



MARKET OPPORTUNITIES IN EMERGING MARKETS

Case study: Rideascout's innovative vehicle and Vietnamese market

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ABSTRACT

Nowadays, there is no limit for innovation. Successful innovative products promise to bring about dramatic changes to the world. Rideascout, a Finnish start-up, is developing their new product, an innovative vehicle. In order to understand how their product could be used in certain market areas, the company decided to carry out an extensive market research. As part of the project, this thesis aims to explore possible uses and market opportunities for the product in Vietnam and more specifically in Hanoi, the capital.

The thesis employs deductive reasoning and qualitative research method. Primary data are gathered from interviewees with 26 Hanoi consumers and the case company. Meanwhile, secondary data are taken from trustworthy and honest sources. In the literature review, the thesis presents discussions about emerging markets and market opportunities in such markets. The theoretical framework utilizes two marketing tools PESTEL and Porter's Five Forces. In the empirical part, there are three analyses. The country analysis, backed by PESTEL, points out certain macro environment opportunities and challenges for the company. Furthermore, Porter's Five Forces help examine the competitiveness of the car industry to which the researched product currently belongs. Besides, product adaptation ideas from consumers' interviews are proposed to the case company because they represent the actual demand and expectations of consumers. The findings of this thesis indicate there is, indeed, a niche market opportunity for the case company in Vietnam even though there are several external challenges to overcome. In brief, the thesis acts as a reference for the case company when they make their decision to enter the Vietnamese market.

Key words: innovation, market opportunity, emerging market, country analysis, industry analysis, consumer analysis, PESTEL, Porter's Five Forces, deductive, qualitative

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GLOSSARY

AC	Alternative Current
ASEAN	Association of Southeast Asian Nations
BCG	Boston Consulting Group
CCI	Consumer Confidence Index
CHO	Chief Health Officer
CPI	Consumer Price Index
CPP	Consumer Purchasing Power
CPV	Communist Party of Vietnam
CTO	Chief Technology Officer
FDI	Foreign Direct Investment
GDP	Gross Domestic Production
HCMC	Ho Chi Minh City
HIB	Household Income Band
JSC	Joint Stock Company
KW	Kilowatt
VAT	Value Added Tax
VND	Vietnam Dong

1 INTRODUCTION

The first chapter is dedicated to introduction for this thesis work. There are six major issues covered in this chapter: background, objective and questions, methodology and method, theoretical framework, structure and scope and limitations. At the end of this chapter, the readers can get the main idea of what constitutes this thesis.

1.1 Research background

Nowadays, there are unlimited opportunities for innovations (Kotler et al. 2009, 169). In fact, thousands of new ideas and products are being brought into reality (Wong 2010). But how many innovations become daily essentials? According to Clancy & Shulman (1991), eight out of ten new products fail (Blythe 2012, 129). Studies have shown that a successful product requires a positive climate, a right innovation and technology strategy, sufficient resources and an effective idea-to-launch system (Cooper 2011, 6).

Recent events led the author to an extraordinary coincidence: a chance to witness a new product, possibly an innovation, in the vehicle industry. Rideascout, a Finnish technology start-up, is developing their innovative vehicle. They believe their product “will change the way people move in the future”. (Pitkänen 2014.) The vehicle named Scouter has cycling pedals and four wheels. It has two seats and runs on battery at the speed of up to 25 km/h. (Pitkänen 2015a.) Intrigued by the innovative vehicle, the author decided to research the possibilities of adapting the product to Vietnamese market.

There are two reasons why Vietnam was chosen as the research market. First, Vietnam has achieved significant development in the past 15 years (US Aid 2015). The country has moved from a low-income country to lower-middle income with average annual per-capital income of US\$ 1,550 in 2012. The quality of life has improved due to the economic growth. (Government of Canada 2014.) The positive outlook of Vietnam economy gives the author the idea that the country might be ready for non-basic products and services.

Second, road transportation has been a hot topic for several years. In 2013, Vietnam is reported to accommodate about 89.7 million people (The World Bank Group 2015). There are around 37 million registered motorcycles, 2 million registered cars (2.2013) and countless bicycles and other means of transportation (General Statistics Office 2014; Huu 2013 & Le 2013). Along come the issues of environmental pollution, traffic accidents, health problems and economic loss (Maritime Administration of Nha Trang 2009 & My 2014). Thus, a new green vehicle promises to bring about positive results for road transportation.

1.2 Research objective and research questions

The main objective of the research is *to discover the market opportunities for Scouter in the Vietnamese market*. In order to achieve the object, the author develops several research questions:

1. What are the external challenges and opportunities in the Vietnamese market?
2. How competitive is the vehicle market in Vietnam?
3. Is there a niche market for the product in Vietnam?
4. What are potential product ideas to successfully adapt the product to the Vietnamese market?

1.3 Research methodology and method

While research method addresses the techniques by which the data are collected, research methodology refers to the philosophy of the research process (Bailey 1994, 34). The figure below illustrates the research methodology and method of this thesis. The contributing factors are research approach, methodological choice, strategy and techniques.

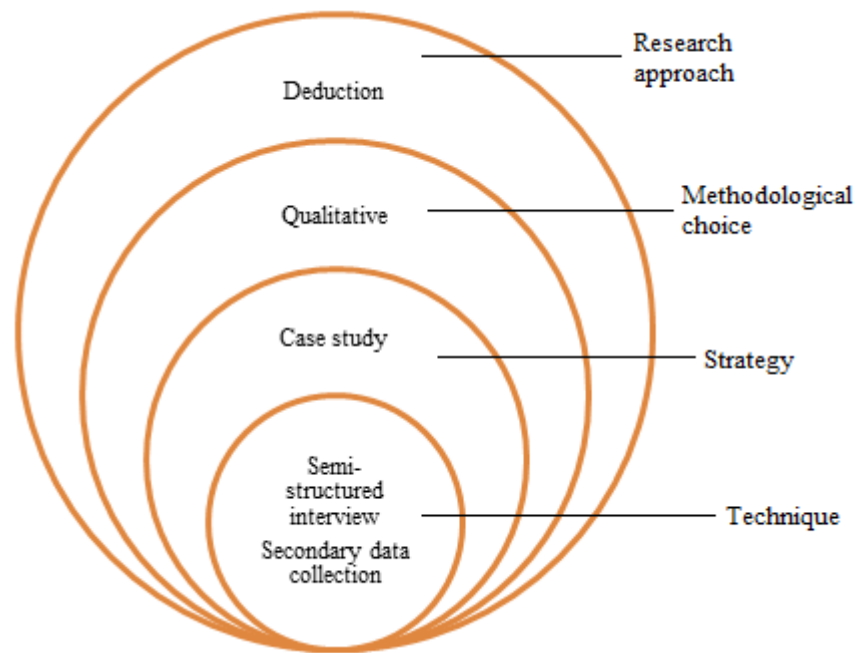


FIGURE 1. Research methodology and method adapted from the research onion (Sauders, Lewis & Thornhill 2012, 128)

First and foremost, a researcher should consider a suitable research approach. There are three approaches: induction, deduction and abduction (Sauders, Lewis & Thornhill 2012, 143 - 148). While the deductive approach derives findings from theory, the inductive approach works the other way around (Bryman 2008, 11). According to Suddaby (2006), abductive approach waivers between findings and theory and is considered the combining approach of deduction and induction (Sauders, Lewis & Thornhill 2012, 147). In this thesis, the author uses deductive approach. Based on several market research theories and theoretical tools, the author began with an assumption that “*there are market opportunities for Scouter in Vietnam*”. Then, the data about the research market, Vietnam, industry and customers were collected. Finally, the author analyzed the data and verified the hypothesis made at the beginning of the thesis.

