the marketer’s microenvironment.
As can be seen from above, a company's performance is often affected by five factors. However, due to the scope and the limitation of this thesis, only two relevant factors namely the publics and customers are mentioned in the Literature review. The company itself is also a factor that needs to be examined. The other three factors: marketing intermediaries, suppliers and competitors are not considered as the key concerns of the Case Company.

**Publics**

"Publics" are groups that can significantly affect marketing activities formulated to enhance customers’ satisfaction with a product and an organization (Armstrong & Kotler 2013, 97). According to Armstrong and Kotler (2013, 97), there are seven types of publics:
TABLE 4. TYPES OF PUBLICS (Armstrong & Kotler 2013, 97)

<table>
<thead>
<tr>
<th>Type of publics</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Financial publics</td>
<td>A group which has influence on the company’s ability to obtain funding.</td>
<td>Bank, investment analyst, stockholder.</td>
</tr>
<tr>
<td>2 Media Publics</td>
<td>A group which carries news, features and editorial.</td>
<td>Newspapers, magazine, television, Internet media.</td>
</tr>
<tr>
<td>3 Government publics</td>
<td>Government’s issues of product safety, truth in advertising and other matters.</td>
<td></td>
</tr>
<tr>
<td>4 Citizen-action publics</td>
<td>A group which includes neighbourhood residents and community organisations.</td>
<td></td>
</tr>
<tr>
<td>5 Local Publics</td>
<td>A company should take into consideration the general public’s attitude toward its products and activities.</td>
<td></td>
</tr>
<tr>
<td>6 General public</td>
<td>Workers, managers, volunteers and the board of directors.</td>
<td></td>
</tr>
</tbody>
</table>

Customer

Customer is considered to be the most important factor in the company’s microenvironment as the target of the entire value delivery network is to serve the customers and create a strong relationship with them (Armstrong & Kotler 2013, 97-98). Raisio Benecol serves two types of customers: the end consumers and the business customers. Benecol sells ingredients and leases its brand to the business
customers. Afterwards the business customers transform them into complete products and sell to the end users. The final products may be branded as Benecol. This is, as mentioned previously, a business model called licensing. Further discussion about licensing can be perceived underneath.

**Licensing**

According to Root (1994, 26), there are two ways a company can arrange an entry strategy into a foreign country. First, it can export its products to the target market from a production based outside that country. Second, it can transfer its resources in technology, capitals, people and enterprise in the target country and start manufacturing by itself or combine with local companies. (Root 1994, 26.)

The Case Company chose the second way and applies the entry mode as Licensing to enter a new market. Hollensen (2011, 386) considered this entry mode is one of the Intermediate modes, where ownership and control are shared between partners across countries. Licensing is a contractual arrangement where the licensor provides technology, know-how, patents, or a successful brand to the licensee in exchange for a licensing fee and an amount of profit based on a negotiated percentage of the licensee’s sales that use the licensed technology. (Keegan 2014, 248.) This method of entry mode is recommended for companies which have low transportation resources, low capital investment, but popular branded-product with modern technology applied during operation (Albaum & Duerr 2008, 278).

**Customer Segmentation**

As stated above, the Case Company licenses the brand Benecol to other companies. These licensees are viewed as B2B (Business-to-Business) customers.

A compact list of variables within these five segmentation dimensions can be seen as follows:

- **Geographic** – answers the question “where are we going to operate?”
  - Market scope: describes the geographic scope of the market, e.g. Global or Regional
  - Measurement units: explain how geographic dimension will be measured, e.g. Trade area, climate etc.

- **Firmographics** – answers the question “who are potentially the target customer?”
  - Companies are selected based on their years in business, size, financial strength, position, technology etc.

- **Product Usage** – answers “how much do they sell” question
  - This observes the production of selected companies
  - Component variables are product volume, variety, trends, share

- **Benefits desired** – answers “why should they choose us?” question
  - Buyer motives
  - 4 major benefits: Service, Quality, Image, Price

- **Purchase Behaviour** – answers the question “How would they buy from us/other suppliers?”
  - It includes purchase policy, risk attitude, order size, loyalty etc.
  - Psychographics: this is the cultural component of purchase behaviour. In this component, there are variables such as corporate culture (attitudes, values, beliefs, interests, etc.) and product adoption curve (are they innovators/early adopters or late majority?)

(Brassington & Pettitt 2007, 133-144; Weinstein 2014.)

**The Company**

The company is a part of the micro environment. Hence, it is crucial to understand the company mission, objectives, strategies and policies. Only by then, a company can take advantage of its strength and find available opportunities in the market to
gain more profit. The internal analysis or company analysis will be examined in
detail in the following section.

2.5 Internal analysis

Knowledge about the resources and capabilities or competitive advantages is very
important to any company. Hence, internal analysis is one of the first concerns for
the company to consider sustaining or strengthening competitive advantages. (Hitt
et al 2009, 71.)

Competitive Advantages

Delivering more customer value and understanding customer needs more than
competitors do are the ultimate targets of marketers (Kotler & Armstrong 2012,
234). Hence, it is important for a company to build its own competitive
advantages. According to Grant (1991, 118), an evaluation of the internal factors
can identify the conditions that create and sustain a competitive advantage.

“Competitive advantage is an advantage over competitors gained by
offering greater customer value, either by having lower prices or
providing more benefits that justified higher prices.” (Kotler &
Armstrong 2012, 234)

On the other hand, Michael Porter, with his theory of generic strategies, argues
that competitive advantages can be derived from three strategies: cost leadership,
differentiation and focus (Stonehouse & Snowdon 2007). However, the theory
was invented long ago in the 1980s. Nowadays, it might be different when
corporations think about gaining competitive advantages. Rita Gunther McGrath
(2013) argues that the traditional competitive advantage is dying. Thanks to
globalisation, innovation and so on, a company’s competitive advantage can only
last shortly. Firms need to repeatedly try to create new advantages to compete
effectively.

Next, the descriptions of these strategies are briefed in the following order:

- Overall cost leadership
- Differentiation
- Focus
- Innovation

**Overall cost leadership**

Cost leadership is a low-cost competitive strategy that targets at achieving the lowest production and distribution cost to cover a broad mass market (West et al 2010, 119). The cost reduction can come from the overhead control, avoidance of marginal customer accounts and cost minimisation in areas such as R&D, service, sales force and advertising. As a result, this strategy allows the company to set the price lower than its competitors and win a larger market share. (Kotler & Armstrong 2012, 560.)

Cost leadership strategy helps company earn above-average return on investment. First, the strategy gives the company a great bargaining power with its suppliers because it buys in larger quantities. Second, as the low cost serves as a barrier to entry, few new entrants will be able to enter the market and compete with the leader’s cost leader. (West et al 2010, 120.)

**Differentiation**

By differentiating products or services, channels, people or image, a company might gain a competitive advantage (Kotler & Armstrong 2012, 235). *Product differentiation* strategy aims to alter some features, performance, or style and design of a product. This offers consumers with alternatives in the industry. Moreover, the differentiated products can be some unique merchandise that cannot be found elsewhere. Consequently, consumers are likely to choose this company’s product over the competitor’s. (Holcombe 2009, 17.)

Likewise, the service associated with a product can become a winning point. It comes from quick, convenient or careful delivery (Kotler & Armstrong 2012, 235). Other types of *service differentiations* include training service, consultant service and counselling services.
Other than that, competitive advantage can be obtained through *channel differentiation* and *people differentiation*. *Channel differentiation* is the method firms apply to their channel’s coverage, capability and performance in order to improve the way they reach customers. *People differentiation* is about having higher-quality employees through training or hiring. (Kotler & Armstrong 2012, 235.)

Lastly, *image differentiation* is the strategy which incorporates distinctive benefits and positioning into the brand images. This strategy requires a long time to successfully invade customers’ minds. It involves creativity and hard work. (Kotler & Armstrong 2012, 210)

**Focus**

Focus strategy means the company sets its effort on serving a few particular market segments rather than conquering the whole market. With this strategy, a company can apply *Cost focus* or *Focused differentiation*. In certain segments, Cost focus exploits differences in cost behaviour, whereas Focused differentiation exploits the special needs of buyers. This strategy is valued because it is believed that a company which focuses its efforts can serve its narrow strategic target more effectively and efficiently than its competitors. (West et al 2010, 120)

**Innovation**

Companies must innovate to keep ahead of their competitors (Olofson 2013). Innovation strategy is important in claiming success (Hemmatfar et al 2010). It is sometimes considered as the best way for companies to achieve a competitive advantage (Shqipe et al 2013).

According to Rita Gunther McGrath (2013), innovation means that companies should build up temporary or transient advantages where they grab opportunities, exploit them, and then move on fast when the opportunities are depleted.
3 CASE COMPANY ANALYSIS

The purpose of this chapter is to provide insights into the Case Company. Firstly, the company’s profile is introduced. Secondly, its products’ selling points are brought into discussion. These factors contribute to the company’s competitive advantages.

3.1 Case Company Overview

Benecol is a brand of cholesterol-lowering food products. It is owned by Raisio Group, a Finnish company founded in 1939. Besides Benecol, Raisio’s main products are plant-based foods and value-added feeds. They focus on healthy plant-based products, with an ecological concern. The company is financially sound with the turnover of 584 million EUR in 2012 (Starling 2014). In 2013, the earning before interests and taxes improved by 14% (Raisio 2014).

