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ENTRY PLAN OF VIETNAMESE ECO-FRIENDLY STRAWS TO TAIWANESE  
MARKET

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Entry plan of Vietnamese eco-friendly straws to Taiwanese market

**Abstract**

Plastic pollution in recent year is a problematic issue in Taiwan, especially single-use plastic straw. Therefore, Taiwanese government has implemented actions to protect the environment and legislation to reduce plastic waste. This has increased the demand of using biodegradable straws and leads to the development of eco-friendly food & drink containers and straws market.

The purpose of this thesis is to develop an actionable entry plan for Vietnamese eco-friendly straw companies to Taiwanese market. The research focuses on analysing business environment with different insightful factors and creating marketing strategies based on collected data about Taiwanese market and interview with Vietnamese companies in this field.

The entry plan demonstrates practical approaches for a successful market entry with distribution, marketing channels, pricing and branding strategy. As a result, it will support Vietnamese business to access and increase their brand identity in Taiwanese market.

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# 1 INTRODUCTION

## 1.1 Background

Climate change has become a global issue. Governments around the world have been trying to tackle the problems through different ways such as cutting carbon emission, reducing waste and pollution, etc. On top of that, plastic is one of the most challenging elements to get rid of, especially single-use plastic, because it takes thousands of years to recycle. According to National Geographic, 18 billion pounds of plastic waste is dumped into the ocean every year (Parker 2018).

Besides plastic bags, single-use straws are widely consumed because of its convenience. Furthermore, plastic straws account for 4% of the plastic waste as it is rarely recycled properly (Borenstein 2018). In Taiwan, 3 billion plastic straws are consumed per year (Chia-nan 2019). Although the weight of plastic straws does not take up much space, its consequence is inevitably harmful to the marine environment. According to European Environmental Bureau, Taiwan has a remarkable plastic recycling rate of 58% (Vision Times 2019). Nonetheless, half of their tap water contains plastic particle (Everington 2018). As a result, serious measures have been taken into action with an effort to minimise the waste of unnecessary single-use plastic. Taiwan - the hometown of bubble tea - has recently banned single-use plastic straws (except take-aways) since July 1<sup>st</sup>, 2019, together with many other nations. The new law is expected to affect around 8000 stores, coffee shops and departments. The government aims to cut down 100 million plastic straws annually (Everington 2019). Restaurants will be affected in 2020. Violators will receive a fine of 200 USD. Alternatively, Taiwan citizens are encouraged to shift their drinking habits towards more eco-friendly options such as bamboo, metal or glass straws.

As Vietnam's economy relies heavily on the agriculture sector, they have taken the advantage by coming up with innovations concerning sustainable products made of natural resources. As a result of taking action against climate change and efforts to reduce the single-use plastic consumption, many Vietnamese environmentally-friendly inventions have been introduced to the public. Some of



them have successfully caught public attention. Recently, environmentally-friendly enthusiasts in Vietnam has been catching up with the new trend known as grass straw or rice-flour straw (Tuoi Tre 2019). Hence, the price of Vietnamese eco-friendly straw is considered to be cheaper compared to foreign markets (TuoiTre 2019).

## **1.2 Aim of the study**

The report concentrates on designing an entry plan for Vietnamese eco-friendly straw to Taiwan. Eco-friendly straw in this paper means that straws contain no trace of plastic or plastic coating, even if less than 10% (Chia-nan 2019).

This report also centralises on the current position of Vietnamese eco-friendly straw in Taiwanese. In addition, information from interview with experts in the field and government statistics are used. The main target customers are homemade tea or coffee shop and zero waste stores. Moreover, suggestions are also given in this paper including an entry plan in Taiwan, eco-friendly straw environment analysis and summary of business environment.

## **1.3 Methodology**

Primary and secondary data is utilised with a view to determining the critical factors affecting the market. Primary data is collected through conducting online interview with founders of Vietnamese eco-friendly straw companies and marketing manager, combined with Taiwanese government's statistics. The objective of interviews is to provide answer for questions concerning the marketing methods and including: How is the demand for Vietnamese eco-friendly straws? What are the distribution channels for eco-friendly straws? What is the most popular type of straw? What are the challenges and weaknesses of eco-friendly straws? Currency exchange rate as of 14/02/2020 by Bank of Investment and Development of Vietnam.

Secondary data extracted from statistics, journals and governmental reports are used to further design appropriate entry modes of exporting Vietnamese eco-

friendly straws to Taiwan. These data also focus on the national business environment.

#### **1.4 Structure of the thesis**

The paper comprises five major topics. The first chapter provides an overview of the thesis as well as the products. The second chapter describes the current trends of the entry market with the assistance of PESTEL model.

Porter's Five Forces model is incorporated in the third part in the analysis of the eco-friendly straw market to evaluate components that affect the industry. Moreover, internal and external factors affecting the entry are also explained through the analysis of SWOT. Recommendations for the Taiwan's market in which product, price, distribution channels and marketing channels are also taken into account. Finally, conclusions are drawn.

## 2 TAIWANESE BUSINESS ENVIRONMENT OF ECO-FRIENDLY STRAW MARKET ANALYSIS

In this chapter, product description of different types of eco-friendly straws is included. In addition, business environment analysis of Taiwan based on PESTEL tool are also demonstrated.

### 2.1 Product description

Table 1 describes three types of biodegradable straws and their features.

Table 1. Type of biodegradable straws in Vietnam (Ngoc, 2019)

	Rice flour	Fresh grass straw	Dried grass straw
Origin	Dong Thap province, Vietnam	Vietnam	Vietnam
Ingredient	Rice flour, tapioca starch, water, natural color (spinach, sesame, beetroot, dragon fruit)	Wild grass (Lepironia articulate)	Wild grass (Lepironia articulate)
Size	Height: 18 – 20 cm Diameter: 8 mm Thickness: 1 mm	Height: 20 – 22 cm Diameter: 6 mm Thickness: 0.5 mm	Height: 20 – 22 cm Diameter: 6 mm Thickness: 0.5 mm
Expired time	18 months	10 days in room temperature 4 weeks in the fridge	3 months
Self-composed time	3 months	3 months	3 months

Durability	Cold drink: 2 – 4 hours	Once	3 times
	Hot drink: 2 hours		
Price per 100 pieces	70 TWD (~ 56,000 VND/ 2 EUR)	64 TWD (~51,000 VND/ 1.9 EUR)	84 TWD (~ 67,000 VND / 2.5 EUR)

(Prices do not include VAT and logistic cost.)







The trend for eco-friendly straws made of rice-flour or grass has been in Vietnam for nearly 2 years (Ngoc 2019). Grass straw is made of cỏ bàng (*Lepironia articulata*), is a wetland grass straw with a hollow stem. Table 1 demonstrates and compares different types of popular biodegradable straws in Vietnam.



In order to deliver a persuasive marketing message, it is important for the package that it meets five basic requirements. The requirements include: (1) gain attention, (2) deliver a unique visual look, (3) easy to display and dispense the products, (4) fit in different location/ placement, and (5) accessibility (Nykiel 2011, 130). The straws are packed in a box made of recyclable material to guarantee 100% eco-friendly. It is important to differentiate the brand's image and ultimate goal in comparison with plastic package. The most common colour printed on the package is green, which reflects the freshness and eco-friendly purpose that the products will bring to the environment (Đông 2020). Company's story is also printed on the package in English or the language that is exported to. The aim of the package is to be eye-catching yet emphasize simplicity, which is important in order to communicate the workability of the products. Therefore, texts are also precise and easy to read (see Appendix 2, 3, 4).