Second, a researcher has to pick a methodology: quantitative or qualitative and mono-method or multi-method. Using quantitative method, the researcher needs numerical and standardized data and utilizes diagrams and statistics for analysis (Sauders, Lewis & Thornhill 2012, 547). As a result, quantitative method is usually used in case of research questions that demand numerical answers e.g. “how many” (Muijs 2011, 7). Meanwhile, qualitative research is often used to

answer question “why” and “how” in a study (Guest, Namey & Mitchell 2013, 21). According to Hammersley (1992), qualitative research deals with words and meanings and derives findings from case studies (Silverman 2011, 4). Due to the explorative nature of the research, the author decided to employ qualitative method and collect data via semi-structured interviews. The reasons for this choice will be elaborated below in the “technique” part.

The third factor is strategy. There are several common research strategies: experiment, survey, archival analysis, history and case study (Bryman 2008, 35 - 63 & Saunders, Lewis & Thornhill 2012, 173 - 196). Adapted from COSMOS Corporation, the table below shows when to use which method.

TABLE 1. Situations for Different Research Strategies (Yin 2009)

<i>Method</i>	Form of research question	Requires Control of Behavioral events?	Focuses on Contemporary Events
<i>Experiment</i>	how, why?	yes	yes
<i>Survey</i>	who, what, where, how many, how much?	no	yes
<i>Archival Analysis</i>	who, what, where, how many, how much?	no	yes/no
<i>History</i>	how, why?	no	no
<i>Case study</i>	how, why?	no	yes

As a matter of fact, this thesis is conducted based on the actual demand of a Finnish company. They want to explore how their new product, Scouter, could be used in certain market areas (Pitkänen 2014). In addition, a case study is defined as an investigation of a phenomenon within specific real-life context (Yin 2009, 18). Hence, the author employs case study strategy for this thesis. Vietnam is

chosen as the case and the outcome of the thesis is to discover how Scouter could be used in Vietnam, and more specific, in Hanoi – the capital.

Last but not least, a researcher needs to select (a) research technique(s). There are several techniques to choose from: participant observation, in-depth interviews, focus groups and so on (Roller & Lavrakas 2015; Sauders, Lewis & Thornhill 2012; Guest, Namey & Mitchell 2013 & Silverman 2011). However, in-depth interviews are most used (Silverman 2011, 165). In-depth interview is essential in qualitative research because it provides deep insights about what people are doing and why (Roller & Lavrakas 2015, 50). Interview typology usually concerns formality, structure and standardization (Sauders, Lewis & Thornhill 2012, 374). Normally, in-depth interviews are classified into three types (structured, semi-structured and non-structured) and four modes (via person, telephone, email and mobile) (Roller & Lavrakas 2015, 50). The chart below enhances when and which type of interview to use and points out the suitable choice for this thesis.

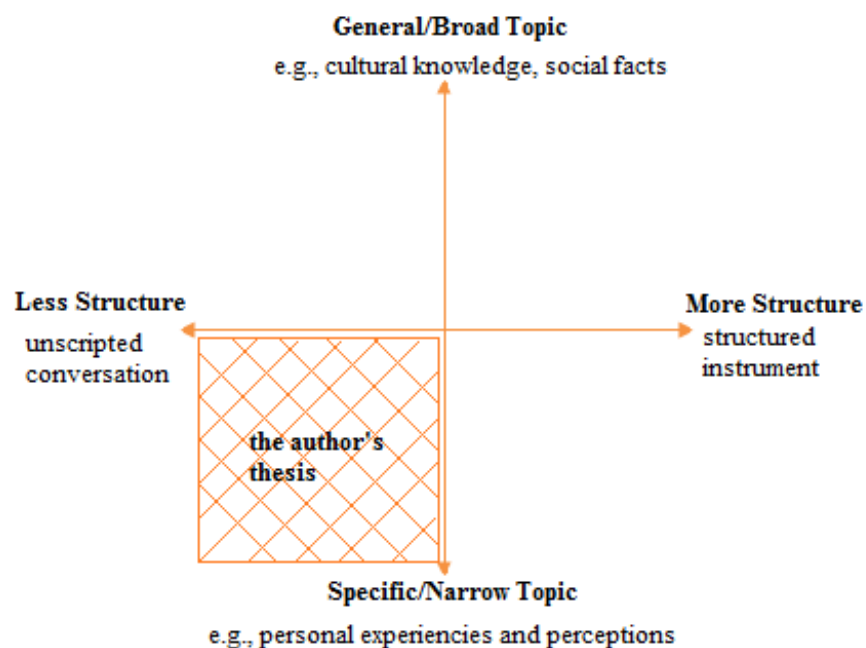


FIGURE 2. General Interview Typology (Adapted from Guest, Namey & Mitchell 2013, 115)

The objective of the thesis is to discover possible uses of Scouter in the Vietnamese market, especially in Hanoi. Thus, the author will collect the ideas and opinions of Vietnamese consumers in Hanoi to understand what use they

would make from Scouter. As a result, the thesis falls into the crossed area in the figure above. But how structured should the interview be? In contrast to structured interviews, semi-structured and unstructured interviews allow flexibility and encourage the real conversation between the interviewer and interviewee (Roller & Lavrakas 2015, 53). Using semi-structured interviews, the researcher follows an interview guide with certain themes and key questions though they might vary (Sauders, Lewis & Thornhill 2012, 374). Meanwhile, unstructured interviews are rather informal and often used in narrative researches wherein the participants are expected to tell their life stories (Sauders, Lewis & Thornhill 2012, 375 & Guest, Namey & Mitchell 2013, 53). Based on the exploratory nature of the thesis and interview typology, the author decided to employ semi-structured interviews. The sample of interview questions can be found in the first Appendix. The author employed both face-to-face and phone or voice-over-internet interviews. Phone or voice-over-Internet interview mode was used for consumers due to the geographical distance. The author conducted the interviews via smart-phone applications e.g., Viber, Skype and Facetime. On the other hand, the author organized face-to-face interviews with the company representative to collect information about Scouter.

1.4 Theoretical framework

A company should analyze their marketing environment to locate opportunities and identify threats (Kotler & Armstrong 2010, 77). As a matter of fact, the thesis aims to discover market opportunities for Scouter in Vietnam. Moreover, Vietnam is classified as an emerging market by Goldman Sachs and Grant Thornton (Cavusgil, Ghauri & Akcal 2013, 5). As a result, the author decided to base the thesis on the theory of marketing environment in the context of emerging markets.

The theoretical framework is developed from the marketing environment widely used in the marketing world. The model has three levels: macro environment, microenvironment and internal environment (Wood 2003, 21; West, Ford & Ibrahim 2010, 72 & Blythe 2012, 27). However, this thesis will focus mainly on the external environment analyses. The theoretical framework is depicted in the figure below.



FIGURE 3. Theoretical Framework

So as to present valid results, the author utilizes PESTEL for country - level analysis and Porter’s Five Forces for industry - level analysis. These tools are proved to effectively help managers understand the market environment and realize their competitive advantages (Rugman & Collinson 2006, 373).