Raisio possesses strong brands in different market areas. In the UK, Raisio owns Honey Monsters, The Dormen, Foxx’s and Poppets. In Finland, there are Elovena and Sunnuntai. In the Baltic countries, Russia and Ukraine, Raisio has a brand called Nordic. Among all, Benecol is Raisio’s most internationally-recognised brand. International revenue from 30 countries worldwide accounts for 95% of Benecol’s turnover. Currently, more than 120 products are sold under the label of Benecol. (Raisio 2014.) The key ingredient of all Benecol products - Plant stanol ester - is what made Benecol as of today. It was invented in-house by Raisio in 1989. A further description of Plant stanol ester can be found in the next section. (Benecol 2014.)

3.2 Plant stanol ester

As mentioned earlier, cardiovascular disease is the world’s major cause of premature death. A third of this is triggered by high levels of blood cholesterol. Worldwide, high cholesterol is affecting 40% of grown-ups. In Vietnam, the figure is lower but still is an alarming rate of 36.1%. (WHO 2008.)
Thus, lowering cholesterol becomes the most direct solution. According to World Health Organisation (2010), 10% reduction in serum cholesterol in middle-aged men lowers half the chance of getting heart diseases within five years. The same serum cholesterol reduction in men aged 70 years prevents averagely 20% CVDs occurrence in the following five-year period.

Motivated by those facts, in 1989, Dr. Ingmar Wester, from the Finnish food company Raisio, successfully created the world’s first effective cholesterol-lowering ingredient called “Plant stanol ester”. In 1995, it was incorporated into the first Benecol food product - a cholesterol-lowering margarine. Today, the cholesterol-lowering food category is estimated to be worth more than one billion EUR. (Benecol 2013.)

The effect of Plant stanol ester in lowering cholesterol is scientifically backed up by more than 70 studies. Fundamentally, Plant stanol ester is a cholesterol-like compound, with only slight differences in the molecular structure. In the digestive tract, it significantly reduces cholesterol absorption. The amount of Plant stanol ester obtained from a typical Western diet (30 – 50 mg) is insufficient to lower cholesterol. (Benecol 2011.) According to research, two grams of plant stanols per day (as Plant stanol ester) is enough to produce a clinically relevant cholesterol-lowering effect. Normally, the absorption of cholesterol into the body ranges between 300 to 500mg. The 2g of Plant stanol ester can reduce 50 – 80 % cholesterol absorption in the body. (Roy et al 2005.)

One of the earliest studies about Plant stanol ester was published in the New England Journal of Medicine on November 16, 1995. It verifies that Plant stanol ester, if consumed frequently for a daily basis of 2g, can reduce serum LDL cholesterol by 10-15%. (Miettinen et al 1995.) The figure hereafter summarises the experiments and findings:
More impressively, another research concludes that the cholesterol-lowering effect of plant stanol ester is dose-dependent. Daily intakes of 9g plant stanol ester can reduce LDL cholesterol by 17.1% after 10 weeks (Gylling 2011)
3.3 Product portfolio

Besides the cholesterol-lowering effect, Benecol’s product line contains a number of advantages:

- Tasteless and odourless
- Lactose-free
- Vegetarian
- Kosher and Halal certified (Suitable for Jewish and Islamic dietary laws)

The wide range of foods and beverages of Benecol can be seen hereunder:

- Benecol margarines and spreads
- Benecol milk and soy-based yoghurts
- Benecol milk and soy-based yoghurt
- Mini drinks
- Benecol cream cheese style spread
- Benecol oatmeal porridge
- Benecol bread
- Benecol smoothie
- Benecol instant drink powder
- Benecol white cheese
- Benecol milk
- Benecol smart chews

According to Mr Olavi Erkinjuntti, Plant stanol ester can also be incorporated in other products such as coffee, soya or powdered milk, supplements and so on.
More than 70 clinical studies show that Plant stanol ester lowers cholesterol effectively. This is why Plant stanol ester is endorsed by food safety authorities worldwide and is trusted by millions of consumers. Benecol has its presence in more than 30 countries worldwide. The company is frequently looking for business opportunities in new markets for expansion.
Recently, Benecol has been testing on its capability of managing on its own. The business in Hong Kong market is directly operated by Raisio. The majority of foods in Hong Kong is imported. Benecol Yogurt Drinks for Hong Kong market are manufactured by Raisio’s long-time partner Emmi. (DGAP News-Service 2013)

3.4 Competitive advantages

Raisio Benecol is the first in the market to make cholesterol-lowering food products. They created the category. That was attributable to the company’s innovation strategy. Nowadays, Benecol still remains at the top despite other brands joining the market. This result is derived from the speciality in Benecol’s products and services/supports. The figure below illustrates three main elements that stay behind Benecol’s success: Market leader, Unique ingredient and Sharing success.

FIGURE 12 BENECOL'S COMPETITIVE ADVANTAGES
**Unique ingredients**

The superior characteristics found among Benecol products have been renowned for a long period of time. Plant stanol ester is one of the first ingredients to be granted a regulatory approval for the use of a disease risk reduction health claim under the Nutrition and Health Claim Regulation of the European Union. (FINNFACTS 2009.) It enables consumers to trust the solid scientific evidence behind Benecol’s health claims. The company is allowed to print the following onto their products: "Plant stanol ester has been shown to lower/reduce blood cholesterol. High cholesterol is a risk factor in the development of coronary heart disease". (FINNFACTS 2009.) This distinctive ingredient has been endorsed by food safety authorities in Europe, US, China, Japan and Russia. In USA, Benecol has received the 'Generally Recognized as Safe' (GRAS) status. Additionally, Benecol products have been on the market until today with no report on any adverse effect. (Benecol 2014.)

Impressively, in January 2009, the European Journal of Clinical Nutrition has selected Plant stanol ester as one of the ten greatest nutritional innovations worldwide for the last 30 years (Katan 2009 et al). This article, reviewed by leading international nutrition scientists, chose the top nutrition discoveries based on solid research data (Charters 2010).

**Market leader**

Ever since its introduction, Benecol has been the global leader in cholesterol-lowering market. It is reasonable to recognise Benecol as one of the first functional food brands and the inventor of cholesterol-lowering functional food category which is now worth around one billion EUR. (Raisio 2014.)

The partnerships with other leading corporations also contribute to Benecol’s success. Benecol is cooperating with prestigious firm like Johnson & Johnson, Emmi and Kalbe International. Johnson & Johnson is a multinational medical device, pharmaceutical and consumer package good manufacturer. In 1998, its subsidiary McNeil Consumer Healthcare concluded an agreement with Benecol for international marketing of Benecol products (Raisio 2014). This huge corporation was ranked as the world’s most respected company (Santoli 2008).
The revenue in 2013 is proclaimed to be 71 billion USD (Johnson & Johnson 2013).

Emmi is one of Benecol’s long-time partners. It is the largest Swiss milk processor, one of the most innovative premium dairies in EU and a worldwide well-known specialist for Swiss cheese. Its net sales were around CHF 2,684 million (more than 2 billion EUR) in 2010 and employs over 3,500 people globally (Emmi AG 2010). Notably, Emmi produces yogurt drinks for Rasio to manage its own Benecol business in the Hong Kong market.

Another noteworthy partner of Benecol is Intellectual Ventures. Together, they started a joint venture called Benemilk Ltd in 2013. This aims at promoting safe, efficient and environmentally responsible food production (Intellectual Ventures 2014).

Last but not least, Kalbe International, an international marketing corporation, is Benecol’s partner in Indonesia and the Philippines (GlobeNewswire 2013). Kalbe has expertise in distribution and development of pharmaceutical and consumer products. The company also specialises in coordinating marketing activities in South East Asia, South Asia, South Africa and West Africa. In 2012, it was named as the “2nd best company for investor relations” by the magazine Asia Money. Moreover, Kalbe is regarded as the most admired company in Indonesia. (Kalbe 2012.)

Overall, the partnerships with other multinational corporations help to solidify the company’s position as the market leader.

**Sharing success**

Of the top consumer brands in cholesterol-lowering market, Benecol is the only one available for licensing. Benecol promises to deliver an opportunity to achieve higher profit margins, sales growth and a competitive advantage. (Benecol 2014.)

First, since Benecol products are able to deliver proven health benefits to end consumers, a licensee launching these products may have its brand image improved. Consumers and investors may regard the company as a responsible
business that cares for its social well-being. The cholesterol-lowering business is based on customer’s need. Consumers seeking to reduce their cholesterol tend to be loyal. They might spend an extra amount to get the effective cholesterol-lowering benefit by dietary means. (Benecol 2014.)

Second, Benecol’s licensees are eligible to receive support and rights in various aspects, such as training, marketing, planning, or coordinating local regulatory approvals, etc. Furthermore, as Plant stanol ester can be incorporated in various food products, Benecol can assist its partners to develop a cholesterol-lowering product that is suitable for their markets. (Benecol 2013.)

Apart from licensing, a company can choose to buy the ingredient Plant stanol ester only. Business customers will receive sufficient training in science and technical topics, but will not have the right to use or refer to Benecol’s trademark or any other intellectual property. The support in the business field is limited. Still, both models guarantee non-stop deliveries of the ingredient, based on forecasting. (Benecol 2013.)
4 VIETNAMESE MARKET

This chapter provides analyses of the Vietnamese market, both in macro and micro level, from general to specific. The first sub-chapter inspects the country under the model of PESTEL. As previously introduced, PESTEL is the model for analysing the external environment - the forces shaping the market. Subsequently a more close-up examination of the functional food industry is performed to illustrate its characteristics.