The most challenging part of the rice-flour straw process lying in the first stage, which guarantees the flour ratio meet the standard without using any chemicals or preservatives. Therefore, its outcome is required to be durable and resistant. It takes almost a year to modify on the final formula for the mixture (Ngoc 2019). The first step of producing the rice flour straw needs to be reinforced carefully since it's the most significant part and affect the final output. Concerning grass straw, the final products should be leak-proof. The process of producing eco-

friendly straw is described in Table 2:

Table 2. Production process of eco-friendly straw (VNexpress 2019)

	Grass straw	Rice-flour straw
Step 1	<p>Collect grass that is 1,5 – 2 years old to make sure it strong enough to be manufactured</p> 	<p>Rice flour is mixed and crushed in the machine. It is placed on the tray to be steamed later</p> 
Step 2	<p>Trim the root and make sure they are same size</p> 	<p>Steamed rice flour is then formed into small grains. Rice flour is mixed with tapioca starch and natural colour juice made of beetroot, sesame, spinach and dragonfruit juice</p> 
Step 3	<p>Cut into different desired size</p> 	<p>Shape the size of the straw</p> 
Step	<p>Clean and sterilize inside of the</p>	<p>Hang the straws on scaffolds from</p>

4	grass straw with an iron rod	6 to 12 hours to let it dry 
Step 5	Clean the straw with water	Cut the straw into different size 
Step 6	Drying process is divided into 2 stages: Stage 1: Air-dry at 45 – 50°C Stage 2: Air dry at higher temperature to eliminate remaining bacteria. Regarding dried version, the straw is sun dried from 2-3 days and then baked in an oven	Pack and store in the suitable environment
Step 7	Pack and store in the suitable environment	

## 2.2 Business environment of eco-friendly straws market in Taiwan

This chapter describes features of Taiwan's business environment and the potential of the market. Taiwan is a sovereign state in East Asia. Taiwan's economy is a developed capitalist economy which is ranked as the seventh largest in Asia and the world's 18th largest exporter, 17th largest importer of merchandise in 2018, according to the World Trade Organization. The population of Taiwan in 2018 is 23.6 million. Taiwan's gross domestic product per capital

achieved US\$25,750 and economy growth increased by 2.8% (Figure 1).

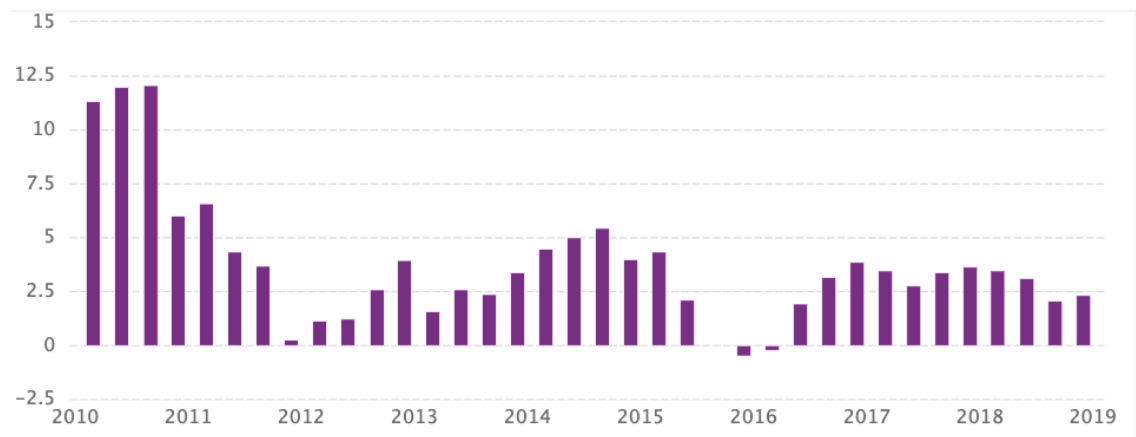


Figure 1. Taiwan's Real GDP Growth From 2010 to 2018 (CEIC 2019).

Services is the biggest sector of the economy which take up to 73%. Foreign trade of Taiwan has a rapid growth during the past 40 years. According to Taiwanese government's website, the total trade volume reached US\$622.2 billion, in which exports was accounting for US\$335.9 billion and imports US\$286.3 billion. Currency used in Taiwan is the New Taiwan Dollar (TWD) (1 TWD = 0.0294 EUR). According to the Ministry of Economic Affairs (MOEA), the economic output of food service sector is evaluated at US\$12.82 billion. (Taiwan government 2019.)

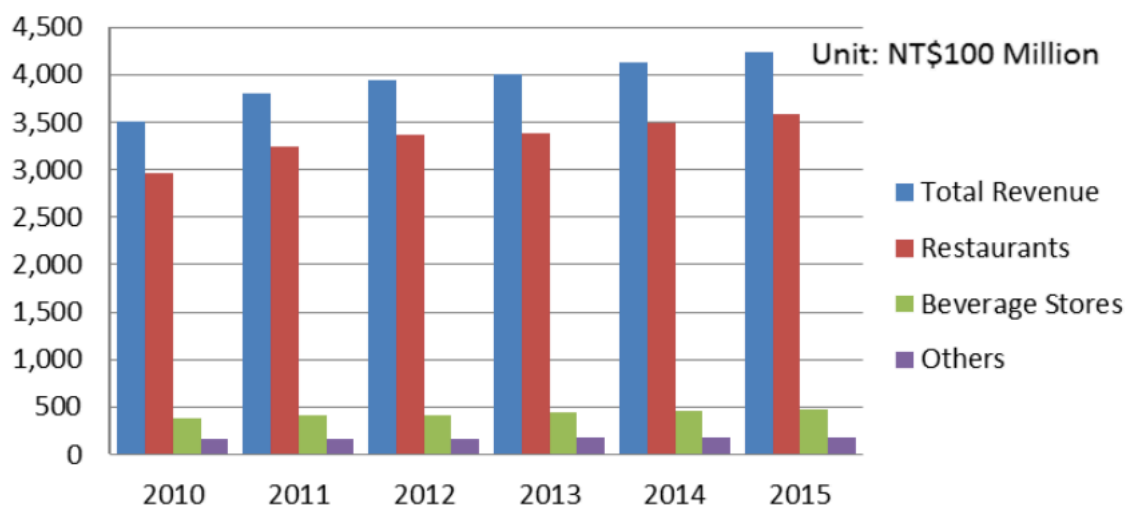


Figure 2. Food Service Revenues in Taiwan from 2010 to 2015 (MOEA 2016).

### **2.3 Taipei as the target market**

Taipei is the capital of Taiwan with the estimated population of 2,646,000 (2019) and located in the North of the country. Taipei's GDP stands at US\$327 billion in 2014 (Parilla 2017) then increases up to US\$589 billion in 2018 (WTO 2019). GDP per capital in 2018 was US\$23,979. (WTO 2019). Secondly, from July 1st 2019, the Taipei City Government's Department of Environmental Protection has begun inspecting as plastic straw ban goes into effect. In Taipei, 549 establishments in four categories: schools, department stores, fast food restaurants and establishments in the public had been checked to make sure compliance with the ban (Kao 2019). It is estimated to reduce the use of plastic straw by 5 million annually in Taipei.