For country analysis, the author chooses PESTEL because this framework is normally used to approach competitive environments at regional or national level (Rugman & Collinson 2006, 373). PESTEL model analyzes political, economic, technological, environmental and legal factors of the environment (West, Ford & Ibrahim 2010, 73). In fact, the analysis helps point out impacts of those factors on a company’s performance (West, Ford & Ibrahim 2010, 73). For the industry analysis, the author uses Porter’ Five Forces which are supplier’s bargaining power, consumer’s bargaining power, threat of substitutes, threat of new entrants and industry rivalry (Blythe 2012, 29). According to Michael Porter (1980), these forces shape most of the industries and their “collective strengths” will decide the potential of profit in an industry (Dobbs 2014). Hence, the tool is widely used to evaluate the industry environment (Blythe 2012, 29).

1.5 Thesis structure

The thesis structure is presented in the figure below. There are seven chapters in total.

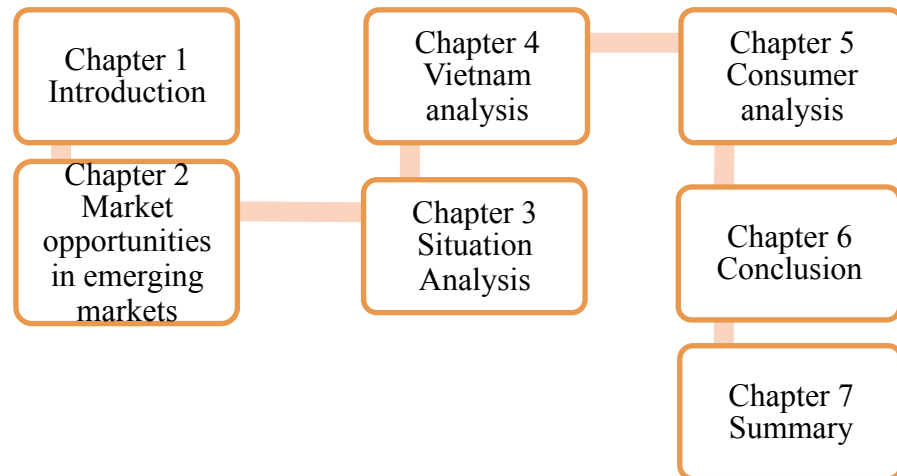


FIGURE 4. Thesis Structure

The first chapter introduces briefly the thesis including research objectives, questions, method, structure as well as scope and limitations.

The second chapter explores the literature review on emerging markets and market opportunities found in such markets.

The third chapter digs deeper into the theoretical tools used in the research. There are two sub-chapters corresponding to two levels of analyses. In each sub-chapter, the author presents definitions and clarifies relevant factors that affect business operations both directly and indirectly.

The fourth chapter is dedicated to all of the empirical data about the Vietnamese environment and the car industry wherein the product is categorized. The information is gathered using theoretical tools presented in chapter three.

The fifth chapter reveals the consumer analysis, specially addressed to consumers in Hanoi. In addition, the analyses of interview results are presented.

The sixth chapter sums up the answers to the research questions, proposes author's ideas and topics for further research and discusses reliability and validity issues of the thesis.

The final chapter lays out a brief summary of this thesis.

1.6 Scope and limitations

Due to the limited time and resources, the scope of this thesis does not reach one of Porter's Five Forces: Bargaining power of suppliers. In addition, during the course of three months, the author had met several difficulties in the project. As a result, there are a few limitations in this thesis. In terms of theory use, the author utilizes Porter's Five Forces for industry analysis. However, Porter's Five Forces tool should be used by someone who is already inside the industry (Magretta 2012, 40) while the case company is not.

In terms of empirical data, the author collected country-level data but applied them to the city-level analysis, Hanoi. Thus, there might be a gap in the research. Nevertheless, the gap should be minimal since Hanoi is the capital, one of five key cities and the second-most populated city in Vietnam (General Statistic Office 2014 & Nielsen Vietnam 2014). Another limitation is the shortage of academic journals and studies about the Vietnamese market. As a result, the author had to exploit the Internet sources. On the other hand, all of the chosen sources are official, well-known and trustworthy in Vietnam. The list of example Vietnamese e-newspapers used in the thesis can be found in the second Appendix. The last limitation is unstable Internet connection. Since the interviewees with consumers were conducted via phone, sometimes the connection was not steady; hence, information might have got lost on the way.

2 MARKET OPPORTUNITIES IN EMERGING MARKETS

According to Goldman Sachs and Grant Thornton, Vietnam – the research market is classified as one of the emerging markets (Cavusgil, Ghauri & Akcal 2013, 5). As a result, this chapter is dedicated to reviewing literature concerning emerging markets and opportunities in such markets. The discussed issues are definitions and general characteristics of emerging markets and market opportunities in the context of emerging markets.

2.1 Emerging markets

In this part, the author presents several definitions of emerging markets. Afterwards, the general characteristics of an emerging market are brought up so that the readers can get the right image of the subject.

2.1.1 Definition

The term “emerging market” was first developed by the economist Antoine W. van Agtmael in 1980s (Pacek & Thorniley 2007, 2; Merricks 2010 & Cavusgil, Ghauri & Akcal 2013, 3). Since then there are numerous definitions found in the literature. One definition is a market that is in transition from “developing” to “developed” and it normally has fast growth and industrialization (Cavusgil, Ghauri & Akcal 2013, 5). Another definition is a country, which used to belong to less developed or semi-industrialized category, has now gained acceptance as a trade partner, political player and recipient of foreign investments (Pelle 2007, 16). Others might include only extremely-low income economies, or countries that are expected to have high economic growth. Some might even consider all of the countries that are not developed under the emerging-market umbrella. (Pacek & Thorniley 2007, 2.) Whatever definition one might follow, there is one thing to keep in mind that the “emerging-market” definition is always evolving (Merricks 2010; Cavusgil, Knight & Riesenberger 2008, 261 & Cavusgil, Ghauri & Akcal 2013, 3). For example, there are serious doubts about classifying South Korea and Taiwan into emerging markets (Merricks 2010 & Cavusgil, Knight & Riesenberger 2008, 261) even though many companies continue to have them as part of their emerging Asian division (Pacek & Thorniley 2007, 2). Czech

Republic and Poland, though classified as emerging markets, had taken on stable monetary and trade policies and hence, developed their economies since they joined in the European Union (Cavusgil, Knight & Riesenberger 2008, 261).

Despite the diverse and versatile definitions of “emerging markets”, there are certain indices to classify them such as: FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard and Poor’s), Goldman Sachs and Grant Thornton (Cavusgil, Ghauri & Akcal 2013, 4-5). According to those indices, the emerging markets are often recognized as central and Latin America, the Middle East, central and eastern Europe, Africa and South East Asia (Pacek ja Thorniley 2007, 2; Cavusgil, Ghauri & Akcal 2013, 4-5 & Cavusgil, Knight & Riesenberger 2008, 260).

2.1.2 General characteristics

Although there are different definitions, emerging markets share certain features. In chapter three, the author will point out specific trends and characteristics in country-level and industry-level environments of emerging markets. Thus, this part is spared mainly for their general characteristics.