4.1 Country analysis

Generally, Vietnam attracts foreign investments by its solid economic growth, political stability, an inexpensive workforce, a gradually more open and transparent market, abundant natural resources and a good geographic position in the region. However, there is a number of challenges in Vietnam such as corruption, low levels of education and skills, poor infrastructure, bureaucracy and the lack of transparency and predictability. (CTCS 2011.)

The following sections investigate further into these aspects by utilising PESTEL analysis, concentrating on the points mentioned in table 3 (Chapter 2: Theoretical preview). All information is filtered to find relevant factors which are likely to affect Raisio Benecol. The result provides the Case Company with a broad view over its new challenge.

4.1.1 Political factors

Officially called “The Socialist Republic of Vietnam”, Vietnam is one of the few countries to follow the Communist ideology. It is a single-party state which has been maintaining tight grip on power since the mid-1975s. The governmental intervention was considered excessive and there was an international isolation before the political and economic reforms in 1986. (HKECIC 2013.)

Since the structural reforms in 1986, Vietnam's politics has gradually advanced towards greater openness and space for civil participation. This is necessary to support Vietnam's long term vision of becoming a modernised and industrialised
nation. (World Bank 2010.) The country is highly appreciated for its political stability compared to other countries in the region. There is little political turmoil or threat of terrorism. (VOV 2010.) The political stability is considered to be a key to growth (Shepherd 2014).

In recent years, Vietnam has been attempting to join the world’s movement. It was accepted as a member of United Nations, World Bank, International Monetary Fund, Asian Development Bank, Association of Southwest Asian Nations, Asia-Pacific Economic Cooperation forum and World Trade Organisation etc. These opportunities have further increased the attractiveness of Vietnam as a trade and investment partner. The Free Trade Agreement that is currently being on negotiation between the EU and Vietnam is likely to further enhance Vietnam’s position in the global level. Undeniably, the trade barrier is being lowered. (Vietnam Business Forum 2013.)

Vietnam’s Relation with Finland

Vietnam has established the relation with Finland for more than 40 years. On 25th January 1973, a mutual announcement on the establishment of normal diplomatic relations between the two governments was issued. Soon after that, two governments started to negotiate on long-term development assistance. From 1979 to 2012, Finland has supported an approximately of 260 million EUR to Vietnam. (Finnish Embassy in Hanoi 2014.)

Despite good political relation, trade and investment flows between Vietnam and Finland are still rather modest, as the bilateral two-way trade was valued at only 212 million EUR in 2012. However, there has been a moderate increase in the trade figures lately. Finnish exports to Vietnam grew 13% and Vietnamese exports to Finland simultaneously improved 18% in the year 2011. (Finnish Embassy in Hanoi 2014.) About 60 Finnish companies are represented in Vietnam, and Finland ranks 26th among 96 foreign investors in Vietnam. The sum of projects value between two countries is estimated at USD 335 million. (Vietnam Business Forum 2013.)
The endorsement of mutual trade and investment is a shared interest of Finland and Vietnam. The structural reforms and the fast growth of the Vietnam’s economy together create more chances for developing trade and investment relations. (Finnish Embassy in Hanoi 2014.) To do so, Finland has employed four tools namely Finpro, Finnfund, the Finnish Business Partnership Program and the Innovation Partnership Program (Vietnam Business Forum 2013).

4.1.2 Economic factors

Vietnam is a story of success. It is one of the fastest growing economies worldwide (World Bank 2010). The country has set its sights to become a developed country by 2020 (BBC 2013). This section delivers more specific information about the economy of Vietnam, relatively the increase in income per capita, the foreign direct investment, stock market, consumer expenditure in general and particularly the spending on food.

**Fast growing GDP per capita**

The economy of Vietnam has been transforming robustly from the rigidities of a centrally-planned economy since 1986. In the past, the country was one of the poorest countries in the world, with income per capita below 100 USD. Nowadays, Vietnam is a lower-middle income country with the income per capita reached 1130 USD by the end of 2010. (World Bank 2010.) Most recent data shows that GDP per capita in Vietnam already reached 1755 USD in 2013 (World Bank 2013).

**Growth in Foreign Direct Investment**

A decade ago, the foreign direct investment (FDI) into Vietnam was almost nothing. In the recent five years, Vietnam has emerged as a very attractive destination for FDI. The FDI level has been sustained for around 10-11 billion USD per year (US Bureau of Economic and Business affairs 2013; GSO 2014.)

**Emerging stock market**
Year-to-date, Vietnam’s stock market has been among the world’s leaders. It is the result of an economic environment that is rather stable in terms of politics, inflation and currency compared to the U.S. dollar. It has been happening for 24 to 36 months. As of 20th Feb 2014, the year-to-date foreign net inflow has been 108 million USD. (Springer 2014.) Theoretically, the rise in the stock market is believed to be a good sign of the future economy (Comincioli 1996).

Consumer spending

Consumer spending in Vietnam increased from 37,572 billion VND in 1990 to 2,093,261 billion VND in 2012 (slightly less than 100 billion USD – Google converter) (Trading Economics 2014). It can be observed in the chart below:

![Figure 13: Household Final Consumption Expenditure in USD](chart.png)

Within consumer expenditure, the value spent on food has also been experiencing a substantial increase, from 23,105 million USD to 31,545 million during the years 2010-2013 (Euromonitor 2014). According to Nielsen (2013), Vietnam is the fastest growing FMCG (fast moving consumer goods) market in the region. It
grew 21.5% from 2011 to 2012, in which three fastest growing categories are: beverage (28%), dairy products (21%) and foods (19%).

Inflation and interest rate

The rapid economic growth has caused high inflation in Vietnam. Averaging around 7.31% from 1996 to 2014, the inflation rate climbed to an all-time record of 28.24% in August 2008. This called for actions by the government and consequently the inflation rate was successfully reduced to below 6% in 2013. (Trading Economics 2014.) To reduce the inflation rate and simultaneously target at an economic growth of 5-6%, the Central Bank of Vietnam increased the interest rate to 15% and tightened lending policies (Bloomberg 2012). This was a difficulty for foreign investors to access fund in Vietnam. Recently, however, the Central Bank is gradually cutting interest rates down. This is to support business and bolster the economy. (Bloomberg 2013; Vietnam News 2014.)

4.1.3 Socio-Cultural factors

Vietnam is the 15th most inhibited country in the world. Today, its population has reached approximately 93 million. Of which, 56.1% are aged 25 and over, in equivalent to more than 52 million people. The urban population is estimated to be nearly 30 million.

According to the United Nations Population Fund, Vietnam is entering an era called “Demographic Dividend”. This means that there are two or more individuals of working age (15-60) for every individual of dependent age (under 15 or above 60). Approximately, by 2020 the number of working age people will be increased by 1 million per year. The abundant human resource helps boosting the economic development. Additionally, it indicates a higher degree of saving and investment.

(UNFPA 2013.)
Lifestyle

In Vietnam, the modern lifestyle has caused many health problems to the population. This harmful lifestyle includes fast-food consumption, tobacco use and drinking habits.

Along with the growth of the economy, people are becoming busier. People have less time to cook, creating opportunities for food service to grow, especially fast foods. (Euromonitor 2014.) Over the years, many fast food businesses have penetrated into the Vietnamese market. The industry has grown with a healthy rate of 17% in the recent years. (Euromonitor 2014.) These types of foods are mostly unhealthy. A diet high in saturated and trans fats raises blood cholesterol. Too much sodium can raise blood pressure and too much fat and sugar can lead to obesity, both of which may as well contribute to heart disease. (American Heart Association 2014.)

Tobacco use in Vietnam is very high, which contributes largely to heart diseases. Alarmingly, in 1997, the male smoking prevalence rate in Vietnam was the highest in the world. (Jenkins et al 1997.)

In 2012, Vietnam consumed three billion litres of beer. Consumption per capita was 32l, ranked first in the ASEAN region and third in Asia, only after China and Japan. Beer consumption in Vietnam increases about 15% a year, considerably one of the fastest worldwide. (TuoiTre 2014.)

In a nutshell, fast food, tobacco and alcohol consumption have been associated with a wide variety of cardiovascular diseases (Mukamal 2014).

Middle class growth

Middle class is the largest customer base of Benecol (Benecol 2013). In the recent ten-year period, the middle class consumer represents the fastest growth in household expenditures. “Middle class” is defined as households with daily consumptions between 10 and 100 USD. According to a research done by Nielsen, Vietnam is about to witness a massive escalation in its middle class consumer segment and spending. From 2012 to 2030, the middle class is predicted
to rise from 8 million to 95 million. Relatively, the consumption of the middle class in 2012 was 46 billion USD and is expected to reach 940 billion USD in 2030. (Nielsen 2013, 31.)