The products exporting decision is made based on these following factors of Taipei's potentialities: the large number of customers as restaurants, department stores and beverage shops, market size, various distribution options.

### **2.4 Macro-environment factors of the market**

PESTEL model is a tool for business or organization to identify all external factors of the environment. This tool allows to demonstrate and analyse the environment's key factors impacting to business in order to make business planning, marketing planning, strategic planning, organizational planning and product development. The abbreviations stand for Political, Economic, Social, Technological, Legal and Environmental factors (Shatskaya 2016).

#### **2.4.1 Political factors**

Taiwan is one of the environmental leaders in Asia Pacific region. In recent years, the government has legislate and implemented 417 laws and regulations in term of environmental protection (TaiwanEmbassy 2016). In Taiwan, the Environmental Protection Administration (EPA) is the central competent agency responsible for environmental protecting in this country. The agency has several successes in



reducing wastes and enhance people's awareness about environmental protection (Grano 2015). Besides, the government also charges fees of environmental protection to companies including water pollution fee, general waste clearance and disposal fee, resource recycling and clearance fee, and soil remediation fee (InvesTaiwan 2019). Starting from July 1st of 2019, Taiwan government has banned citizens using plastic straws at most of food and drink venues, excepting take-aways. According to EPA, violators will not be penalized for the first time but they will be fined from NT\$1,200 (US\$39) to NT\$6,000, after first-time warning (Yu-chen 2019).

In term of tariff, Taiwan is a member of World Trade Organization (WTO) since 2002 and bases country's tariff schedule on the Harmonized Commodity Description and Coding System of the Customs Cooperation Council. The average nominal tariff rate for industrial products was 4.18% and 15.12% for agricultural products in 2018 (export.gov 2019). According to Customs Administration, tariff rate of vegetable materials for straws are free (CPT 2020)

In term of taxation, the sales tax rate is charged 5% which paid by consumers based on the price of goods and services (Economics 2020).

#### **2.4.2 Economic factors**

Foreign trade represented 62.7% of Taiwan's total GDP from 2015 to 2017. Import of goods value increased from 237,549 million USD in 2015 to 286,333 million USD in 2018 with main imports including electrical equipment, mineral fuels, machinery and computers (SantanderTrade 2020). The total trade value between Taiwan and ASEAN (Association of Southeast Asian Nations) countries was 7.769 billion USD in 2018. The total trade value between Taiwan and Vietnam was the third highest in South-East Asia with 1.166 billion USD in 2018, in which value of import to Taiwan took 271,000 million USD (ASEANcenter 2018).

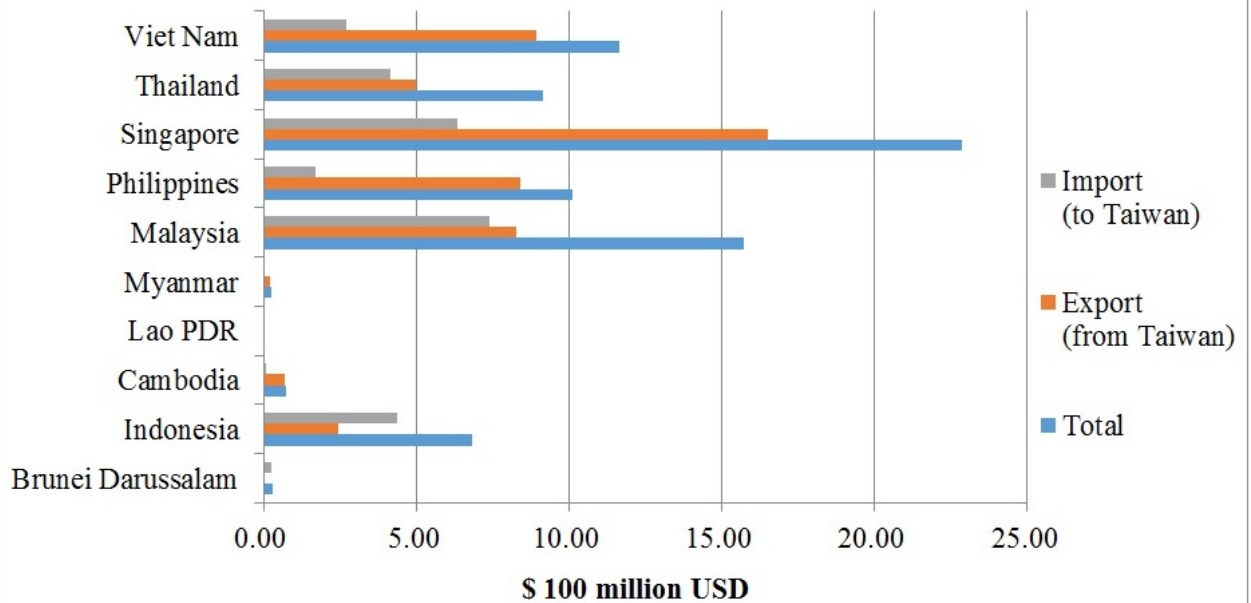


Figure 4. Taiwan-ASEAN Trade Statistics in June 2018 (ASEANcenter 2018).

Taipei city is the financial, business and technological center of Taiwan. The city has witnessed a rapid development of economy and foreign direct investment also. GDP of the city increased from US\$327 billion in 2014 (Parilla 2017) to US\$589 billion in 2018. According to InterNations Ranking, Taipei city is ranked at No.1 as the best global cities for expats (InvestTaipei 2018).

In the third quarter of 2019, the number of companies and total capital in Taipei was growing steadily (Taipeilcon 2019). There were 179,684 registered companies at the end of 2019 with top three main industries being wholesale and retail (44.37%), finance and insurance (13.98%), and manufacturing (12.29%). The number of domestic and foreign entrepreneurs also increases in popular fields: wholesale and retail, science and technological services, hotel and restaurant.

### 2.4.3 Social factors

The total population of Taiwan is 23.6 million and Taipei's population is 2,646,000 in 2019 (taiwan.gov 2019). The biggest age group of the country is 25-54 years equal to 46.08% while the second and third biggest age group are 55-64 years (14.36%) and 15-24 years (12.52%) in 2018 (Factbook 2019). Taiwanese

peoples are mostly living in urban areas with the urban population of 18.8 million equal to 79% in 2020 (Worldometer 2020).

Taiwanese people have a long-historical tea culture. The most common kinds of tea are oolongs, black, green and red teas. Additionally, in the recent years, many tea-based drinks and bubble tea are more and more popular among young generation with a large number of tea drinks shop. In fact, 70% of bubble tea consumers are from 10-20 year ages and 19% of them age 21-30 (Figure 5).