Firstly, as agreed by many scholars and economists, emerging markets tend to enjoy high economic growth (Pelle 2007, 31; Cavusgil, Ghauri & Akcal, 2013, 19; Enderwick 2007, 5 & Khanna & Palepu 2010, 4). In fact, emerging markets often have higher economic growth than mature developed markets (Cavusgil, Ghauri & Akcal 2013, 19 & Khanna & Palepu 2010, 4). As a result, they create new markets for products and services, ameliorate living standards (Khanna & Palepu 2010, 4), and improve their international attractiveness for FDI, exports and sourcing (Cavusgil, Knight & Riesenberger 2008, 260). Nevertheless, fast economic growth often results in high inflation rates (Cavusgil, Ghauri & Akcal 2013, 19 & Enderwick 2007, 5) and higher income disparities (Pelle 2007, 31 & Enderwick 2007, 6).

Secondly, emerging markets have the tendency to accommodate institutional voids (Cavusgil, Ghauri & Akcal 2013, 63-65 & Khanna & Palepu 2010). In a market, there are certain intermediaries that connect the buyers and the sellers

(Khanna & Palepu 2010, 14). Without the intermediaries, the market can not function smoothly because it is difficult for market participants to find one another (Cavusgil, Ghauri & Akcal 2013, 63). As observed and recognized by many economists, these intermediaries are still missing in emerging markets, which constitutes the definition of “institutional voids” (Khanna & Palepu 2010, 14). Three main institutional voids that create market failure in emerging markets are untrustworthy market information, obscure regulations and incompetent judicial system (Khanna & Palepu 2010, 16). As Lee & Peng (2008) put it, emerging markets often lack efficiency in capital, product and labor markets (Cavusgil, Ghauri & Akcal 2013, 63).

Thirdly, emerging markets are often described as relationship-based instead of market-based. It means that business is based on people’s long-term relationships, personal connections, family ties and friendship. (Cavusgil, Ghauri & Akcal 2013, 20 & Enderwick 2007, 10.) Therefore, it is sometimes challenging for outsiders to penetrate into the market (Enderwick 2007, 10). At the same time, it might lead to the problems of bribery and corruption, which, in fact, are serious risks for doing business in emerging markets (Enderwick 2007, 10 & Cavusgil, Knight & Riesenberger 2008, 271).

2.2 Market opportunities in emerging markets

As emerging markets are gaining importance in the business of global conglomerates (Pacek & Thorniley 2007, 146), it is essential to realize potential opportunities in emerging markets. Despite great variations among different markets, there are several substantial opportunities that can be found in any emerging market.

First and foremost, emerging markets incorporate giant markets for consumer and household goods (Enderwick 2007, 11 & Cavusgil, Knight & Riesenberger 2008, 265). Because of the high economic growth, per capital income tends to rise, which leads to the emergence or growth of the middle class (Cavusgil, Ghauri & Akcal 2013, 92-93; Enderwick 2007, 11 & Cavusgil, Knight & Riesenberger 2008, 265). In addition, mid-sized cities and rural areas are on the rise. According to Dobbs et al. (2011), mid-sized cities are likely to take up for 40% of global

growth in 15 years. Meanwhile, the aggregate rural consumption is tremendous. (Cavusgil, Ghauri & Akcal 2013, 96-97.) As the result, the demand for consumer and household goods and personal services climbs up (Cavusgil, Ghauri & Akcal 2013, 96-99; Enderwick 2007, 11 & Cavusgil, Knight & Riesenberger 2008, 265).

Second, companies who specialize in technology and telecommunications can also find huge potential in emerging markets. As reported by Persinger et al. (2011), internet penetration in emerging markets is much higher than those of developed markets. Moreover, the younger population tend to try new things. Therefore, technology-related products are very popular in such markets. (Cavusgil, Ghauri & Akcal 2013, 100.)

Third, the emerging markets offer excellent opportunities for manufactured and infrastructure-related goods (Cavusgil, Knight & Riesenberger 2008, 265). Due to the fast economic growth and the demand of businesses, the government need to invest more in the country's infrastructure (Cavusgil, Ghauri & Akcal 2013, 102). As a result, their needs for products such as machinery, equipment increase and hence, create a market for companies who provide such products (Cavusgil, Ghauri & Akcal 2013, 102 & Cavusgil, Knight & Riesenberger 2008, 265).

Beside the mentioned market opportunities, emerging markets offer great bases for manufacturing and production (Cavusgil, Knight & Riesenberger 2008, 265–266). Companies can make use of low-cost but high-quality labor to reduce the production cost. In addition, emerging markets are often flooded with unexploited natural resources. (Cavusgil, Knight & Riesenberger 2008, 265–266 & Enderwick 2007, 16.) Emerging markets also offer learning opportunities for companies thanks to novel business systems, access to different sources of supply and possibly alternative business models (Enderwick 2007, 17-22).

3 SITUATION ANALYSIS

This chapter is dedicated to the theoretical tools used for the research. First, the author explains, in detail, PESTEL model utilized to analyze the macro environment or the country-level situation. Then, Porter's Five Forces model is examined because of its application to illustrate the industry-level situation or the microenvironment.

3.1 Country analysis

The country situation will be analyzed by PESTEL tool. PESTEL stands for Politics, Economics, Social, Technological and Legal. Properly done PESTEL provides information about the environment wherein the company operates, and enables it to make predictions about what may happen in the near future (Yüksel 2013). The author then explains PESTEL tool in detail and also applies it in the emerging market context.

3.1.1 Politics

Politics is the first element to analyze because company operations are heavily affected by political environment (Kotler & Armstrong 2010, 108). According to Ghauri and Cateora (2010), political system is comprised of certain official organizations and the connections among them. Mühlbacher et al. (2006) also points out that the political system controls the resources within a society and the means to maintain stability. (Cavusgil, Ghauri & Akcal 2013, 29.) As a result, political changes can create risks for the market. Political risks, in brief, combine all of the factors that might stabilize or destabilize a country. (Bremmer 2005.)

There are some common political risks in emerging markets. The first popular risk is political instability, which means the instable continuation of a regime. The second common risk is economic reform because it can create unforeseeable changes and ambiguous operating conditions. (Enderwick 2007, 9-10.) The final common risk is protectionism and government intervention (Enderwick 2007, 9.) For example, means of protectionism are heavy taxation (Enderwick 2007, 9), infant industries and home markets protection (Tayeb 2000, 275), foreign-owned

property expropriation (Melling & Mann 2012). Meanwhile, the government's role in these countries is significant. The government can decide the openness of the border, enhance international trade or distribute resources in the society. (Cavusgil, Ghauri & Akcal 2013, 18.) In order to evaluate a government, one should consider strength of current government, rule of law and level of corruption (Bremmer 2005).

In addition, certain political questions should be studied to measure political risks.

“To whom are the country's politicians accountable? Are there strong political groups that oppose the ruling party? Do elections take place regularly?”

“Are the roles of the legislative, executive, and judiciary clearly defined? What is the distribution of power between the central, state, and city governments?”

“Does the government go beyond regulating business to interfering in it or running companies?”

“Do the laws articulate and protect private property rights?”

“What is the quality of the country's bureaucrats? What are bureaucrats' incentives and career trajectories?”

“Is the judiciary independent? Do the courts adjudicate disputes and enforce contracts in a timely and impartial manner? How effective are the quasi-judicial regulatory institutions that set and enforce rules for business activities?”

(Khanna, Palepu & Sinha 2005.)