**FIGURE 14. GROWTH OF MIDDLE CLASS AND SPENDING (Nielsen 2013)**

**Health concerns**

At the moment, health is one of the top five concerns of Vietnamese end consumers. A Nielsen’s research suggests that it ranks only after the concerns over the economy, utility bills, job security and food prices. The graphic below is extracted from the Nielsen’s research.
4.1.4 Technological factors

Vietnam develops fast in terms of technology. The country is currently at the beginning phase of the strategic plan to become a developed country by 2020. Improving infrastructure is considered as one of the main targets. Annually, Vietnam spends 10% of its GDP, which is very high compared to international standards, to invest in transport, telecommunications, energy, water and sanitation. (World Bank 2014.) The construction of new highways and the
upgrade of the local transport network are the requirements to industrialise and modernise the country (VGP News 2009).

Furthermore, Vietnam aims to narrow the scientific and technological gap with the world in several key fields by 2020. Particularly, the government is focusing on scientific and technological renovation to strengthen the competitive factor of local products and support businesses to purchase patent in some prioritised areas such as: automation, manufacturing and information technology. (Vietnam Government Portal 2013.)

Food processing is also one important sector that needs improvements. At the moment, 80% ingredients of functional foods in Vietnam are imported. The current level of technology for food processing is rather undeveloped. Therefore, most of domestic manufacturers cannot produce high-quality functional foods. (VietQ 2013.)

4.1.5 Environmental factors

Although the entire of Vietnam lies in the tropics and subtropics, its climate is so diverse. When the south of Vietnam has the year-round summer warmth, the weather in the northern part is affected by damp and chilly winters from November to February. (Embassy of Vietnam in UK 2014.)

During summer, the heat can soar up to 40°C for months, drying out rivers (Blackshear et al 2011). As the country depends largely on hydroelectric plants, many businesses have to suffer power-cuts regularly (The Diplomat 2010). Additionally, the fuel supply for electricity generators is insufficient. Therefore, the country is facing the growing threat of power blackouts (Bloomberg 2013). Benecol might not be an exception for many of its products such as yogurt, milk or margarine etc. needs to be refrigerated (Erkinjuntti 2014).

Another important factor in Vietnam is the high level of pollution. Many studies have shown evidences that it can trigger heart attacks, strokes, irregular heart rhythms, especially in people already at risk for these conditions. (Gold & Samet 2013.)
4.1.6 Legal factors

Two main discussion topics in this section are the issues of law and tax policies.

**Laws and regulations**

To enter the Vietnamese food market, a foreign company should be familiar with various kinds of documents, including laws and regulations and the guides to follow those rules. It is not easy to know everything about the legislations that may apply to the case.

The author has sent questions regarding this matter to Mr Tran Huu Huynh, a lawyer and the former Deputy Head of the Legislation Department, Vietnam Chamber of Commerce and Industry. At the moment, he is the President of Vietnam International Arbitration Centre. His replies about the numbers of relevant laws and regulations can be viewed hereunder:

1. Commercial Law  
2. Law on Food Safety  
3. Law on Customs  
4. Law on Export Tax and Import Tax  
5. Law on intellectual property  
6. Transport Law  
7. Business Insurance Law  
8. INCOTERMS, UCP of ICC

(Tran 2014.)

It is rather lengthy to quote details from all of these laws. This section will only brief several key points about the Vietnamese legal environment surrounding Benecol.

The laws of Investment and Commerce define the investors’ rights and obligations, investment inducements, state administration of investment activities and offshore investment. It also guarantees both domestic and foreign investors
against the nationalisation or confiscation of assets. (US Bureau of Economic and Business affairs 2013.)


According to a research published on the American Chamber of Commerce in Vietnam (2014), the Vietnamese food law indicates that a food product should satisfy certain conditions on health and safety in order to be licensed. Other terms specify about labelling or advertising, recalling, inspecting, importing and exporting.

Particularly, the Law on Food Safety No. 55/2010/QH12 of Vietnam, in article 14, demands scientific information and documents providing the effects of the ingredients that create the functional food product. The Minister of Health shall specify the management of functional foods. Additionally, the product must satisfy the general conditions on food safety assurance in Article 10. (NAFIQAD 2014.)

**Tax and import tariff**

According to Mr Tran Dang, President of the Vietnam Association of Functional Foods, the import tariff for ingredients and products of functional foods is located at 30%, which is rather high compared to other product types (VnExpress 2012). Besides, the VAT tax in Vietnam is 10%.

4.1.7 PESTEL Summary

Despite posing several difficulties, the macro environment of Vietnam provides essential conditions which strongly encourage investments. The author has summarised the most important features in each category of the PESTEL analysis.
### TABLE 5. PESTEL SUMMARY

| Political factors | • Politically stable  
|                   | • Reducing trade barriers, increasing integration with international organisations and trade agreements  
|                   | • Good relation to Finland  
| Economic factors  | • Good development in GDP, FDI, stock market  
|                   | • Rapid growth of consumer spending, especially on foods, milk and beverages  
| Socio-cultural factors | • Populous, large base of potential customers  
|                    | • Harmful lifestyle, consumptions of unhealthy foods, tobacco and alcoholic beverages  
|                    | • Enormous growth in middle class  
|                    | • Health is one of the top concerns  
| Technological factors | • Fast development  
|                    | • Concentration on infrastructure  
| Environmental factors | • Climate diverse in different regions  
|                    | • Heat and power-cuts  
|                    | • High level of pollution  
| Legal factors | • Relevant laws  
|               | • High import tariff  |
4.2 Vietnamese functional food market

This sub-chapter is designed to provide a closer look at the micro environment of the Vietnamese functional food market. However, only the overall market characteristics are described here. Further specifications about major functional food companies will be discussed later in the next sub-chapter 4.3.

This section will be progressed in 4 parts: (1) Cardiovascular diseases in Vietnam, (2) Market size and development trend of functional foods, (3) Publics, (4) Consumerism and (5) Distribution channel.

4.2.1 Cardiovascular diseases in Vietnam

Prof. Dr. Nguyen Lan Viet, Director of the Vietnam Cardiovascular Institute, announced that 25.1% of the adult population in Vietnam are affected by cardiovascular diseases (VN Ministry of Health 2010). CVD is among the major causes of deaths in Vietnam (CDC Vietnam 2014). A research by the Ministry of Health suggests that the burden of CVD will continue to rise. It offers a solution of using mass media education programmes to address salt intake, cholesterol and tobacco. (Ha et al 2011.)

As known previously, one-third of CVDs is attributable to high cholesterol. According to WHO (2008), 36.1% of the population aged 25 and over in Vietnam have elevated levels of cholesterol. To stay out of the risks, there are several methods: pursuing healthy lifestyles, consuming medicines or having procedures/surgery etc. (NIH 2014.)

The surgery and medical treatments are accessible in Vietnam with the same quality found in other developed countries (VinMec 2012). However, these treatments will not be investigated, as the Case Company has no intention to compete with those. Benecol’s interest lies on how Vietnamese people use functional foods to prevent high cholesterol and fight heart diseases (Erkinjuntti 2014). This matter is going to be discussed in the succeeding section.
4.2.2 Market size and development trend of functional foods

Across the Asia Pacific region, the health supplement market is expected to grow by around 28% between 2002 and 2016. Remarkably, the growth reached 11% only in the year 2006. Nowadays, Asian consumers are more educated in the health care area. This will lead to an increase in the demand for products that support busy lifestyle. More entrances to the health supplement industry are anticipated. (AAHSA 2014.)

Vietnam is no exception to the global trend. In the recent 5 years, the functional food market in Vietnam has been growing explosively (VIDS 2014). It is considered to be the fastest growing segment in the food market (V.P.Tu et al 2011). In 2000, there were only 60 producers with around 400 products. The latest data shows that there are 1,781 enterprises with more than 10,000 functional food products being sold in 2012. At the same time, a survey by the National Food Safety concluded that 56% of the population in the capital city Hanoi and 48% in Ho Chi Minh City were using functional foods. (Vtown 2013.)

Surprisingly, while Vietnam has an abundant natural resource for producing functional foods, 80% ingredients and 40% products of functional foods on sale are imported. (VietQ 2013.) The price of functional foods in Vietnam is very high compared to other countries in the world. This is caused by high import tax (30%), greed of companies in earning high profits and the underdevelopment of technologies. Moreover, the industry lacks support from its government. Obviously, the domestic industry is struggling. (Vtown 2013.)

The Minister of Health, Mrs Nguyen Thi Kim Tien, shared her opinions about functional food market in Vietnam. Overall, the market is rocketing with the fastest pace in the food category. This fact reflects the great demand of customers. Income gained by producing and selling functional foods can be so high that the market has become awfully chaotic. People have been running after profits. It is reported that many doctors have quit jobs to trade functional foods. As there are many undesirable phenomena in the market, the government is attempting to release appropriate regulations to tighten its control over the industry. (Nguyen 2014.)
Cholesterol-lowering products

In Vietnam, there are several products which claim to be able to lower cholesterol, but the most outstanding ones are milk products of TH true milk (which buys ingredient from Benecol), the Vision Direct Hit LCBalance (also contains phytosterol) and a domestic tea product named Giao Co Lam, which is made from Gynostemma pentaphyllum (Jiao Guo Lan plants). Besides, there is a powdered milk product for elders called Sure Prevent (contains Plant sterol ester – not Plant STANOL ester!)

4.2.3 Publics

This section explains the role of public identities in Vietnamese functional food market. Besides the government, there are 3 key identities: hospitals, Vietnamese Association of Functional Foods and the media.

