

The history of old town white coffee



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The history of Old Town White Coffee was started in 1999. The intention of old town is to provide high quality white coffee to Malaysian household and also food service industry. Blend 3-in-1 instant coffee is formulated by the co-founders and Executive Directors, Mr. GohChingMun and Mr. Tan Say Yap. Co-founders were helped in the growth of old town. With the support of Mr. Lee SiewHeng who are the Managing Director of the company. He was responsible in the role of implementing company vision, strategy and development. Old town 3-in-1 instant coffee mix has successful sold around 1, 348 to Malaysia retail outlets in 31 October 2009. Besides that, Old Town White Coffee having 550 retail outlets in Singapore and also 2100 retail outlets in Hong Kong(Old Town White Coffee, 2013).

The next step of old town is to enter in Vietnam market. The concept of old town in Vietnam is started a coffee retail shop with providing high quality of coffee and also food. We hope that we can provide a good environment for customer to have a cup of coffee and meal. It just like an old town slogan “take your time”. There are few reasons why old town enter to Vietnam market. First, according to Kenanga Research (Feb 2012), old town is planning expense their business oversea in Chian, Korea and Vietnam. Old town’s food outlets and beverage suit Asian and the Chinese taste. It mean that the cultural of Malaysia and Vietnam almost the same. Second reason is according to General Statistics Office (GSO) data, there is an increasing of Vietnam coffee production from year 2005 to 2011. This is the evidence that there is a high opportunity of old town enters to Vietnam market. Third reason is local coffee producers stated that there is a growth of consumption coffee in Vietnam which increases 1. 15kg per person, it consider lower

compared to producing and importing countries like Brazil's 5.8kg per person, Honduras's 3.6kg per person, Canada's 5.9kg per person and United States' 4kg per person (Coffee Annual Hanoi Vietnam, 2012).

2.0 ANALYSIS

2.1 The Gains of Old Town White Coffee Entering into Vietnam

There are several factors that will be a gain for Old Town White Coffee to enter into Vietnam market. All these factors are illustrated as the following:

Economic Factor

Doi Moi economic reform policy acts as the gateway for Vietnam moving towards trade globalization. Under the current socialist-oriented market economy system, the government encourages private ownership in agricultural, industrial, and commerce sectors. This will be the biggest opportunity for Old Town White Coffee to enter Vietnam, where Old Town White Coffee can set up its franchise café in Vietnam with less trade entry barriers and restriction from Vietnam government.

On top of that, with the opening of café in Vietnam, Old Town White Coffee has created more job opportunities for the local Vietnamese, thus it helps to reduce the current unemployment rates and population under poverty line that will help to improve Vietnam economy, which is also valid reason for the government to permit Old Town White Coffee venture into the country.

Sociocultural Factor

The common food that Vietnamese eat every day is rice, and the rice will be served in almost every meal for Vietnamese (Bobbie Kalman, 2002).

Vietnamese started drinking coffee when French colonists had pioneered the coffee industry in Vietnam in 19th century, and coffee is the beverage that Vietnamese enjoy every day from dawn to dusk. This phenomenon has created an opportunity for Old Town White Coffee to expand its business in Vietnam as the food and drink that served in Old Town White Coffee café include variety types of rice, as well as different flavors of coffee.

Technological Factor

Old Town White Coffee had set up its own food processing outlet that served as the “ central kitchen” to supply food for every domestic and overseas café outlet to cater the consumers’ demand. This integrated business model is part of the company strategy that ensures consistency in food quality. Therefore, the staff in Vietnam can keep more focus in servicing the customers and no need to worry about the quality of food as all food will be imported from the central kitchen in Malaysia.

All these factors that had been mentioned above are critically favorable for Old Town White Coffee to venture into Vietnam to expand its business.

2. 2 The Shortcomings of Old Town White Coffee Entering into Vietnam

Competitors

Trung Nguyen is Vietnam’s most successful coffee company, with over 1000 cafes across Vietnam today (“ Vietnamese Company Coffee”, n. d.). Trung Nguyen holds a leading position in the Vietnamese market, with a 38 per cent market share (“ Trung Nguyen”, n. d.). Trung Nguyen has establishment of the industry by French colonists, this diversity of style has become as

much a part of the Vietnamese coffee (“ Trung Nguyen Coffee House”, 2004).