3.1.2 Economics

E (Economics) refers to economic factors in the macro environment. It is important to understand a country's macroeconomic environment because it is paramount in the outcomes of individual business (Clark & Marois 1996, 45). To get the brief idea of how an economy is doing, one should analyze GDP, per capita income growth rates, population composition and growth rates, exchange rates and purchasing power parity indices (past, present and projected) (Khanna, Palepu & Sinha 2005). The real GDP is often a tool to measure risk of an economy because it represents the gross data of costs. Another tool to access a

country economic risk is the volatility of macroeconomic profits before interest and dividends. (Clark & Marois 1996, 48.)

Other significant economic factors are consumer purchasing power (CPP) and spending patterns. CPP is affected by level of income (middle class, elite, poor class), change in income (growth, shrinking, and stagnancy), and distribution of income. (Kotler & Armstrong 2010, 103.) In addition, CPP also depends on the available savings, debt and credit. As a result, a marketer should consider trends in those factors especially when the target customer group is price-sensitive. (Kotler et al. 2009, 163.) Spending patterns are also important for an economic analysis. According to Engel's laws, expenses between goods and services are shifted when consumer's income fluctuates. (Kotler & Armstrong 2010, 103.)

When dealing with the economic environment in emerging markets, one should pay attention to their special situation. There are several common challenges faced by emerging economies though they might change according to countries. The first one is how to integrate population into the workforce. As the working-age population tends to rocket in emerging markets, it is important to transfer the population growth into productivity. The second one is how to develop institutions. (Cavusgil, Ghauri & Akcal 2013, 85-86.) As mentioned in part 2.1.2, institutional void is one of the most significant characteristics of emerging markets (Cavusgil, Ghauri & Akcal 2013, 63-65 & Khanna & Palepu 2010). Thus, the difficult task is to eliminate such voids by improving infrastructure, developing property rights, financial means and building efficient market systems. The third challenge is how to depend less on developed economies. Normally, emerging markets depend on foreign investments and international institutions such as economic policies. However, in order to grow, these markets need to develop the instruments on their own. (Cavusgil, Ghauri & Akcal 2013, 85.)

3.1.3 Social

S stands for socio-culture (Yüksel 2013). Change in demographics lead to changes in people and eventually in market (Kotler & Armstrong 2010, 94-102).

Understanding about socio-cultural changes will help businesses decide if their products are appeal to customers and how many potential customers it might have

(Barney & Hesterly 2008, 33). The notable factors are age structure, family type, culture and society trends for example urbanization, education quality and ethnical diversity (Kotler & Armstrong 2010, 94-102).

In social analysis, culture plays an important role (Kotler & Armstrong 2010, 94-102). Ghauri and Cateora (2010) described culture as “a set of values followed by a group” (Cavusgil, Ghauri & Akcal 2013, 50). Another definition of “culture” is “learned, shared and enduring orientation patterns in a society (Cavusgil, Knight & Riesenberger 2008, 126). Whatever definition one might follow, it is undeniable that culture is essential in business operations such as product development, partner selection, business negotiations and so on (Cavusgil, Knight & Riesenberger 2008, 131). Moreover, these cultural traits act as barriers for oversea business operations. Thus, understanding the culture helps mitigate the risks and misunderstandings in business. (Cavusgil, Ghauri & Akcal 2013, 61.) Some major cultural traits that closely relates to business are individualism, relationship with others, the environment, society and state, expectations from companies and political and economic views and activities (Tayeb 2000, 319).

Speaking of emerging countries, there are three dominating social trends. The first one is young population structure; therefore, emerging markets have significant labor forces and and soon-to-enter-working-age populations (Cavusgil, Ghauri & Akcal 2013, 14). The second social trend in emerging countries is the growing and high rate of urbanization (Cavusgil, Ghauri & Akcal 2013, 15 & Enderwick 2007, 8). The third trend is the rising income level and middle class (Cavusgil, Ghauri & Akcal 2013, 92-93; Enderwick 2007, 11 & Cavusgil, Knight & Riesenberger 2008, 265).

3.1.4 Technology

Technological changes are worth mentioning because new technologies can make current products become outdated (Kotler & Armstrong 2010, 107). In the past, many old industries resisted new technologies and their businesses plunged (Kotler et al. 2009, 169). Moreover, marketers might miss potential market opportunities, if they do not keep up with the technology trends (Kotler & Armstrong 2010, 107). The newborn technologies can affect the economic growth

and create unpredictable results (Kotler et al. 2009, 169). Take the Internet for instance. Since the Internet was born, the world has experienced quite dramatic changes in every aspect of life. In the world of business alone, the Internet has altered the way we do business in production operation, distribution, and international trade, etc. (David 2009, 113.)

As a marketer, one should pay attention to the trends in technology: the fast pace of change, infinite opportunities for innovations, fluctuating R&D budget and improved regulations of technological change. Firstly, the pace of change is incredible. Most of common products such as computer, mobile phones only come around within 40 year-time. Secondly, opportunities for innovations are limitless. Amazing discoveries are happening in biotechnology, computer, microelectronics, telecommunications, etc. Thirdly, companies are investing more money on R&D instead of mimicking competitors' products. Especially in Europe, more and more R&D is being poured into pharmaceuticals, biotechnology and chemicals. Finally, many governments are extending the law to more and more dangerous products. Many European countries have increased safety and health regulations in the area of food, clothing, automobiles, etc. (Kotler et al. 2009, 170-171.)

Speaking of emerging markets, the technological base is often weaker than and dependent on those of developed countries (Cavusgil, Ghauri & Akcal 2013, 87 & Enderwick 2007, 7). Innovations or the creation of new technology is a must for sustainable development. In fact, developed markets are superfluous of innovations of which emerging markets are short. (Cavusgil, Ghauri & Akcal 2013, 85-86.) More often, firms in emerging markets try to mimic their competitors' products and slightly adjust to make them different (Kotler et al. 2009, 171). However, they need to create their own innovation capacities to grow (Cavusgil, Ghauri & Akcal 2013, 86). The main cause for this situation is lack of investment in technology (Cavusgil, Ghauri & Akcal 2013, 87 & Enderwick 2007, 7). Although the governments are pouring more money in this field, the investment levels are still far below those of developed countries (Enderwick 2007, 7). On the other hand, thanks to globally distributed R&D network, technological capacities in emerging markets are being improved. More and more MNCs are shifting their R&D investments to emerging countries due to their

potential market size and the need to enter their markets. (Cavusgil, Ghauri & Akcal 2013, 88.)

3.1.5 Environment

Environmental elements construct the second “E” in PESTEL. The environment contains resources needed for marketing activities (Kotler & Armstrong 2010, 105). As a result, environmental analysis is essential in developing business sustainability, identifying opportunities and seeking for co-operation (Yüksel 2013). In fact, businesses can benefit from environmentally responsible actions in the long run (Kotler & Armstrong 2010, 105). At the same time, they can find amazing opportunities if they synchronize business prosperity with environmental protection (Kotler et al. 2009, 165).