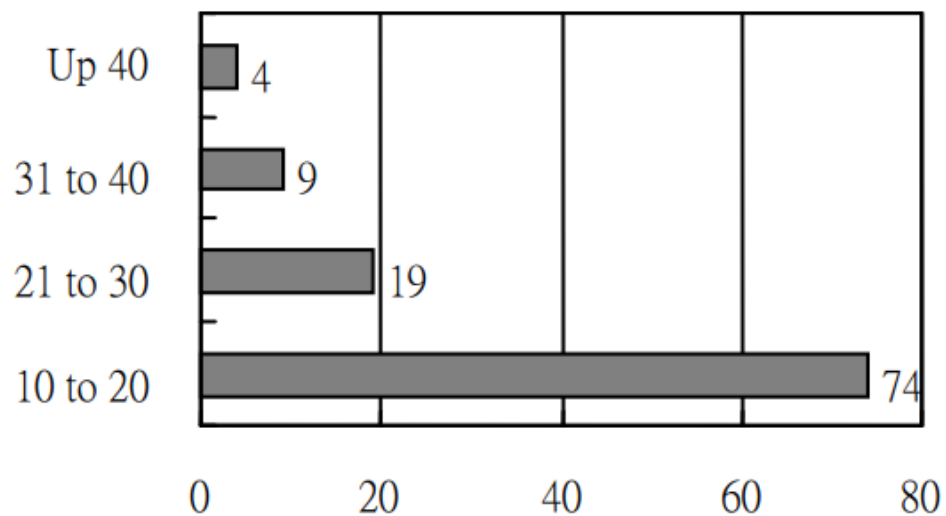


Figure 5. Bubble tea consumers – distribution of age in Taiwan (Wang Min-rong, 2020).

Coffee drinking culture has been popular in Taiwan since 20th century with the appearance of several local and foreign brands across the country. Protecting environment is now becoming a culture of Taiwanese. Zero-waste lifestyle is promoted by many millennials. Education is also an important part to raise awareness about waste. Besides studying, students also participate in social activities for increasing environmental awareness (Lee 2019).

### 3 ANALYSIS OF ECO-FRIENDLY STRAW MARKET IN TAIWAN

The first half of this chapter demonstrates the overview of eco-friendly market in Taiwan through statistics of food & beverage industry. This information will assist in evaluating the potentiality of Vietnamese biodegradable straws in Taiwan.

The second half of this chapter will utilize Porter's Five Forces model to further analyze and determine the competitive level within the industry.

#### 3.1 Food and beverage industry overview

According to Taiwan News, food & beverage industry in Taiwan reported record revenues of US\$3.39 billion in the first quarter of 2016 and increased to US\$15.2 billion totally in 2017 (Fu 2018). The revenue growth rapidly increased thank to social media development and smart phone use. Besides, the recovering economy with high demand for food and beverage also impact the revenue. The most popular beverage type of Taiwanese are tea and tea-base drinks. Regular soda, coffee and juice are following after.

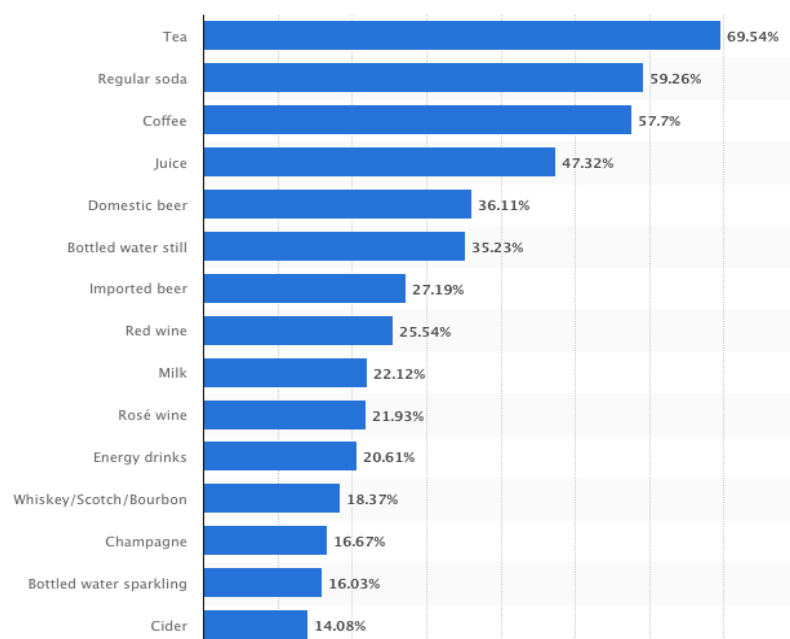


Figure 6. Regular beverage consumption in Taiwan 2018 (Statista 2018).

A tea drink consumer in Taiwan spend for 4.3 times per month, on average. Meanwhile, an repetitive imbiber would consume up to 8 times per month (Wang 2019). It is reported that there are more than 20,000 tea drink shops in Taiwan, which bring the scales of tea drink market reaching about US\$1.3 billion per year. Bubble tea is one of the most popular tea-base drinks in Taiwan. About 1.5 billion cups of bubble tea and similar tea-base drink are served every year (Wang 2011).

Coffee is also a popular drink type of Taiwanese people. Beside big international coffee chains like Starbuck or McDonalds, many local chains are also opened with more than 120 stores in Taiwan such as Woolloomooloo, Rufous and Cama. There are hundreds of small coffee shops in Taipei city. Coffee are also sold in convenience stores and there are about 10,662 stores at the end of 2017. (Fulco, 2019.) It is estimated that 2.85 billion coffee cups were consumed in 2015 which are equivalent to 780,000 cups were consumed each day. It brought the market scale of US\$2.22 billion a year. (Huang 2016.)

### **3.2 Eco-friendly food & beverage containers market**

The growth of environmental concerns in Taiwan recently has raised people's awareness of using recyclable and eco-friendly food and beverage packaging. Approximately 1.5 billion disposable cups are produced every year in Taiwan (Blankinship 2017). The most popular sustainable beverage cup types in the country are as follows:

PP cups: PP stand for Polypropylene, which is a transparent plastic material. Polypropylene cups are reusable, recyclable and sustainable. This is one of the most popular plastic cups in the market and also an option for many bubble teashops because of its convenience, price-efficiency and resistance to damage. The price for 1,000 PP cups are about 60.00 USD (Mike 2016). There are about 90 PP cup suppliers in Taiwan

EPS cups: EPS cup is expanded polystyrene or foam cup. This is a disposable packaging for several food and beverage including take-away food and drink from restaurants or coffee shops (Macpac 2020).

PLA cups: PLA is a bio-based plastic which made from renewable raw materials as corn starch. PLA is an alternative for normal plastic material since it is environmental and resource friendly. PLA is used in food and drink services as food packaging, bottles and coffee cups (Wholesale 2020). There are about 20 PLA cup manufacturers and exporters in Taiwan.

Paper cups: these are disposable cups made from paper and lined with wax or plastic to avoid leaking liquid out or soaking through paper. Taiwan is a large market of paper cups with about 300 suppliers, according to Panjiva website (Panjiva 2020).

Beside creating more sustainable cups, many Taiwanese businesses also offer renting reusable cups in order to reduce waste. Cups for rent are commonly glass containers and PP cups. This type of service of also supported by the Taipei government with many large-scale events like local Marathon and promotion for eco-friendly cup rental system in Taipei area (Tseng 2019).

### **3.3 Competition**

It is likely that Vietnamese eco-friendly straws will have different competitions in 3 ways: direct, indirect and replacement competitors. Firstly, providers of the similar type of eco-friendly straws made of natural ingredients are direct competitors. On the other hand, reusable metal or silicone straws are the second tier of competitor. This type of competitor is rather a challenge to compete because of their economical factors and long-lasting durability. However, they need to be cleaned after each usage with a specific cleanser. Strawless cups fall into the last category – replacements. Although this product cannot be used in some circumstances such as bubble tea, there is likely a chance that there are a few people who are in favour of this.

Porter's Five Forces model will be applied to identify and determine the market's advantages and disadvantages. In addition, it helps to understand more about competitiveness within the market (Chappelow 2020).