Trung Nguyen café has offer many choice of coffee blends to capture their customers based on the Vietnamese taste. Besides, it also offered a set of coffee filter which is a flavor obtained from these small and inexpensive brewers is incomparable. This coffee filter no need paper filters, no big machine setup and take time to brew a simple cup of coffee (“ Trung Nguyen Coffee House”, 2004). Vietnamese enjoy the slow-drip coffee and it is a quintessential part in their life (“ Vietnamese Coffee”, n. d.). However, Old Town White Coffee need come out strategies to fulfill the Vietnamese’s coffee habits.

The second competitor of Old Town White Coffee is Starbucks. Starbucks had opened their first store at Ho Chi Minh City (HCMC), Vietnam in 31 January 2013. There are two significant cities at Vietnam which is Hanoi and Ho Chi Minh City (HCMC). The popularity of these two cities are keep increasing and the associated food service industry is experiencing increased demand (Bryan, B., 2009). Starbucks has gained the competitive advantage for chosen of good location strategy. The market presents a very great opportunity for Starbucks over the long term (“ Starbucks Newsroom”, 2013).

Next, Starbucks has deep understood about the Vietnamese’s coffee cultures and habits. Starbucks created different types of coffees and foods to fit the Vietnamese based on the Vietnamese’s coffee cultures and habits. Starbucks has introduced Asian Dolce Latte, , Starbucks Tea, handcrafted Starbucks

Frappuccino beverages and also offering boasting a great selection of western favorites, which is locally-relevant flavor reflected in items such as the Roast Duck Wrap and the Parisian Baguette. This extensive product portfolio has been successfully inspired by Vietnam's coffee culture and habits. Starbucks extensive product portfolio in its first store in Vietnam also includes its (" Starbucks Newsroom", 2013). According to this information, Starbucks has done many innovations to attract the Vietnamese. So, Starbucks will become the strong competitor for Old Town White Coffee. Besides, Starbucks has reflects to Vietnam's heritage to designed the store. Starbucks engage local artists to designs the showcases wall mural and store features numerous decoration items have been sourced locally. The design of the store including distinctive Starbucks community table, and an old ' ba gac' (bicycle) and teakwood surface was recycled from local villa (" Starbucks Newsroom", 2013).

Start up cost is high

The second shortcoming of Old Town White Coffee enter Vietnam is high set up cost. To start up an outlet at Vietnam, Old town White Coffee need to import their coffee from Malaysia to Vietnam. However, the cost of doing business in foreign country is higher than doing in domestic country due to the additional expenses included transportation cost, importing cost, duties, taxes and tariff. All these additional expenses will make up the cost from 10% to 15%. To cover the cost expenses, Old Town White Coffee need to calculate their cost by using cost-add methods. Therefore, the selling price set by Old town White Coffee in Vietnam outlet will not competitive.

Furthermore, hired skilled staff is another cost for Old Town White Coffee run their business at Vietnam. According to the research done by Marc Blattera, Samuel Muehlemann and Samuel Schenker (2011), hiring cost of a firm included recruitment cost and adaptation cost. Recruitment costs reflect the firm's effort to find a suitable worker, whereas adaptation costs are associated with reduced productivity, and training expenditures for newly hired workers. To keep the staff abreast of new developments in their respective field of expertise, various training and development programs must be carried out by Old Town White Coffee. Therefore, training and development programs will be another cost expense of Old Town White Coffee at Vietnam.

Bribery and Corruption in Vietnam

In 2012, Vietnam was ranked 123 out of 174 in the World Transparency International Corruption Perceptions Index ("Corruption Perceptions Index", 2012). In order to build up a good relationship with business partners, practices such as facilitation payments, bribes and giving and receiving luxury gifts are still existing in Vietnam ("Overseas Business Risk", 2012). It shows Vietnam remains a very serious issue in corruption. This corruption will hurt Old Town White Coffee and raise the costs of doing business in Vietnam.

3. 0 Recommendation

Strategies to compete with competitors

Choose a strategic location

Being successful attracts competition, and Old Town White Coffee should work hard on research and development and marketing in order to retain in competitive position. To deliver this, we recommend that choose a strategies location to start up Old Town White Coffee outlet to compete competitors. We recommend Old Town White Coffee set up their café outlet Ho Chi Minh City (HCMC) because HCMC is significant city at Vietnam. Vietnam is a strong growth in its economy and provides an important market opportunity for Old Town White Coffee Café. There are a lot of consumers staying in urban center of HCMC with higher income and they are willing to spend their money on food (Bryan, B., 2009). Old Town White Coffee can locate at this two main cities and target to the large urban consumers.