Prof. Dr. Nguyen Thuy Vinh, Deputy Director of the Vietnam Central E Hospital, replied to the author’s question about the attitude towards the use of functional foods in hospitals:

“Hospitals in Vietnam do not consider functional foods as medicines. It is not permitted to sell or advertise functional foods in here. However, for the sake of patients, doctors can recommend suitable functional products to aid medical treatments”. (Nguyen 2014.)

Soon enough, doctors and nutritionists will be allowed to prescribe functional foods for patients (DanTri 2013).

Also, there is an active social organisation works in the field of functional foods: the Vietnam Association of Functional Foods (VAFF). It aims to educate consumers, give guidance and support to its members (domestic functional food manufacturers). Moreover, they hope to make functional food become a strong industry and contribute to public health. (VAFF 2010.)
Still, the government and the VAFF remain ineffective in supervising the market. The regulation is under-developed. Inspections are not performed regularly and the punishments for derogations are inadequate. The studies which can prove the health effects of functional foods are rather limited. Consequently, there are many fake food products, false advertisements and over-pricing products etc. Numerous journal articles concluded that many functional food advertisements in Vietnam are over-exaggerating, misleading, false and deceptive. (VnExpress 2013.) Consequently, consumers become confused, as they do not receive sufficient guidance. (VnExpress 2013.) Most cannot even distinguish between drugs and functional food. (AnninhThudo 2013).

4.2.4 Consumerism

Besides end consumers, Benecol regards food companies as their potential customers. The author will show the top concerns of the Vietnamese companies; however, the majority of this section focuses on describing the end consumers’ buying habits.

According to a Nielsen report (2013), to household consumers, health is among the top five concerns. The top five concerns of the suppliers/manufacturers that are operating in Vietnam are different: (1) Competitive pressure/activity/growth; (2) Inflation; (3) Low GDP growth; (4) Labour force skill shortage and (5) VND devaluation.
As explained from previous chapters, the middle class in Vietnam is rising rapidly, contributing largely to the upsurge of consumer expenditures, especially on beverages, dairy products and foods. A report by Nielsen (2013) also found out different shopping behaviours of the end consumers. Their shopping habits and changes (from 2011 to 2012) in milk, food and beverage products can be observed in the figure below:

**Food & beverage**
- **36%**: Change channel to save money
- **36%**: Purchase more on promotion
- **32%**: Buy bigger packs to save money
- **27%**: Purchase more local/ Vnese brands

**Milk**
- **41%**: Purchase more on promotion
- **27%**: Buy bigger packs to save money
- **27%**: Change channel to save money
- **27%**: Purchase more local/ Vnese brands

**FIGURE 16. TOP CONCERNS OF BUSINESSES AND HOUSEHOLDS**
(Nielsen 2013)

**FIGURE 17. BUYING HABITS ON FOODS, BEVERAGES AND MILK**
(Nielsen 2013)
Narrowing down to the field of functional foods, currently, in big cities like Hanoi or Ho Chi Minh, around half of the population is using these products. A survey with more than 700 participants concluded that imported functional food is preferred (V.P.Tu et al 2011).

Last but not least, functional milk formula dominates sales of all functional packaged food. It is because Vietnamese consumers still see milk formula as a replacement for breast milk. Many start feeding babies with milk formula as early as six months old. Together with the healthy birth rate, this leads to the good performance of dairy products in terms of sales. The functional dairy formula consists mostly of powdered milk. (Euromonitor 2013.)

4.2.5 Distribution channels

The main channels used in distributing functional foods are: drug stores, supermarkets, specialty stores, multi-level marketing and online stores (Hongbang 2014).

The Pharmacy Law of Vietnam requires drug stores to place functional foods separately from medicines. A drug store that wants to sell functional foods must acquire the Certificate of Food Hygiene and Safety. However, most drug stores in Vietnam do not follow these regulations, either deliberately or inadvertently. (Hongbang 2014.)

In developed countries, as consumers tend to be knowledgeable, supermarkets have proven to be an effective distribution channel for functional foods. People can choose right merchandise for themselves. Conversely, consumers are less educated in Vietnam. Hence, functional foods are not widely available for purchases through supermarkets. However, this remains as a potential option for future use. (Hongbang 2014.)

Speciality stores are rather popular in developed nations. These stores enable customers to conveniently buy many types of functional foods at the same time. Here, employees are trained to provide appropriate guidance to buyers. In Vietnam, there is a chainstore brand called Lohha specialised in functional foods.
However, at the moment, Lohha stores can only be found in Hanoi. (Hongbang 2014.)

Another remarkable distribution channel for functional foods is Multi-level Marketing. Recently, it has received much attention and became a hot controversial subject. Positively, it distributes functional foods in a very fast pace and gains new customers quickly. Negatively, multi-level marketing has been falling into the disrepute caused by other businesses. The illegal Ponzi Pyramid businesses, which have caused many frauds, often associate themselves with “multi-level marketing”. Ponzi Pyramid has caused a considerable number of frauds. Consequently, multi-level marketing and its products have become victims of customers’ discriminations. (Hongbang 2014.)

Lastly, online retail businesses are rather new in Vietnam. Consumers, especially old ones, are not familiar with this type. They still prefer physical contact. However, this channel is gradually gaining popularity among young adults. Its potential cannot be unseen (Hongbang 2014.)

Overall, choosing a distribution channel should be carefully done depending on the product types. Benecol’s products are mainly milk, yogurt or margarine. Mostly, these products need to be refrigerated. In Vietnam, dairy products can be found virtually in every grocery store. Nonetheless, many shops, especially small private kiosks, do not follow the preservation guidelines properly. Occurring even more common in rural areas, this practice can significantly reduce the quality of dairy products. (24h News 2013.)
4.3 Major functional food companies in Vietnam

This sub-chapter carries out the highest duty of this paper. It is to scan, select and evaluate the most potential business clients. Only by cooperating with the right partners, can Benecol maximise its benefits in the market.

First, the author will explain the principles which Benecol relies on to find potential business customers. To scan for suitable businesses, Mr Olavi Erkinjuntti provided several key criteria. The Case Company prefers companies which produce margarine or other dairy products. Soya, powdered milk, coffee and other supplements are also eligible, as Plant stanol ester can be incorporated in various kinds of foods and beverages. In its field, a company should be one of the biggest players. Only by then, the target company can have an abundant financial power to invest, e.g. mass advertisement campaigns to target the publics, including doctors and nurses. When doctors and nurses are convinced by solid scientific evidences about the effect of Plant stanol ester, they can make recommendations about Benecol to patients.

Moreover, the target companies should be science-minded and have motivation in public health. This allows them to fully understand the potential of producing functional foods to effectively fight cardiovascular diseases – the major cause of death worldwide. Lastly, they must take risks and be patient for a few years before having profits.

(Erkinjuntti 2014.)

The author has put these criteria into the table below, categorised into five segmentation dimensions. The model was already explained in the theoretical chapter.
### TABLE 6. BENECOL’S COMPANY SEGMENTATION

<table>
<thead>
<tr>
<th>Geographic</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firmographic</td>
<td>One of the biggest companies.</td>
</tr>
<tr>
<td></td>
<td>Financially strong</td>
</tr>
<tr>
<td>Product Usage</td>
<td>Big market shares</td>
</tr>
<tr>
<td></td>
<td>High production</td>
</tr>
<tr>
<td>Benefits desired</td>
<td>Need a new competitive advantage</td>
</tr>
<tr>
<td>Purchase behaviour</td>
<td>Science-minded, concerns about public health</td>
</tr>
<tr>
<td></td>
<td>Has to take risks, be patient for a few years</td>
</tr>
</tbody>
</table>

Based on the segmentation criteria, five firms were selected:

- Vinatea
- TH true milk
- Vinamilk
- Trung Nguyen coffee
- Cai Lan oils & fats industries company

Next, these firms will be reviewed. The author tried to find out the data regarding the company’s market, competitive advantages, products and visions. The CEOs of VinaTea and TH true milk were interviewed to gather more precise information. The other three companies are examined by secondary data sources (mostly websites, journals and reports).
4.3.1 VinaTea – The Vietnam National Tea Corporation LTD

Market of tea

Tea is the world’s second-most popular drink, only after water. This timeless, aromatic beverage is enjoyed by people of all ages throughout the world. In a way, tea is considered to be “functional food” as it offers several health benefits. It helps to control weight, reduce high blood pressure, lower CVD risk and even improve bone mineral density. (TheRichest 2013.)

Annually, 3.64 million tons of tea is consumed worldwide. Vietnam is among the top five largest tea exporters. Every year the country exports around 104,700 metric tonnes of tea. Totally in a year the country produces 174,900 metric tonnes, worth 204,018,000 USD in the international market. (TheRichest 2013.)

Company overview

Since its foundation in 1956, Vinatea has obtained many achievements in production and business. Today, it is the biggest corporation in the market, owning numerous subsidiaries. In 2012, Vinatea accounted for 32% of retail value sales, followed by Unilever Vietnam International Co Ltd. (Euromonitor 2013.)

At the moment, Vinatea is cooperating with more than 120 foreign partners in 50 countries and territories. The company has thousands of hectares of tea fields. The average productivity is about 15 tons of fresh bud tea/hectare. The main products of Vinatea include: Black tea, Pouchung-Oolong green tea, Japanese green tea, Gunpowder green tea... (Vinatea 2014.)

