

# The vietnamese instant noodle market : a study gaining foreign market entry

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Deskripsi Lengkap: <https://lib.ui.ac.id/detail?id=20439299&lokasi=lokal>

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## Abstrak

### **ABSTRACT**

In the last couple of years, Vietnam became one of the attractive target countries for international investors because of its stable political environment, high economic growth and enormous natural resources.

This paper provides an analysis that will describe feasibility on penetrating the Vietnamese instant noodle market and selection of the most appropriate market entry strategy.

The analysis indicates that Vietnam has a significant political stability with a great government role in supporting investment in this country, by providing ease and guarantee for investors. This shows future certainty, a very important factor for every investor.

From economic aspect, a country with 70 million population is a huge market. High economic growth (more than 5% p.a) and enormous natural resources made Vietnam a promising market. The only constraint is lack of transportation and communication facilities in all over the country.

Chinese culture that has a strong influence in the Vietnamese society gives the community sense of appreciation toward private sector. High education and literacy rate, and good health facilities give an added value on this market viability.

Vietnamese instant noodle industry is dominated by VIFON, a state owned company with 52 % market share. But it seems this monopolist emphasizes its role as government agent of development (with the mission of providing food for Vietnamese) instead of a monopolist role that usually tends to keep its market domination by killing the other competitors in the market. In general, Vietnamese instant noodle market still provide enough opportunities for new entrants to come and create their competitive advantages. Vietnamese consumers are used to consume noodle, as one of China culture influence to their eating habits.

There are some constraints which will be faced by investors, such as economic constraints (poor physical infrastructure & distribution network and different

consumer need), managerial constraints (different managerial role and task requirement), and institutional constraints (government policy and quality of human resources). These should be deliberately considered and anticipated by investors who intend to enter Vietnam market.

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All the analysis come to the conclusion that the most appropriate market entry strategy is Foreign Direct Investment (FDI).

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Financial analysis confirms that the strategy is financially feasible. Among the 2 scenarios, Scenario I has a better financial feasibility and that's why it becomes the proposed scenario.

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Then, in order to protect the investment from foreign exchange risk, it is suggested to do preventive actions, such as: diversification on operation and financing, and hedging via option market.