Customization

As mention earlier, the concept of Old Town White Coffee in Vietnam is selling coffee and food. Therefore, the understanding of Vietnamese eating habit is an important factor for Old Town White Coffee build up a café at Vietnam. Rice is one of the components for Vietnamese when having their meals and having their meals with a cup of coffee. Therefore, Old Town White Coffee can create a new set lunch or dinner menu based on Vietnamese eating habits. For example, rice is the main meal and supplement with vegetables, eggs, and meat or fish; include a cup of coffee. The basic food in Vietnam is dry, flaky rice supplemented with vegetables, eggs, and little amounts of meat and fish (Keith L. Smith, 2010). In other

than that, pork and shrimp are more popular meat than chicken or beef in Vietnam (Bobbie, K., 2002). Therefore, Old Town White Coffee also can create some new meals package based on their preferences. Old Town White Coffee also can add on more vegetables and fruits as their food material. Vietnamese eat a wide variety of vegetables and fruit as their dessert because encourage variety in their diet through introducing unfamiliar vegetables and fruits (Keith L. Smith, 2010).

Create awareness through Buon Ma Thuot Coffee Festival

Buon Ma Thuot Coffee Festival was one of the biggest festivals in the highlands. This coffee festival held annually since 2005, it is one of the important events on Vietnam's trade calendar (" Vietnam Breaking News", 2013). The Coffee Festival attracted thousands of visitors, both domestic and foreign (Xiong Tong, 2011). The purpose of this festival is aims of introduce Vietnamese coffee to the worldwide markets, boosting trade, attracting investment, building strong brand names, and improving coffee quality and productivity for the sustainable development of the sector (Xiong Tong, 2011). We recommend that Old Town White Coffee can join this Coffee Festival to enhance their coffee popularity. Besides that, Old Town White Coffee can offer free coffee to the visitors and introduce the overview of business about Old Town White Coffee. Old Town White Coffee also can distribute the free 3-1 instant coffee to the visitors. Through this festival, Old Town White Coffee not only can promote their coffee and business overview, it also can improve coffee quality and production.

Get the coffee bean from Vietnam to reduce cost

Vietnam is second largest coffee grower and production coffee bean country after Brazil (“ Fair Trade Foundation”, 2012). They provide coffee bean for domestic and foreign country. Old town White Coffee can purchase coffee bean with local suppliers who supply coffee bean so that Old Town White Coffee can save the additional expenses. After purchase the coffee bean, Old Town White Coffee can roast the coffee bean by own recipe. Besides, purchase with local suppliers also can keep the coffee bean fresh and increase the quality. When the additional expenses have been saved, Old Town White Coffee can lower down the selling price. Finally, Old Town White Coffee can provide a cup of good quality coffee with a reasonable price to the customers.

Training and Development Program

To run the business smoothly, the cost of giving employee training cannot be avoided. However, we recommend few approaches to make sure the training and program development will brings back the return to Old Town White Coffee in Vietnam.

Make use of employee training video

Employee training video is one of the cheapest training programs that can improve the employee performance in the real work. Employee can learn how to perform a task from the demonstration that recorded in the video. By using training video, employee able to pause the video and discussion about what the participants saw. Trainer can also record different type of scenarios that the employee will face during their real work in the video so that employee can handle well for their coming challenges.

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Reward and Bonus

Old Town White Coffee can give reward and bonus to enhance and improve employee performance. Now a day, provide excellent customer service has become more important for customer retention. So, when the employees have good performance will receive reward and bonus from Old Town White Coffee. Besides, retained employees save more money on retraining costs. Old Town White Coffee can give reward and bonus to keep experience employees rather than engage new employees.

The way to managing bribery

To avoid that Old Town White Coffee take part in the corruption problem, we recommend that Old Town White Coffee provide education to both management and employees of Old Town White Coffee about the bribery policy and the serious impact of the corruption. Moreover, we recommend that Old Town White Coffee retain a local advisor to diffuse demands by local officials, customs agents, and other business partners.