There is an existing paradox in the Vietnamese tea business. While being one of the largest tea exporters, tea industry in Vietnam is unable to stimulate domestic consumption. Annual domestic tea consumption is 300gr per capita, contributing to a total of 30,000 tons a year. In comparison, the tea consumption per capita in Japan, Middle East, Russia or the UK is around 2kg or more. That is a ten times difference. (VBA 2014.)
In the last decade, Vinatea has strongly invested in technology, tea refinement, processing equipment. As a result, the company possesses dozens of tea product refinement and processing factories with modern equipment and technology imported from Japan, Taiwan, India, Italy... (Vinatea 2014.)

**Future plans and visions**

Vinatea is targeting at improving the food safety, industrial hygiene and enhancing quality to satisfy customers (Vinatea 2014). To find out more, the author contacted Mr Nguyen Huu Tai, President of the Vietnam Tea Association and Deputy Managing Director of Vinatea. Admitting that Vinatea, at the moment, only produces limited amounts of “functional tea” products, he looks forward to switching from raw production into manufacturing refined tea products which offer additional health benefits. He emphasises the company’s mission to
promote human well-being, for example, by creating hygienic and functional beverages. (Nguyen 2014.)

Considering the use of functional foods as an indispensable trend of the current age, Mr Nguyen Huu Tai also shared his opinions about the Vietnamese functional food market:

“The country has many advantages for functional food industry to grow. First, the population is high. Second, as Vietnam has been a poor country for many years, malnutrition exists among both children and adults. Third, tobacco use and alcoholic beverage consumption are high. In 2013, Vietnam consumed 3 billion litres of beer, ranked third in Asia. Our ancestors always believe that diseases are caused by what we put into our mouths. Although one individual might not care, there are always others in a family who pay attention to health. The Vietnamese consider Prevention is better than Cure. Therefore, Vietnam is a huge potential market.

However, there are several downsides: The transformation into market economy is incomplete; the government lacks control in food hygiene and safety; products which are low-quality or fake. These hinder customers from purchasing functional foods. On the other hand, good quality and reliable products often associate with high prices, which are not affordable to the majority.”

Since Vinatea is a big conglomerate, Mr Nguyen Huu Tai welcomes any new business offers and ideas. The company is always looking for opportunities to cooperate with international partners, who have advanced technologies and experiences in the global level. These would help Vinatea to acquire more competitive advantages, generate more profits and guarantee sustainable development.

One of the subsidiaries of Vinatea, which has investment from Japan, is preparing to produce several premium functional tea products. Besides domestic market, they want to compete at the global level. They are willing to join forces with other
international firms. Mr Nguyen Huu Tai also suggested Benecol to contact him if Benecol is interested. To him, Finland is a hi-tech and developed country. Cooperating with Finnish companies is always one of Vinatea’s wishes. 

(Nguyen 2014)

4.3.2 TH true milk

Market of milk

Even though Vietnam started to keep dairy cattle 40 years ago, the milk industry is not very developed. The consumption of milk per capita in Vietnam is still low compared to the rest of Asia Pacific (Euromonitor 2013). Nevertheless, in the last 5 years, annual milk consumption has increased considerably, from 5 litres per capita to 13-15 litres per capita. In comparison, in Thailand it is 23 litres per capita, in China it is 25 litres. From 2006 to 2011, the market grew 21-22% annually. From 2011 to 2016, the market is expected to continue growing by 12% a year. (NhanDan 2014.)

Locally-produced milk accounts for only 28% of the milk products in the market. Around 72% of dairy ingredients in Vietnam are imported. Mostly, dairy companies in Vietnam import milk powder to reprocess into drinking milk products. Basically, this type of milk is considerably less nutritious compared to fresh milk. (BaoMoi 2014.) In 2013, the value of imported dairy ingredients was over 1 billion USD (BaoDauTu 2013).

The leading company in producing drinking milk products in Vietnam is Vinamilk, with a 46% value share (Euromonitor 2013). However, the most striking company is TH true milk, which only joined the market since the end of 2010 (TH Milk 2014). In 2012, the company has around 30% share of the sector for fresh milk (DDDN 2013).
Company overview

TH true milk, as the name suggests, was established to deliver “true milk” which is fresh and nutrient-rich to Vietnamese consumers. For this purpose, TH true milk has been importing high-producing dairy cattle from New Zealand. Initially, TH had 35,000 dairy cattle and in three years, it has increased to 45,000. Mrs Thai Huong, CEO of TH true milk, plans to raise the quantity to 137,000 in 2017, equivalent to half of the total dairy cattle in Vietnam. In the northern part of Vietnam, TH true milk has gained 40% of fresh milk market share and is continuing to expand rapidly in the southern region. The turnover in 2013 was nearly 4,000 billion VND, equals to approximately 188 million USD. In 2015, when annual production reaches 500,000 tons, the revenue is estimated to be 15,000 billion VND (705 million USD). Especially, TH is already buying Plant stanol ester from Benecol. (Thai 2014.)

Competitive advantages

The competitive advantage of TH true milk is to produce fresh milk directly with higher quality in Vietnam, while other firms only reprocess imported milk powder into drinking milk products. Technology is considered to be the key to success. The TH’s dairy plant in middle Vietnam is the biggest in South East Asia, using the most advanced technologies in the world. (DanTri 2013.) The Vietnam Minister of Science and Technology acknowledged that TH true milk has started a revolution in the dairy industry (BaoDauTu 2013). In 2012, TH true milk was voted as the most favourite drinking milk brand in Vietnam (GiaoDuc 2012).

Products

The product line of TH true milk can be seen below. It includes fresh milk, sweetened milk, functional milk, etc. Several yogurt products are also available.

Three functional milk products of TH true milk, which were introduced in late 2012, are enriched with calcium, collagen and phytosterol, which relatively help to strengthen bones and stimulate children’s growth, refine women’s skin and reduce blood cholesterol (GiaoDuc 2012).
Future plans and visions

Mrs Thai Huong, CEO of TH true milk, declared that she has no rival. TH true milk has a different path with other dairy producers in Vietnam. She keeps dairy cattle to produce fresh and clean milk. The production is assisted by the highest level of technology. TH pioneers in cooperating with leading firms worldwide to apply the most innovative scientific achievements, especially in medicine, to produce milk that can significantly promote human well-being. (Thai 2014.)

Besides human health, the development of future generations of Vietnam is one of her passions. She has been investing and soon will introduce other high-quality products, such as vegetables, cheese, butter, margarine, or even medicines, etc. Moreover, she is building a five-star hospital and a university that meets world-standards. All is to provide the Vietnamese people with what is best in the world. (Thai 2014.)
Regarding functional food market in Vietnam, Mrs Thai Huong is aware of the rapid development of functional foods in the recent ten years. This requires domestic producers to react quickly. However, consumers are discouraged by numerous fake and low-quality products in the market.

From May 2014, TH will release new lines of functional milk, including the renewal of phytosterol-enriched milk products with Raisio Benecol. Overall, the company is always ready to collaborate with international organisations that are with high-end technologies and scientific achievements which can be applied into production. With TH’s prestige and accomplishment in the Vietnamese market,
Mrs Thai Huong promises to share her success with her business partners, not only in Vietnam but also in other foreign markets, including the USA.

(Thai 2014.)

4.3.3 Vinamilk

Overview

Vinamilk is the biggest dairy company in Vietnam. It is also the nation’s 15th largest firm (UNDP 2007). CEO of Vinamilk, Mai Kieu Lien, is among Asia’s 50 Power Businesswomen (Forbes 2014). Vinamilk is one of the most profitable brands in Vietnam and a blue chip on the local stock exchange. In 2012, the company sales rose 23% to 1.3 billion USD, while net income increased by 40% to 280 million USD. (Forbes 2014.) The 2013 sales reached 1.5 billion USD (VOV 2014).

Currently, Vinamilk is exporting its products to 26 countries worldwide. The 2012 export value was over 180 million USD. The company owns one dairy plant in New Zealand and 11 others in Vietnam. (VnExpress 2013.) One of which is the most modern powdered milk plant in Asia, started to operate in 2013 (Vinamilk 2013).

Competitive advantages

The competitive advantages of Vinamilk are derived from many factors, including:

- Good brand building strategy and the industry leader position
- Diversity of products and wide distribution network,
- Fast reactions to the changes in market demand and close relationships with suppliers,
- Management excellence
- International standard manufacturing equipment and technology.

(Vinamilk 2014.)
Products

The Science and Technology Service Office of Ho Chi Minh city has verified that the new yogurt product lines of Vinamilk are fortified with nutrients such as Vitamin B1, B6, A, D, calcium, protein, iron etc. Vinamilk yogurt sales doubled in the year 2011. 90% shares of the yogurt market in Vietnam belong to Vinamilk. (VnExpress 2013.)

At the moment, Vinamilk has several functional milk powder products for elders:

- Vinamilk Diecerna: helps reduce risks and fight diabetes
- Vinamilk CanxiPro: adds calcium, phosphor and collagen to strengthen bones and joints
- Vinamilk Slimming Milk: helps to control or lose weight
- Vinamilk Nutrition: suitable for people at any age, provides full nutrients, vitamins and minerals to maintain good health and physical development
- Vinamilk Sure Prevent: provides supplement energy and strengthens the body in operating and growing. Cholesterol and lactose-free

(Vinamilk 2014.)