Marketers need to pay attention to the big environmental issues namely the raw material scarcity, the expanding cost of energy, the increasing pollution and the changing role of government (Kotler et al. 2009, 168 & Kotler & Armstrong 2010, 105). The first issue is the shortage of raw materials such as minerals and non-renewable resources. Firms need to be aware of this issue because it might affect their cost. Investments in R&D will assist businesses to find substitute raw materials and, hence, reduce cost. The second matter is the increasing cost of energy. As the non-renewable sources such as oil are being depleted rapidly, there are many serious problems in the world economy as it is the main supply of energy. The third actor in the environment field is the rising level of pollution because certain industrial activities such as packaging will always harm the environment. The final factor is the role of government. Different countries have different environmental protection policies. Some developing countries are less concerned about the environment than developed countries are due to the lack of funds and political wills. Consequently, richer countries should assist the poorer ones to protect the environment and control pollution. (Kotler et al. 2009, 168.)

Speaking of emerging markets, especially ones in Asia, there are several specific environmental issues: deforestation, water shortage, climate change, food security, energy security, air pollution, urbanization and population growth (Krechowicz & Fernando 2009). The below table lists the above issues and their current trends.

TABLE 2. Current environmental trends in emerging markets (Krechowicz & Fernando 2009).

Issue	Current trend
Deforestation	The rate is at alarming level.
Water shortage	Water reserves are being used faster that they can be replenished.
Climate change	Rapid increase of greenhouse gases lead to droughts, floods, extreme weather.
Food security	Increasing rice and wheat prices obstruct the poverty reduction and workforce health.
Energy security	The world's highest demand for energy and highest increase in energy prices
Air pollution	Air quality is worsened significantly.
Urbanization	Urban population has risen sharply.
Population growth	Huge population growth leads to significant pressure on local resources.

3.1.6 Legal

A legal system is an establishment that interprets and enforces law (Cavusgil, Ghauri & Akcal 2013, 32). A country's legal system has to maintain order, solve conflicts in business, secure intellectual properties and tax economy output (Cavusgil, Knight & Riesenberger 2008, 164). Unexpected changes in legal regulations can create an impact on business (Melling & Mann 2012). Thus, a firm should consider both macro- and micro- level legal factors carefully (Rugman & Collinson 2006, 377). The following table lists some of the important factors.

TABLE 3. Macro- and micro- level legal factors (Rugman & Collinson 2006, 377)

Macro level	Micro level
Trade agreements	Legislation with disadvantageous effects e.g. export licenses, import duties, profit repatriation
General alternations in policies or laws relating to foreign enterprises	Subsidies or protection for competitors

In addition, enterprises should pay attention to closely related law matters such as foreign investment, marketing and distribution, environmental, contract, Internet and e-commerce laws. Moreover, the government tends to pose laws on how enterprises should operate within a country. Therefore, it will help smooth the business if they study legal controls on operation practices. (Cavusgil, Knight & Riesenberger 2008, 175-176.) Especially when operating in an emerging market, a foreign firm always need to cross-check local law with home country law (Melling & Mann 2012). For example, while bribery is quite common in some countries (Nicholas 2010), American firms really need to pay attention to this sensitive business manner because of the Foreign Corrupt Practices Act 1977 (FCPA) (Cavusgil, Knight & Riesenberger 2008, 177).

3.2 Industry analysis

In the business world, there are several models to analyze the industry competitiveness, one of which is Porter's Five Forces model first developed by Michael E. Porter in 1980 (Dobbs 2014). The author, then, explains in detail which five forces are and how they are likely to affect firms operating within the industry. According to Michael E. Porter (2008), there are five forces that determine industry structure: the rivalry level among existing competitors, the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants and finally the threat of substitutes (Magretta 2012, 37).

3.2.1 Rivalry among existing competitors

The rivalry level of an industry is believed to be the most powerful and affected force (David 2009, 120). The more intense the rivalry, the less profit the company earns (Barney & Hesterly 2008, 46). There are numerous factors taken into consideration but the author only covers the most supposedly significant ones: competitor factor, industry growth rate and product differentiation.

The number of competitors determines the competitor factor and the power of each competitor can change the rivalry level. Often, the more competitors, the more intense the rivalry. In addition, the market leader or industry leader should be examined carefully because they normally have the power to affect the whole industry. (Magretta 2012, 50.) The industry growth rate also contributes a great deal to rivalry intensity. If the industry has limited growth, companies have to compete for existing market shares in order to improve their own sales. Consequently, rivalry intensifies. (Barney & Hesterley 2008, 46.) The last noticeable factor concerning industry rivalry is product differentiation. The company might struggle to make profit in a market if it fails to differentiate its product from competitors' (David 2009, 120).

3.2.2 Bargaining power of suppliers

Suppliers have the power to affect the competitiveness of the industry because they provide the materials for the companies. Thus, if the number of suppliers is limited, the bargaining power of suppliers is relatively high and vice versa. (David 2009, 121.) There are some indicators that can help the company assess the suppliers' power: number of suppliers, supplier's quality and forward vertical integration (Barney and Hesterly 2008, 47-49).

The number of suppliers is the first factor contributing to the power of suppliers. If a few suppliers dominate the industry, a company does not have so much choice and thus, loses more profits to the suppliers. Second, supplies' quality also affects the suppliers' power. If supplies are unique, suppliers are likely to earn more power due to the non-substitute privilege. Third, forward vertical integration is highly considered strategy to adjust suppliers' power. When a supplier has great

possibilities to enter a company's industry, it is a threat to the company. Thus, in many cases, big companies often acquire their suppliers in order to gain control or ownership. (Barney and Hesterly 2008, 47-49.)

3.2.3 Bargaining power of buyers

The bargaining power of buyers is a major contributor to the rivalry level of the industry. The customers are likely to gain power against the company if the company's products are undifferentiated or just standard. Another case is if customers are price-sensitive, they are likely to have more bargaining power. (David 2009, 121.)

3.2.4 Threat of new entrants

Companies enter an industry because they see a profit opportunity in it. Hence, when there are new entrants, the competition increases. The threat of new entrants depends on the cost of entry also known as the entry barriers. If the barriers are high, entry decision is not likely to be forthcoming. (Barney & Hesterly 2008, 41.)

There are several factors constituting entry barrier. The first factor is economies of scale. New entrants have to decide the production volume to achieve lower unit costs. This figure varies according to the industry's structure and cost structure of the firm. (Magretta 2012, 49.) Second, product differentiation should be considered. Existing companies have owned brand and customers' loyalty. Consequently, the new comers have to differentiate their products in a way that customers recognize them and are willing to switch to the new offerings. (Barney & Hesterly 2008, 43.) Third, a new player should review cost advantages independent of economies of scales before entering a market. Existing companies have some definite cost advantages with which new comers have to compete. Examples are technology and know-hows, access to raw materials and learning curve cost advantage. (Barney & Hesterly 2008, 44-45.) Finally, the government regulation of entry plays an essential part in this matter. The government regulations can raise or lower the barriers of entry. The new entrants have to find out if it is legally feasible to register and operate in an industry. Some significant

issues can be tax, tariffs, capital requirements, and possession of patents. (David 2009, 120.)

3.2.5 Threat of substitutes

Substitutes place a ceiling on the price that firms can charge without losing sales (David 2009, 121; Barney & Hesterly 2008, 47; Magretta 2012, 46). The threat of substitutes is high if switching cost is low, substitute product is cheaper than the industry product, substitute product quality is equal or superior to the industry product or substitute performance is equal or superior to the industry product. (Hines 2013.)

The figure below sums up the most significant factors in each force.