### **3.3.1 Bargaining power of buyers**

The main target customer groups of eco-friendly straws vary from street vendors, handmade tea-based shop to coffee shop. The popularity of tea-based drink has been growing dramatically for more than 30 years since it was invented (Tsai & Wang 2019). They play a significant role in Taiwan's culture and drinking habit. Additionally, it has become a global trend for tourists when they visit the birthplace of bubble tea.

Although there are still people who prefer to bring their own containers, that is not the most common option (Yeen 2019). Environmental Protection Administration's Department of Waste Management suggested that spoon would be a sufficient substitute for the straw to drink homemade milk tea. Nonetheless, the recommendation is not highly agreed by the public. According to Kao Chih-Ming, the General Manager – of one of the largest food companies in Taiwan - I-Mei Foods Co, spoon would only change the flavour and experience of drinking bubble milk tea (Ferrerias 2018). Washable stainless-steel straw has been one of the solutions. However, it requires a bit labour-intensive to thoroughly wash the straw and the cost is quite expensive, which is also the same issue for bamboo straw. Additionally, it also demands the owner to invest a large number of steel or bamboo straw for such a crowded tea shop. Paper straw is not an ideal choice as it becomes soften quickly with moist (Erway 2018). Ever since the law has come to effect, vendors and shops are replacing their plastic straw with many alternatives. They tend to opt for eco-friendly straw supplier yet still meet the most significant requirement - economical. Although Vietnamese biodegradable straw is cheaper to some extent, there are a few domestic eco-friendly straw manufacturers in Taiwan. This means that the buying power of buyers is considered to be moderate. The table 3 compares potential competitors in Taiwan (see Appendix 5, 6 & 7).

Table 3. Product comparison in Taiwanese market

	Udance	Han Zenith	Yolly
Origin	Taiwan	Taiwan	Taiwan
Material	Paper	Plant fiber, corn starch, sugarcane, coffee grounds	Bamboo fiber
Size	Diameter: 6; 8; 9 & 10,5mm Length: 180; 200; 210 & 240 mm	Diameter: 6; 8 & 12 mm Length: 210 mm	Diameter: 6; 8 & 12 mm Length: 130; 210; 230 & 260mm
Color	White, kraft paper color, two-tone pattern, customised brand	White, red, green, yellow & blue	White
Price	2.15 TWD/ piece (~ 1,800 VND / 0.065 EUR)	2.12 TWD/ piece (~ 1,700 VND/ 0.062 EUR)	30 TWD/ piece (~24,000 VND/ 0.9 EUR)

### 3.3.2 Bargaining power of suppliers

Vietnam is one of the world's leading rice exporting countries, it is inevitable that the rice supply is extremely large (Shahbandeh 2019). In 2020, Vietnam's rice price has increased moderately up to 12,000 VND/ kg (15.5 TWD/kg) due to high demand from other Asian countries. Vietnam's rice price is relatively cheaper than other rice-exporting countries (Reuters 2020). Since the working culture in Vietnam is such people unlikely switch to other suppliers if they already establish a trustworthy rapport with the partner. On the other hand, there are many rice producers in the Vietnamese market, but they offer almost the same price with the same quality (Đông 2020). It also means that the price won't be affected by exterior factors. The bargaining power of supplier is quite low.

Regarding the equipment and machinery, the number of suppliers in the country



is high and diverse (Đông 2020). The main reason is that the process does not require sophisticated equipment other than any straw-making machine (see Table 2, chapter 1.3). Therefore, the bargaining power of supplier is quite low.

### **3.3.3 Threats of new entrants**

There are many factors that make it challenging to enter Taiwan's market. One of the main reasons is the high competitiveness with other neighbour countries such as China and Taiwan itself. It takes times and effort to create a brand identity for a new product and build a loyal rapport with potential customers in a new market. Moreover, many Chinese biodegradable straw manufacturers offer customized products to differentiate their brand and they can offer supply in large quantity. They also can reduce shipping time and logistic cost thanks to nearby location. Another factor to be considered is the requirement about the standardized certificate such as Taiwan SGS, FDA or phytosanitary certificate, which needs to be approved by the local authority (SGS 2020). On the other hand, since Taiwan-Vietnam have signed FTA (Free Trade Agreement) and bilateral treaty, the lack of a customs tariff barrier unifies the economic partnership between two nations (Thanh 2011). It is believed that biodegradable straw is quite appealing to gain attention from eco-friendly product distributors to display on their shelves. Since the demand for biodegradable straw has been quite high after the law comes into effect, it can be seen that the threats of new entrants are moderate.

### **3.3.4 Threats of substitute products**

There are quite many substitute products for eco-friendly straws in the beverage industry, especially those reusable and portable because they are cost-efficient. For example, people can choose to either bring their own cups and metal straw to get a discount on the drink or use the straws provided by coffee shops. It is also worth knowing that there are consumers who may refuse to use straws at all as they want to minimise waste as much as possible. It is unlikely that customers

will stick to only one type of straw since they can switch between using their portable containers and biodegradable straws depending on their own reference.

However, homemade tea and coffee shops are still looking for biodegradable straw for their dine-in customers since paper straws are not suitable for stirring or beverage with firm ingredients. In this case, straws made of firm material could have a slight competitive edge. In addition, eco-friendly product retailers are also searching for new products to attract customers as well as increase people's awareness on the importance of sustainable development. The difference in price between Taiwanese and Vietnamese's straw is a significant factor to determine consumer's buying behaviour (Table 2 & 3).

### **3.3.5 Rivalry among existing companies**

Majority of biodegradable straws sold in Taiwan are mainly originated from Taiwan, Vietnam and China. On Alibaba the world's largest e-commerce retailer, the most popular among Taiwan are Vietnam's rice-flour straws and grass straws, accounting for 7.5% and 10% in quantity, respectively (Alibaba 2020). Whereas Chinese biodegradable straws take up the rest on the online shopping platform in terms of quantity. The minimum order is approximately 10000 pieces, with price ranging from 0,03 TWD to 1,2 TWD per piece. The price difference relies on the order size, which means a large order in quantity will cost less than normal. The main competitors for Vietnamese biodegradable straw in this report are manufacturers of the same material - rice-flour and grass straw. They are mostly from China and Taiwan.

## **4 ENTRY PLAN OF VIETNAMESE ECO-FRIENDLY STRAWS INTO TAIWAN MARKET**

Firstly, this chapter will look into the internal and external perspectives that will help to determine a suitable entry plan in Taiwan market with the use of SWOT analysis tool. Secondly, the chapter will evaluate the potential strategy based on

the above-mentioned insights, so as to designing a suitable marketing plan for the products, incorporated with 4P marketing tool.

#### 4.1 SWOT analysis

SWOT analysis is based on collected information from experts in the field as well as government's statistic and report.

##### 4.1.1 Strengths

**Variety** – The Vietnamese eco-friendly products come in different type of sizes that meet the requirement of any Taiwan's homemade teashops including bigger size for bubble tea or smaller size for cocktails. They also offer straws in many natural colours which are all edible (Table 1).

**Exclusivity** – The existence of Vietnamese eco-friendly straws in Taiwan is still limited. On the other hand, it is a competitive advantage over the competition for Vietnamese products when expanding to Taiwan.