Notably, Vinamilk claims to incorporate Plant sterol ester (not Benecol’s Plant STANOL ester!) into its Sure Prevent products. This product was introduced in 2012. Each glass of Vinamilk Sure Prevent provides 0.65g Plant sterol ester, which helps reducing cholesterol absorption. Vinamilk Sure Prevent is also available as drinking milk. (Vinamilk 2014.)
4.3.4 Trung Nguyen Coffee

Overview

Today, Vietnam is the world’s second largest coffee exporter. The market jumped from 0.1% to 20% in merely 30 years. Mostly, Vietnam exports green Robusta coffee beans. (BBC 2014.) Established from zero in 1996, Trung Nguyen nowadays is the largest coffee enterprise in Vietnam. Eleven out of seventeen million households in Vietnam consume Trung Nguyen’s products. Trung Nguyen exports coffee to 60 countries worldwide, including USA, Canada, Russia, England, Germany, Japan, China, etc. (TrungNguyen 2014.) Its sales reached 151 million USD in 2011. (Forbes 2012.)

Competitive advantages

Trung Nguyen’s competitive advantage is consisted of five elements:

- Special ingredients: collection of coffee beans around the world, mainly Vietnam, Ethiopia, Jamaica, Columbia and Brazil
- Modern technology: Cutting-edge technology from Europe
- Inimitable secret formula: Oriental secret recipe using a special blend of rare herbal ingredients, precious gems and additives
• Passion: Never-ending process of exploration, innovation and meticulousness

• People: Trung Nguyen is a meeting place of creative and ambitious individuals

(TrungNguyen 2014.)

Products

Trung Nguyen has a wide range of products, from top-class gourmet coffee to convenient instant coffee. Some of them can be seen below.

FIGURE 22. SEVERAL TRUNG NGUYEN’S PRODUCTS (TrungNguyen 2014)

Some coffee products of Trung Nguyen offer additional functions, such as G7 Passiona which targets at female consumers. The instant coffee has non-dairy creamer and is sweetened with zero-calorie sweetener. It is also enriched with Collagen and Vitamin PP and other oriental herbs for refining the skin and promoting health. (TrungNguyen 2014.)

According to Mr Olavi Erkinjuntti (2014), Plant stanol ester can also be incorporated in coffee products. This is also an opportunity.
4.3.5 CAI LAN Oils & Fats Industries Company (CALOFIC)

Overview

In Vietnam, Oils and Fats growth is stimulated by the extension to smaller cities and rural areas to substitute animal fats. The increasing perception about their health benefits is also one of the leading reasons. CAI LAN Oils & Fats Industries Company is the leader in the industry, with a 37% value share followed by Tuong An Vegetable Oil JSC and Golden Hope Nha Be Edible Oils Co, with a 23% and 11% of market share respectively. (Euromonitor 2013.)

CALOFIC is a joint venture between Vietnam Vegetable Oils Industry Corporation and Wilmar Group, Singapore (CALOFIC 2014). Wilmar is the Asia’s leading Agriculture Group. Wilmar is ranked amongst the largest companies by market capitalisation listed on the Singapore Exchange. It is also the world’s largest processor and merchandiser of palm and lauric oils, as well as largest in edible oils refining and fractionation, oleo-chemicals, speciality fats and palm biodiesel. Furthermore, it is amongst the top ten global raw sugar producers and is the largest raw sugar producer and refiner. (Wilmar 2014.)

CALOFIC was founded in 1996 with an initial investment of 22 million USD, now increasing to 138 million USD. As one of the leading joint venture companies in Vietnam, CALOFIC set the foundation and has been the backbone of manufacturing and processing vegetable oils in the domestic market. (CALOFIC 2014.)

Products

The products of CALOFIC are Neptune 1:1:1, Simply cooking oils, Meizan, CAI LAN vegetable cooking oil, Kiddy vegetable oil, Olivoilà olive oil and other products such as instant noodle, confectionery, moon-cake, cream, bread, etc.

The most outstanding products can be seen in the table below:
TABLE 7. NOTABLE CALOFIC PRODUCTS (Calofic 2014)

<table>
<thead>
<tr>
<th>Product name</th>
<th>Product image</th>
<th>Description</th>
</tr>
</thead>
</table>
| NEPTUNE 1:1:1 | ![NEPTUNE Image](image1.jpg) | - Blend of high-quality bran oil, soybean oil and olein oil  
- Promotes health  
- Researched and consulted by Vietnam National Institute of Nutrition  
- Cholesterol-free, enriched with Omega 3,6,9 and vitamin E |
| SIMPLY soyabeans | ![SIMPLY Image](image2.jpg) | - Contains natural antioxidants  
- Contains 80% unsaturated fatty acid, effectively helps lowering cholesterol  
- Cholesterol-free, enriched with Omega 3,6,9 and vitamin E |
| MEIZAN margarine | ![MEIZAN Image](image3.jpg) | - Enriched with vitamin A,D,E and Omega 3  
- Cholesterol-free |
4.3.6 Summary of functional food industry in Vietnam

To sum up, the functional food market has been growing explosively. This fact reflects high demand for this type of products, attracting both domestic and foreign investments. Conversely, there are considerable drawbacks such as the lack of governmental control and the high number of confused customers who have little knowledge about functional foods.

The research about consumerism in Vietnam has shown some interesting facts. One of which was the consumers’ preference for the functional milk formula and the preference to purchase imported products. Yet, there is a growing trend to buy more local/Vietnamese brands.

The market for cardiovascular health functional foods is not yet developed. There are only several products that claim to lower cholesterol levels. However, they have only been sold for a few years. On the internet, there is no solid scientific source available in Vietnamese to prove how effectively a product can be in reducing cholesterol.

Distribution is yet another complicated issue. The four main channels are drug stores, supermarkets, specialty stores, multi-level marketing and online stores. Each channel has its own pros and cons. Depending on the types of products, a company should be careful to select the most suitable channel.

These facts, combined with the result of the PESTEL analysis, have highlighted the great potential of the Vietnamese market. Most importantly, the study about major functional food companies yielded great results. These firms are generating huge profits, with a growing concentration on delivering additional health benefits to end users. Especially, of the five companies reviewed, 2 managers from two businesses have shown their interests in cooperating with the Case Company. Each company’s exploration can be seen in the table below:
### TABLE 8. MAJOR FUNCTIONAL FIRMS IN VIETNAM

<table>
<thead>
<tr>
<th>Name</th>
<th>Company features</th>
<th>Market features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vinatea</td>
<td>• Biggest company in the industry&lt;br&gt;• Investing heavily on technology&lt;br&gt;• Increasing food safety, hygiene and quality&lt;br&gt;• Gradually switching to high-quality functional tea production&lt;br&gt;• Welcomes hi-tech international partners&lt;br&gt;• Appreciate Finnish companies</td>
<td>• Tea&lt;br&gt;• High volume of export (world’s fifth exporter)&lt;br&gt;• Low domestic sales</td>
</tr>
<tr>
<td>TH true milk</td>
<td>• 100% fresh milk producer, prestigious brand&lt;br&gt;• Rapid growth &amp; high-tech&lt;br&gt;• Ambitious, plan to release new products&lt;br&gt;• Already buying Plant stanol ester</td>
<td>• Dairy&lt;br&gt;• High competition and growth&lt;br&gt;• Low domestic consumption&lt;br&gt;• Low fresh milk domestic production</td>
</tr>
<tr>
<td>Vinamilk</td>
<td>• Market leader, healthy growth rate&lt;br&gt;• Exports to 30 countries, modern technology&lt;br&gt;• Many functional milk, especially the Sure Prevent product with Plant STEROL ester to lower cholesterol</td>
<td></td>
</tr>
<tr>
<td>Trung Nguyen</td>
<td>• Market leader, exports to 60 countries&lt;br&gt;• Modern technology, special ingredients &amp; recipe&lt;br&gt;• Few coffee products with additional health benefits</td>
<td>• Coffee&lt;br&gt;• World’s second exporter</td>
</tr>
<tr>
<td>CALOFIC</td>
<td>• Market leader, joint venture with Wilmar&lt;br&gt;• Plant-based cooking oils or margarine with benefits to cardiovascular system</td>
<td>• Expanding to rural areas&lt;br&gt;• Increasing perception about the health benefits</td>
</tr>
</tbody>
</table>
5 CONCLUSION

This chapter covers three main aspects. First, it answers the Research questions and sub-questions. Second, the reliability and the validity of the thesis are assessed. Third, the author provides his suggestions for further research.

5.1 Answers to Research questions and sub-questions

Raisio Benecol is looking for business opportunities in Vietnam. It wants to find suitable business partners to cooperate with in producing cholesterol-lowering products. The thesis is conducted to solve the inquiry rationally. All of the findings from the analyses on the market should then be simplified and filtered to find the most important factors, which may affect the Case Company’s decision in Vietnam. The findings are summarised in the table below.