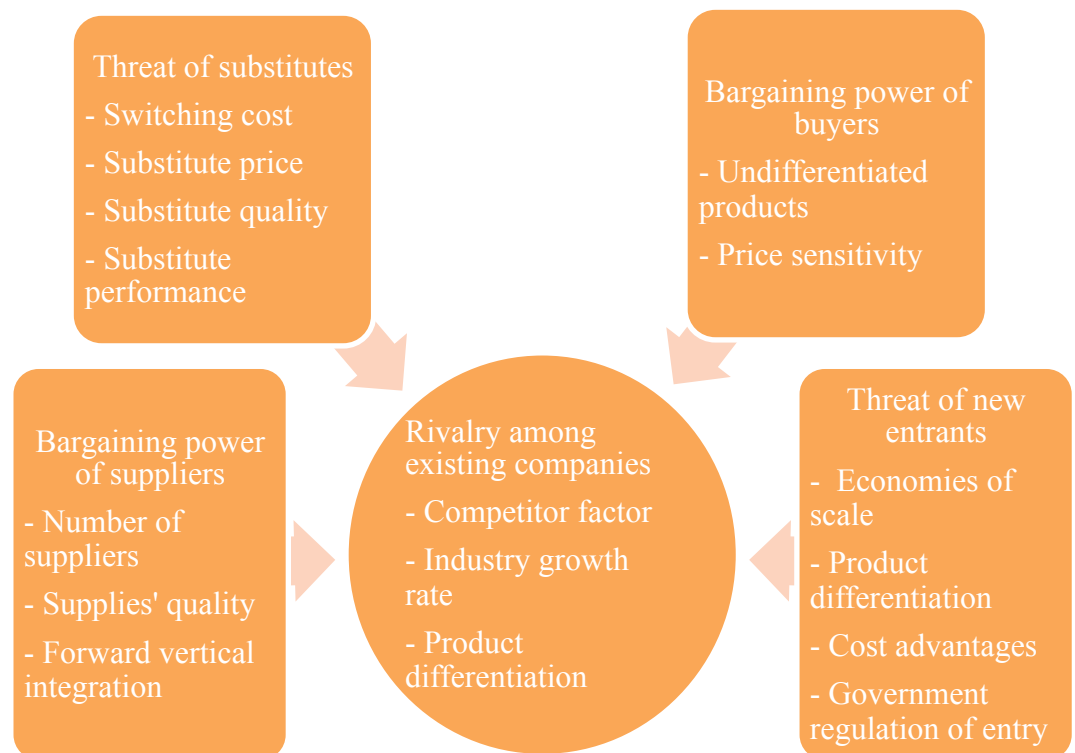


FIGURE 5. Porter's Five Forces

4 VIETNAM: COUNTRY & MARKET ANALYSES

This chapter is dedicated to the empirical data about Vietnam and the industry to which Scouter belongs. The first half of the chapter discusses detailed macro environmental factors that would affect Scouter. The second half digs deeper into the industry wherein Scouter would have to compete. In this case, the industry analyzed is car industry.

4.1 PESTEL analysis of Vietnam

In this part, the author applies PESTEL tool to Vietnam context. Following is the analysis of political, economic, social, technology, environmental and legal situation in Vietnam at the moment. At the end of this part, the readers will acquire basic and fundamental information about macro environment wherein Vietnam-based companies are operating.

4.1.1 Political situation

Since its foundation in 1930, the Communist Party of Vietnam (CPV) has led the country through the struggle for national independence, country's renovation, modernization and industrialization. The Communist Party of Vietnam is the only party in power and it represents the working class and the nation in a whole. (Vietnam Governmental Portal 2015.) The political system is law-governed state with the vanguard of CPV (Embassy of Vietnam 2015). The party has the role of leading the government and society (Tran 2014a) and operates in accordance to the Constitution and other laws (Vietnam Governmental Portal 2015).

The political system is illustrated in the figure below.

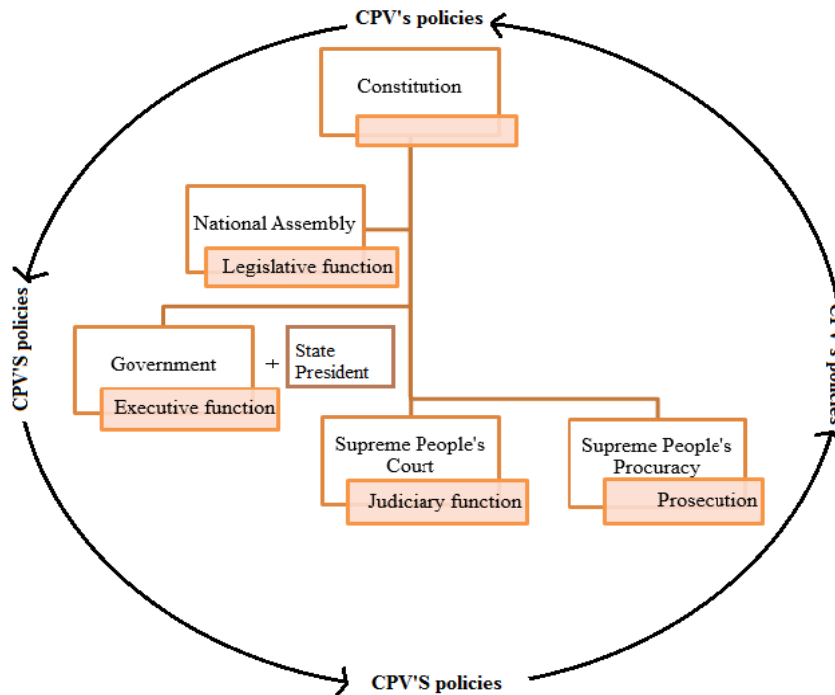


FIGURE 6. Political system of Vietnam

The National Assembly is the highest political organ that has legislative function. Then the government is the executive organ of the National Assembly and the State President is elected among its deputy. The Supreme People's Court has the highest judicial function while the Supreme People's Procuracy carries out public prosecution based on the Constitution and other laws. (Vietnam Governmental Portal 2015.) In general, there is always the presence of CPV in terms of policies and human resources in any organ of Vietnamese political system (Le 2015a).

There are three significant trends in Vietnam politics: inefficient rule of law, noticeable level of corruption and stable political environment. First, rule of law is generally covered by corruption and it lacks accountability. The government is limited and heavily dependent on FDI. Public debt in 2014 accounted for 55% of GDP. In addition, the regulatory system is inefficient and time-consuming. (The Heritage Foundation 2015.) Second, the level of corruption in Vietnam is alarming high (Le 2015b & Bui 2015). In 2014, Vietnam is ranked at 119th place out of 175 countries with the score of 31 (Transparency International 2014). The main reasons for this situation are obsolete political and judicial system, rotting morality of some personnel and ineffective anti-corruption policies (Government Inspection Body 2015). Finally, despite dispersing small political opposition

groups (Le 2015b), Vietnam politics, in general, is believed to be quite stable compared to those of the neighboring countries (Ho 2014; The Global Economy 2015 & Vuong 2014). As a result, more and more FDI is being poured into Vietnam (Ho 2014).

4.1.2 Economic situation

Vietnam economy is reported to fluctuate in the recent years. Due to the global economic recession, Vietnamese economy has experienced some fluctuations: high inflation rate, decreasing growth and increasing public debt. (Truong 2014, 5.) The table below presents Vietnam's development indexes.