**Product development** – On Alibaba e-commerce platform, majority of the companies are multitasking by producing various products at the same time such as bamboo straws, bamboo-made household goods, etc (eg: Wuxi Yujia Import&Export Trading Co.,Ltd, Yongkan Hangpan Industry&Trade Co.,Ltd) (Alibaba, 2020). According to Vietnamese Yellow Pages, there are 61 companies manufacturing rice-flour and grass straw (Trang Vang 2020). Vietnamese eco-friendly straw manufacturers are typically small-medium size firms that focus only one or two categories of the same products. It means that there are high chances that they will focus more on the biodegradable straws to improve the quality.

**Eye-catching package** – The package plays one of the most crucial roles in the final products. When it comes to eco-friendly, the package is also made of 100% recyclable material. Not only does the quality matter but the visual design of the package is also vital to gain customers' attention. Vietnamese biodegradable straw's package has a subtle yet elegant design (Đông 2020). On the other hand,

it is user-friendly and emphasizes the green image of the product. All necessary information related to the products are concisely printed in English.

#### 4.1.2 Weakness

**Brand image** – Since Vietnamese biodegradable straw is still new to the market, it is important to put more effort in marketing strategy to boost brand image in a new market such as Taiwan. For small-medium companies in Vietnam, this cost could be a challenge for them in the beginning. Moreover, building a business partnership is also vital when entering the new market and it will take a while to raise the brand image in a new environment.

**Short-term durability** – Due to its texture and material, rice-flour straw has a relatively short-term durability depending on the beverage's temperature (up to 2 hours). Compared to more solid competitors such as bamboo or stainless-steel straw, this is an undoubtedly drawback for rice-flour straw. It means that it might require more than a straw for a dine-in customer, especially in hot beverage such as tea or coffee.

**Differentiation** – Unlike other solid straws, rice-flour and grass straw are unable to be printed or carved onto the product. In such industry that brand recognition is highly important like food and beverage, marketing through merchandise will definitely increase their brand image in the public.

#### 4.1.3 Opportunities

**Trade war** – In 2019, US-China trade war has encouraged Taiwanese manufacturers to move their foothold back home. Taiwan is striving to decoupling from China – its largest trade partner. The pandemic has shown that it is important not to over-dependant on China, which will make Taiwan vulnerable. Moreover, since the US's tariff on Chinese products in 2018, Taiwanese firms are relocating their factories to Vietnam. It is an advantage for Vietnamese businesses in terms of politics and commerce (Yip 2020).

**Eco-friendly lifestyle** – More and more people have been conscious of protecting the global issues and environment. Ever since the new ban comes into effect in 2019, demand for alternatives of a more eco-friendly product has increased significantly. All these reasons will open up a potential market for such products like Vietnamese biodegradable straws to enter the Taiwanese market.

**Legal issues** – Since Vietnam and Taiwan are in the same world economic organizations such as WTO, APEC as well as bilateral treaty, there will be less barriers related to tariff taxation or customs for Vietnamese firms when entering the new market (Thanh 2011). There is no import tax for eco-friendly products made of grass or rice-flour, which will enhance the possibility for Vietnamese small-medium firms to enter the market.

**Partnerships** – With the trend of globalization and digitalization, a collaboration between a Vietnamese eco-friendly straw company with a zero-waste products store or a local homemade tea-based shop in Taiwan will bring the chance to grow faster and become more popular.

**Large market segment** – Unlike any other products, straw is a highly common-used tool for everyday life and it does not limit to any age. Therefore, anyone could be a potential consumer either in large or small quantity. Even families or educational organisations could buy eco-friendly straw to raise people's awareness on single-use plastic consequence.

#### **4.1.4 Threats**

**High competition** – An emerging industry and higher demand for eco-friendly straw will put more pressure on the company effort to increase their marketing expense to promote their products.

**Economic downturn** – The current pandemic has put a string on majority of the world's economy, and food & beverage industry is thoroughly affected due to

social-distancing and isolation. Restaurants and shops are ordered to close down to stop the spread of the pandemic. Not only it will affect Taiwan and Vietnam's economy but it also leaves economic consequences on a global scale. People will tighten their budget and have a tendency to spend less on unimportant necessities due to significant increase in unemployment and bankruptcy, especially small-medium businesses. On top of that, shipping time will be longer due to lack of human resources and stricter border control. It is likely that it will take a long time to recover from the recession. A significant decline in the demand for eco-straws is highly foreseeable.

## **4.2 Marketing strategy**

In the world of fast-growing business environment, there are numerous aspects of marketing and marketing strategies. Therefore, it is utmost importance to customize the marketing plan to influence specific target market. Four Ps has been a widely used marketing tool invented McCarthy and Kotler (Nykiel 2011, 300). In this chapter, marketing plan and brand strategy for Vietnamese eco-friendly straws to Taiwanese market are included. The goal is to reach 8000 impressions via marketing channels per month.

### **4.2.1 Products**

There are three kinds of biodegradable straws to introduce to Taiwanese market: rice flour straws, fresh grass straws and dried grass straws. The positioning map in Figure 7 shows the differences between Vietnamese eco-friendly straws and other types of straws in the market.



Figure 7. Positioning map of eco-friendly straw types in Taiwanese market.

Rice flour straw is an eco-friendly and edible type of straws that mainly made by rice flour and tapioca starch. The quality of this product is higher than paper straws with the normal-use durability of 2 to 4 hours to compare with 2 to 3 hours and available for hot drinks. Although it is made from rice flour, the expired time is 18 months, longer than bamboo or dried grass straws (3-6 months). Price of rice flour straws are lower than stainless steel and bamboo straws

Fresh grass straw is made of wild grass, which is completely natural and environmental-friendly. Beside the fresh and good-looking appearance, durability is also an advantage of the product to compare with paper straws that it is unbreakable while using and can be used up to 3 times at home. However, the expired time is shorter than other types of product. Price of fresh grass straws is one of the lowest in the market.

Dried grass straw is also made by wild grass, which is produced by vacuum drying method. Its colour is less eyes-catching than fresh grass straw but the expired time are longer (6 month of expired time) and more convenient. Price of this type of straw, however, is high than some other types as paper, rice flour or fresh grass ones.

Packaging also plays an essential role in product strategy. Protection, convenience, product information and security are benefits of packaging. Besides, product packaging also shows the first impression and tells how customers see the products. Therefore, it not only protects products but also considered as a marketing tool (Pentago 2019).

Most of Vietnamese disposable straw products are packaged in paper box or recycled materials (Figure 8). Companies have different package designs and size of boxes to contain 50, 100 or 200 straws. In order to export, product information on packages is both in Taiwanese and English. The VIEW model in table 4 demonstrates effectiveness of product packaging.



Figure 8. Example of existing packages (Havi 2020).



Table 4. Analysis of Green Joy as Vietnamese package example (GreenJoy 2020)

<b>VIEW Model Factors</b>	<b>Vietnamese Straw Packages</b>
Visibility: Ability of product's package to attraction attention of customers at the purchase point.	Packing boxes are big enough to be seen and carried. Images of straws are printed clearly to attraction attention.
Information: Package information provide customers the product attributes and expected benefits.	Packages include product and company information as quantity, ingredients, expired time, how to use, address of the company.
Emotional appeal: Package design attracts customers and evokes desired feeling to them.	Simple design with green colour provokes the friendly usage to customers. Besides, some packages also include slogan to persuade customers choosing products and encourage environment protection.
Workability: Basic functional aspect of package as content of products' protection, storage ability and preserving the freshness of product after opening.	Packages made mostly of paper or recycled materials. Boxes are designed to contain safely the amount of straws and able to keep in large cardboard package for distribution.