<table>
<thead>
<tr>
<th>Sub-question</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the Case Company’s competitive advantages?</td>
<td>• Unique ingredient</td>
</tr>
<tr>
<td></td>
<td>• Market leader</td>
</tr>
<tr>
<td></td>
<td>• Sharing success</td>
</tr>
<tr>
<td>What are the external factors that may affect the Case Company’s intention in Vietnam?</td>
<td>• Political stability</td>
</tr>
<tr>
<td></td>
<td>• Rapid economic growth &amp; consumer spending</td>
</tr>
<tr>
<td></td>
<td>• Large base of customers, with high health concerns</td>
</tr>
<tr>
<td></td>
<td>• Low-tech, power-cuts, incorrect preservation conditions in rural areas</td>
</tr>
<tr>
<td></td>
<td>• High pollution</td>
</tr>
<tr>
<td></td>
<td>• High import tariff</td>
</tr>
<tr>
<td></td>
<td>• Cardiovascular disease is among top causes of death.</td>
</tr>
</tbody>
</table>
| What are the characteristics of the Vietnamese functional food market? | • Functional foods are expensive and unaffordable to the majority  
• Explosive growth  
• Market lacking control, high number of fake or low-quality products  
• Complicated distribution channels  
• Few cholesterol-lowering products  
• Functional milk products dominate sales  
• High competition among big dairy producers  
• High percentage of imported products. Domestic players lack support from government |
| --- | --- |
| What will be the future development of the Vietnamese functional food market? | • More educated customers  
• Functional foods continue growing  
• Government to tighten controls |
| What is the consuming trend in Vietnam? | • Businesses are pressured with competitions  
• High demand from end users  
• Increasing expenditures on food  
• Little knowledge about functional foods  
• Preference of imported, or milk products  
• Health is the fifth top concern |
| Who are the main players and what are their strategies in the functional food market in general and cardiovascular health in particular? | • VinaTea, TH, Vinamilk, Trung Nguyen Coffee, CALOFIC (Tea, dairy, coffee, cooking oil products)  
• All aims to provide products with health benefits  
• Only few and newly-introduced cholesterol-lowering products  
• Investing largely in technology/ looking for hi-tech international partners  
• Overall, they desire innovation and sustainable development, to boost sales and export values |
Based on the findings above, the author can answer the main research question: There are opportunities for Benecol in the Vietnamese market. Although there are certain risks that are beyond Benecol's control, many facts on the market are supporting the Case Company's intention to come to Vietnam. Many firms in Vietnam are willing to join forces with international companies. Two interviews with managers of Vinatea and TH true milk show that they always welcome Benecol. The Case Company should contact or investigate these companies further to see if it is possible to introduce the brand Benecol to the Vietnamese market in the near future.

5.2 Reliability and validity of the thesis

Besides having Mr Olavi Erkinjuntti, Benecol's Area Director of Asia and Australia as his mentor, the author acquired quality data from the interviews/emails with several prestigious persons that have special knowledge about the target market:

- Nguyen Thi Minh Tien, Vietnam Minister of Health
- Nguyen Thuy Vinh, Deputy Director of the Vietnam Central E Hospital
- Tran Huu Huynh, President of Vietnam International Arbitration Centre, former Deputy Head of the Legislation Department
- Thai Huong, CEO of TH true milk
- Nguyen Huu Tai, President of the Vietnam Tea Association, Deputy Managing Director of Vinatea

The results from the interviews are also confirmed by information collected from books, journals, reports, and websites, most of which can be easily accessed online. Therefore, the research is highly reliable.

Secondly, collected data closely concentrates on the Vietnamese functional food market. Verified by various sources, the collected data is relevant to the content of the thesis and helps to achieve the objectives. Therefore, the study is reasonably valid.
5.3 Suggestions for further research

This study targets at evaluating the Vietnamese functional food, focusing on some major food companies in Vietnam. From the knowledge gathered, the author can point out the available opportunities for the Case Company. Further research should be carried out in order to create a comprehensive plan to acquire positive results in the market. Some recommendations for further studies are as follows:

- Thorough inspections / evaluations of the local companies to choose most reliable partner(s)
- Research for the most suitable or special product for the market
- Research to design an effective marketing plan
- Research for price positioning

These studies are recommended to carry out as soon as possible to utilise the current opportunities. This might also determine the Case Company’s success in the target market.
6 SUMMARY

This research is stimulated by the author’s interest to study a Finnish firm which has intentions in the Vietnamese functional food market. The author contacted Benecol, a Finnish brand of cholesterol-lowering products, which has had activities in Vietnam. Mr Olavi Erkinjuntti, Benecol’s Area Director of Asia and Australia, agreed to supervise the work. However, it should be noted that this thesis is by no means a commissioned task. The author motivated himself to do the research and Benecol only provided guidance to help the author to fulfil his intention.

The thesis’ content focuses on the market for cardiovascular health functional foods. The outcome of this work might serve as a supplementary data to the Case Company’s knowledge about Vietnam. It can help Benecol to identify the available opportunities in the Vietnamese market. To achieve the target, both theoretical and empirical studies are conducted.

First, the author discusses theoretical knowledge regarding cardiovascular health, functional foods, cholesterol and relevant analytical tools to examine the external environments in the Vietnamese market. This part prepares readers with the necessary foundations to follow the subsequent empirical research.

In the empirical part, the author uses marketing tools to analyse both external and internal factors affecting the Case Company. The competitive advantages of the Case Company are revealed. The market is studied at the country level and industry levels. Finally, several major functional food firms are studied. The main findings reveal the opportunities for Benecol in the Vietnamese market; however, further research is recommended to help the Case Company in making further steps into Vietnam.
7 REFERENCES

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VN Ministry of Health. 2010. *The percentage of the population aged 25 and over affected by cardiovascular diseases is 25.1%.* Available at


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Nguyen, Huu Tai. Deputy Managing Director of Vinatea, President of the Vietnam Tea Association. Interview 4 March 2014


Thai, Huong. CEO. TH true mill. Interview 22 March 2014

Tran, Huu Huynh. President of the Vietnam International Arbitration Center, former Deputy Head of the Legislation Department. Interview 18 March.
Other Sources


APPENDICES

A. MAJOR FUNCTIONAL FOOD COMPANIES

1. VINATEA CORP

   Address: 92 Vo Thi Sau - Hai Ba Trung - Ha Noi - Viet Nam
   Contact: info@vinatea.com.vn
   Tel: 04.36226990

2. TH FOOD CHAIN JOINT STOCK COMPANY

   Website: [http://www.thmilk.vn/](http://www.thmilk.vn/)
   Representative Office in Ho Chi Minh City:
   05 Floor, Central Plaza Building, 17 Le Duan, Ward. Ben Nghe, District 1, HCMC.
   Tel: (84-8) 5429 6666  | Fax: (84-8) 5429 7373

   Representative Office in Hanoi:
   02 Floor, Dao Duy Anh Tower, 9 Dao Duy Anh, District Dong Da, Hanoi.
   Tel: (84-4) 3573 9777  | Fax: (84-4) 3573 9548

3. VINAMILK

   Address: 10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City
   Tel: (84-8) 54 155 555
   Fax: (84-8) 54 161 226
   Email: vinamilk@vinamilk.com.vn

4. CAI LAN OILS & FATS INDUSTRIES COMPANY

   Address: Cai Lan Industrial Zone, Ha Long City, Quang Ninh Province, Vietnam
   Tel: (84-33) 3846 993
   Fax: (84-33) 3845 971
   Email: contact@wilmar.com.vn

5. TRUNG NGUYEN

   Address: 82-84, Bui Thi Xuan street, Ben Thanh Ward, District 1, Ho Chi Minh City
   Tel: 1900 6011
   Email: cs@trungnguyen.com.vn
B. OTHER DAIRY COMPANIES IN VIETNAM

1. ABBOTT

- Leading powdered milk producer
Address: 2 Ngo Duc Ke street, District 1, Ho Chi Minh city
Tel: 1900 1519
Email: info@abbottnutrition.com.vn

2. DUTCH LADY (FRIESLANDCAMPINA VIETNAM)

FrieslandCampina Vietnam - Binh Hoa Commune, Thuan An District, Binh Duong Province.
Tel: (84-650) - 3754422
Fax: (84-650) – 3754726

3. NUTIFOOD NUTRITION FOOD JOINT STOCK COMPANY

281-283 Hoang Dieu Street, Ward 6, District 4, HCMC, Vietnam
Tel: (84-8) 38 267 999
Fax: (84-8) 39 435 949

4. MOC CHAU milk
Website: [http://mocchaumilk.com/](http://mocchaumilk.com/)
Address: 0223. 866 065
Fax: 0223. 866 184
Email: bosuamocchau@gmail.com
C. INTERVIEW QUESTIONS STRUCTURE

1. Interviewing companies

- How is your company doing at the moment? Your financial figures?

- What are your achievements?

- What are your main products?

- What might be your ambitions, plans, your strategies in the future?

- Do you know about cardiovascular diseases? Cholesterol? Are you interested in this field? Are you interested to improve public health?

- Do you know about the trend of functional foods? Are you producing functional food right now? Do you want to produce (more) functional food products?

- Have you heard about Benecol? Do your company want to cooperate with international firms? How could international companies contact you?

2. Contacting other people (via emails)

- Nguyen Thi Minh Tien, Vietnam Minister of Health: What is the current situation of the functional food market in Vietnam?


- Tran, Huu Huynh, Lawyer: What are the laws that international companies like Benecol should beware of when going to the Vietnamese market? What is the tariff rate for functional food ingredients? Are there any deductions or government supports?