#### 4.2.2 Distribution channels

The target customer groups of Vietnamese eco-friendly straws are coffee shops, tea shops and people who having sustainable lifestyle. Therefore, three options for sales and distribution are: direct sales, e-commerce and retail to eco-friendly stores.

The first possible option for distribution is direct sales to coffee and tea shops. There are more than 100 coffee shops in Taipei and over 20,000 bubble tea shops in Taiwan (Wang 2011). This is the shortest and cost-effective distribution channel.

The second distribution option is e-commerce. E-commerce is the top sales catalyst for many businesses because it is easy and convenient for customers to use, decrease the cost for distributors (Goldberg 2013). Alibaba, Taobao and other online retailers in Taiwan as Ruten or Shopee are the top e-commerce markets in Taiwan. There are 11 million visitors on Ruten, 2,9 million visitors on Taobao (GOB5 2019). The large number of visitors brings opportunity to products and company visibility. Besides, e-commerce platforms also support businesses to access to the highly relevant target group of customers.

The third option for Vietnamese companies is retailing to organic stores in Taiwan. There are more than ten potential sustainable retail stores in Taipei that might care about sustainable straws from Vietnam. This option can help businesses reach the potential end users.

An example of zero waste store in Taiwan is UnpackedU. This is the first organic store in Taiwan and has become popular in the neighborhood as well as Taiwan with a large number of customers growth. UnpackedU provides package-free and eco-friendly products (Mark 2020). Therefore, they would be interested in grass or rice-made products.

聖德科斯 is another example. 聖德科斯 is an international organic supermarket chain selling natural and environmentally-friendly food and utensils. They have many locations across Taiwan. For Vietnamese eco-friendly straw, 聖德科斯 is a great distributor to promote the brand's image because it is well-known among local people (Santacruz 2020).

#### **4.2.3 Price**

Since eco-friendly straw is required in dining in as well as highly necessary in specific beverage such as bubble milk tea, it can be considered as a price-inelastic product.

The final price of Vietnamese eco-friendly products is driven by five main factors. Production costs and logistic cost vary depending on the company, methods of shipping and the chosen export firm. Eco-friendly straw is entitled to free export tax in Vietnam. Other fees cost 10% of the products. Moreover, costs for wholesaler or retailer are also added, which relies on the quantity order, distributors and discounts at the time. The final price when it reaches consumers will be added 5% sales tax, which is paid by customers. (V-link 2020.)

The proposed retail price for a pack of 100 Vietnamese eco-friendly straws for rice-flour, fresh grass and dried grass straw is 70 TWD (~ 56,000 VND/ 2 EUR), 64 TWD (~51,000 VND/ 1.9 EUR) and 84 TWD (~ 67,000 VND/ 2.5 EUR) respectively.

#### **4.2.4 Promotion**

In order to reach potential target market, it is important that company needs to communicate with customers. It can be either directly or indirectly. The chosen communication methods should be based on the most cost-efficient channels to reach the set goals (McDonald & Wilson 2011, 297). In short, the final goal of promotion is about raise people awareness about the products as well as brand identity and convince customers to buy. Vietnamese eco-friendly should utilise different marketing channels to communicate with business-to-business (B2B) and business-to-consumer (B2C). The promotional mix can be divided into four categories, which are advertising, public relations (PR), direct/ personal selling and sales promotion (Gerson 1991, 33). The main promotional objectives of Vietnamese eco-friendly straw are to:

- Brand recognition in the new market;
- Inform potential customers about the products;
- Build relationship with potential customers and businesses.

In Vietnamese eco-friendly straw's case, various channels of marketing communication tools should be used to achieve the promotional goals.

### **Local magazine**

Local or national magazine is one of the most common communication channels to reach the local. In this case, magazine that focuses on relevant industry such as food & beverage or organic lifestyle would be a good option.

Taiwan Food News is a bi-monthly national magazine that aims to update the new food trends, new technology and trade shows for their clients as well as readers. It serves as a connection between manufacturers, new innovations and professionals, consumers. It is the first and a leading professional magazine that entirely concentrates on food industry in Taiwan. Consumers can easily access the information online. Therefore, it is one of the most suitable magazines for Vietnamese eco-friendly straw to step into the market. It is a good opportunity to inform local people a relatively new eco-friendly straw in the new industry such as biodegradable straw. Cost for 6 issues per year 92,980 TWD (~ 74 million VND/ 2760 EUR) (Taiwan Food News 2020).

Another magazine that can be suitable to advertise Vietnamese eco-friendly straws in Taiwan is Organic Magazine. Organic Magazine is the first organic magazine in Taiwan since 2006. It is a monthly issue that publishes nationwide in print media as well as online advertising. Organic Magazine provides readers with information on green inventions, sustainable fashion, healthy lifestyle and new organic products on the market. The magazine also provides assistance and advice to those companies in need. It would be a strategic marketing option for Vietnamese eco-friendly straw to be featured in this magazine as it is a popular magazine in this organic product field in Taiwan (Organic Magazine 2020).

These above-mentioned magazines would be a great opportunity for Vietnamese eco-friendly straw producers to increase the brand visibility. Hence, it will raise the brand identity as well as inform customers about the new product on the market.

## Digital marketing

In the world of globalization and digitalization, social media plays a significant role for Vietnamese eco-friendly straw in increasing brand awareness (Vo 2020). The most popular social media channels in Taiwan are Facebook and Instagram (Social Media Stats Taiwan 2020). As the digital world is evolving, it is important that companies use creative contents to attract their potential audience. Taiwanese consumers have been active on social media. They are not only sensitive to ads but they are also active in giving feedback about the product/company. For Taiwanese market, it is better to have less ads but more high-quality contents (Info Cubic 2020). Through social media, companies can interact with their customers by receiving feedback and answering their questions regarding the product information. On the other hand, it is worth bearing in mind that this promotional method requires efforts and resource to deliver the message successfully and reach the potential consumers. For example, creating creative contents such as viral video would be a great idea since video contents account for 8.42% engagement rate in Taiwan (Lopez 2020). Some recommended contents for social media page could be: introduction about Vietnam, global warming as a top issue, zero-waste lifestyle as new trend. In general, it is highly recommended to engage social media as a part of marketing channel since 88% population are active social media users. The target audience on these groups are people aged 24-54 who likes zero-waste product, going green lifestyle page and admins of food & beverage stores (Lopez 2020).

Another communication tool that falls into this category is company's website. Majority of Vietnamese eco-friendly straw website are in Vietnamese, while very few pages are in English (Trang Vang 2020). In order to successfully tapping into the market, it is important that website is available either in Taiwanese or Taiwanese-English. If the pages are in English only, the texts should be concise, simple and direct and avoid using complicated words. Moreover, contents of the website is just as crucial as the design. A website with an introduction about the brand's story and general information regarding the product would be better than a one-page website with limited information. An attractive website could include visuals such as images or videos of production process of the eco-friendly straws.

In addition, some information about the benefits of using such products and its effect on the environment would capture the audience's attention. For such a high tech-savvy market like Taiwan, user experience must be one of the priorities. Google search and display network can be used to retarget the audience after they visit the website. The estimated budget for digital marketing campaign is 6800 per month (~5.4 million VND / 200 EUR) (Info Cubic 2020).

### **Personal selling**

Personal selling is a type of promotion through face-to-face communication either at the customer's premise or on the phone, especially in B2B. Personal selling plays a strategic role in connecting company and potential customers. This communication mix method has some advantages. Firstly, it is a two-way communication so the purchaser can ask questions concerning the product or the company. Based on individual customer, salesperson will be able to customise their sales speech to meet the customer's expectation, which makes the selling process more flexible. The most vital advantage is that salesperson can negotiate, offer discount or any other deal such as marketing campaign (McDonald & Wilson 2011).

Personal selling is a crucial approach to build up relationship, especially with B2B customers. The contact information of potential partners could be shortlisted through eco-friendly exhibitions. The exporting salesperson will be responsible for contacting potential customers such as managers of zero-waste store or local coffee, tea shops and negotiate a special promotion to introduce the products. It also includes sending free sample of the straws to retailers so the purchaser can try the products before placing an order (Nguyễn 2020).

### **Point-of-purchase (POP)**

In order to increase brand recognition and inform customers about new product, a few packs of eco-friendly straw and signs can be displayed in retailers such as organic store.

Like any other products, customers would like to try the product before making a buying decision. A sign of new products with the story and the brand combined with its sample can capture customer's attention, which will likely increase a higher chance of making buying decision.

### Events

Another marketing method that can be utilised is to participate in events involve beverages or organic-related products. In Taiwan, there are a few annual events that attract as much as 200,000 participants, which will be a great opportunity for Vietnamese eco-friendly business to represent and promote the products (Đồng 2020). For example, "Food Taipei" or "BIO Asia – Taiwan" is one of the most popular events in such industry. These events will increase the chance of being recognized by potential customers as well as an overview about other competitors in the market. Registration price in these exhibitions is 6,000 TWD (~ 4.8 million VND/ 176 EUR).

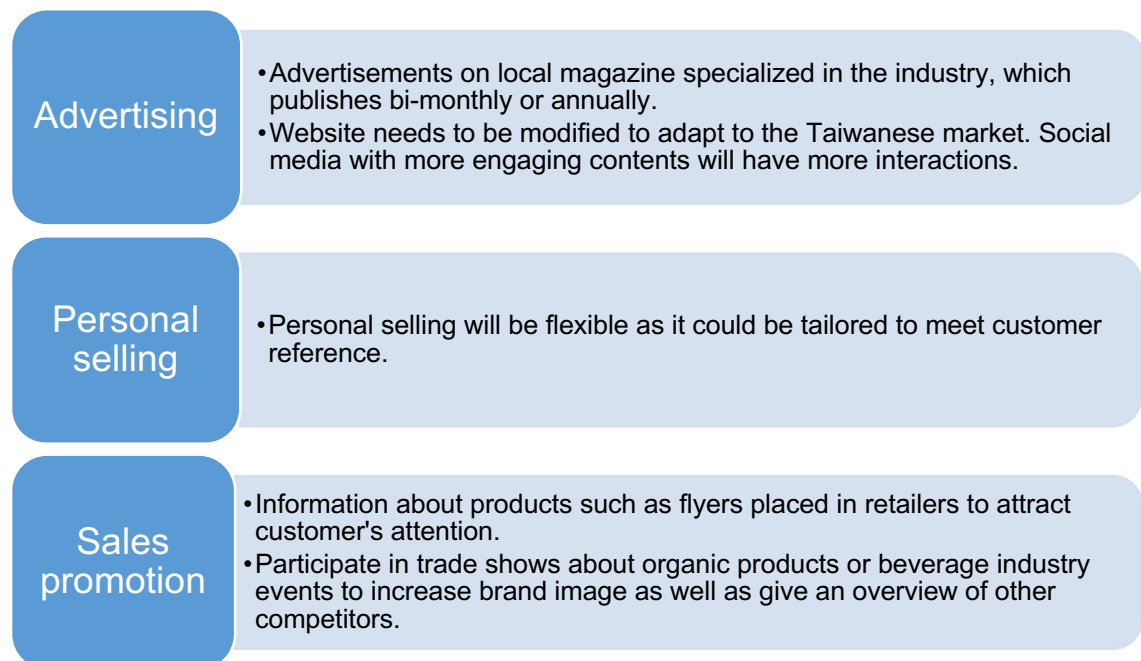


Figure 9. Promotional mix of Vietnamese eco-friendly straws.

## 5 CONCLUSIONS

The demand for biodegradable straw is increasing higher due to the banning of single-use straw in Taiwan as well as people's raising awareness on climate changes. In addition, a shifting trend towards living a zero-waste lifestyle among Taiwanese has also increased the opportunity for Vietnamese eco-friendly straws tapping into the market.

There are already competitors in the neighbour countries such as China as well as domestic products of Taiwan. When it comes to marketing strategy and brand awareness, it is important to have a suitable entry plan to distinguish Vietnamese brands from other competitors. The report provides a study on the marketing plan for Vietnamese eco-friendly straws to Taiwanese market.

There haven't been many Vietnamese brands in the market compared to Chinese ones. It means that more efforts will be concentrated on promoting and raising brand recognition, which is also a key challenge. The package is made of recyclable material and can be customised based on customer's reference. In addition, texts on package could be written in either English or Taiwanese to suit the market demand yet remain concise. The proposed price for a pack of 100 straws ranging from 74 – 94 TWD, based on the type of the straw. Distributors are zero-waste store, e-commerce platforms and local coffee/ tea shops. Promotion plays a significant role in determining the success of entering the new market. Content is a vital aspect on social media, especially in Taiwanese market where users are active in providing feedback and tech-savvy. Participation in organic-related products events as well as point-of purchase promotion will enhance the visibility of the products. Multichannel marketing will help businesses to approach potential customers in a more effective way.



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**Questions for interview.**

1. How is the demand for biodegradable straws in Taiwan?
2. Is there any demand for Vietnamese biodegradable straws?
3. What are the costs when exporting straws and the final price of the products?
4. In your opinion, what are the strengths and weaknesses of Vietnamese biodegradable straws?
5. What are the challenges business facing in introducing in a new market?
6. Which type of straws consumers refer?
7. Is it important to have exhibition at eco-friendly product events?
8. What are the criteria for Vietnamese eco-friendly straw when designing the package?
9. What are the most common channels to advertise and distribute eco-friendly straws when entering a foreign market?

Picture 1. Example of rice-flour straw.



(Source: Nuihut 2020)



Picture 2. Example of fresh grass straw.



(Source: Green Joy Straw 2020)



Picture 3. Example of dried grass straw.



(Source: Green Joy Straw 2020)

Picture 4. Example of Udance straw



(Source: Udance 2020)

Picture 5. Example of Yolly straw.



reddot award 2019  
winner



(Source: Yolly 2020)



Picture 6. Example of Han Zenith straw.



(Source: Han Zenith 2020)

**Table 5. Cost structure per month for the first year.**

Exporting volume (100 kg)	Fresh grass straw	Rice flour straw	Dried grass straw
Production cost (TWD)	2800	2800	3300
Shipping cost (TWD)	600	600	600
5% VAT of shipping (TWD)	30	30	30
Container delivery	492	492	492
Subtotal (TWD)	3,922	3,922	4,422
Marketing cost (TWD)	15,000		
Total (TWD)	26,766		

(Source: OnTime Express)

Sales price per unit (TWD): 0.83

Variable cost per unit (TWD): 0.24

Break even point in quantity:  $26,766 / (0.83 - 0.24) = 45,366$

Break even point in TWD:  $45,366 * 0.83 = 37,654$  (~30 million VND/ 1106 EUR)