TABLE 4. Vietnam's development index (Truong 2014, 5).

	2008	2009	2010	2011	2012	2013
GDP growth (%)	5,66	5,4	6,42	6,24	5,25	5,42
CPI (%)	19,89	6,52	11,75	18,58	9,21	6,04
Investment (% GDP)	43,1	42,8	41,9	36,4	33,5	30,4
National budget deficit (%GDP)	4,60	6,90	5,60	4,90	4,80	5,30
Balance of trade	-18	-12,8	-12,6	-9,8	0,748	0,10
Public debt (%GDP)			56,5	54,9	55,7	56

It can be seen that GDP growth and investment have declined during the years, public debt is becoming more significant and exports are exceeding imports. There are several reasons for this situation. First, the economic structure is still obsolete and unstable. Second, productivity is low compared to those of other ASEAN countries such as Thailand, Malaysia, and Singapore. Third, economic policies and market mechanism worsen the situation. (Truong 2014.)

There are three features of current Vietnamese economy. The first feature of the Vietnamese economy is the prevalence of small and super-small businesses. Household business or micro-business is the most popular form of private enterprise and they play an essential role in Vietnam economy (Ratliff 2008, 50). Vietnam is filled with small and super-small businesses. According to Vietnam Chamber of Commerce and Industry, there are about 390 thousand businesses currently operating. In fact, about 96% is small and super-small businesses. (Tu 2014 & Linh 2014.) However, the foreign enterprises are harming these small-sized businesses (VNN 2015; Wong 2014 & Viet Nam News 2012).

Second, CPI and CPP play important roles in an economy (see part 3.1.2). In 2014, Vietnamese CPI reached an unusual low (Tran, Nguyen & Ha 2014, 26). The figure below shows more detail about the decreasing trend of CPI in Vietnam.

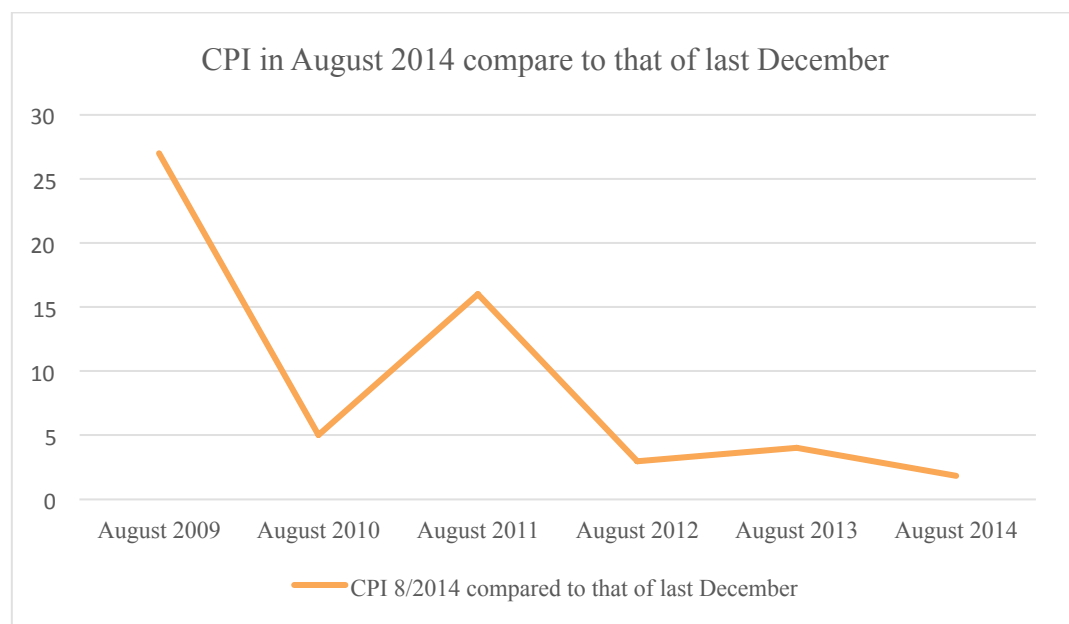


FIGURE 7. CPI 8.2014 (Tran, Nguyen & Ha 2014, 26).

There are several reasons for the decreasing CPI. The first one is the repetitive dropping price of oil and gas at the end of 2014; thus, transportation and logistics costs decreased (Phuong 2014a). The second reason is the efficient management policies from the Government (Ha 2014). The last and also the most important reason, according to many economic experts and businessmen, is the unfortunately weak CPP (Anh & Anh 2014, Phuong 2014a & Ha 2014.). Mr. Nguyen Bach Lam, Director General of General Statistics Office, believes

consumers spend their money more wisely and efficiently. In fact, the income level in 2014 was not as high as those of the previous years. Moreover, consumer confidence is still recovering from the economic recession. (Ha 2014.) In 2015, Nielsen Vietnam predicts that consumer purchasing power will be even lower than it was in 2014 (TQ 2014). One of the reasons might be that 85% of Vietnamese consumers have the tendency to save more instead of spending more (Nielsen Vietnam 2014, 4). However, there can be a big change if Vietnam opens entirely the retail market, lowers the tariff barriers and allows foreign goods to compete with local products (H.Anh 2015).

The third feature of Vietnamese economy is the changing spending pattern. According to Nielsen Vietnam's Shopper Trend 2014, Vietnamese consumers tend to spend more on necessities and basics (H.Anh 2015). As reported by Vietnam Association of Enterprises with High Quality Products, 80% of Vietnamese consumers tend to buy Vietnamese products and they are most concerned about quality and prices (Uyen 2015). People in Hanoi, the capital, are willing to pay 18% of their income for high value goods such as electronic products and cars (Duy 2015). Consumers have growing concern about green products. 35% of urban consumers will stop using a product if the production causes harm to the environment. (FTA 2012.) The figure below summarizes the current trends in spending habits of Vietnamese consumers.

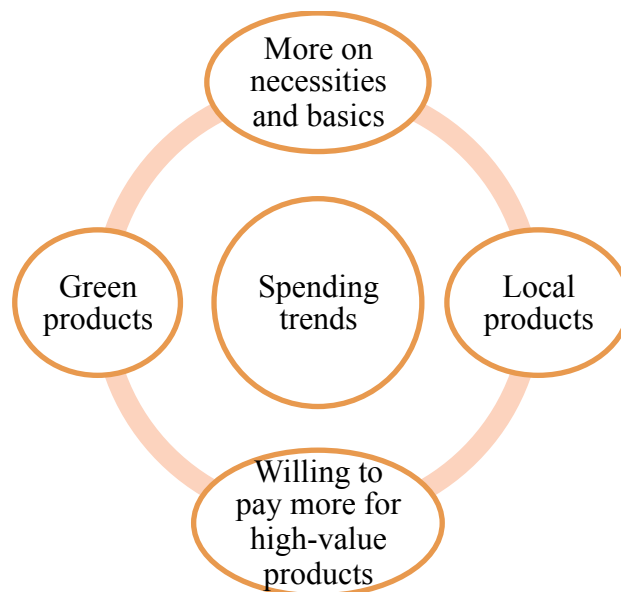


FIGURE 8. Consumers' spending trends

4.1.3 Social situation

In term of social situation, there are four noteworthy trends in Vietnam. Firstly, similar to other emerging markets, Vietnam has a young age structure with growing elderly sector. In 2014, Vietnam is reported to accommodate over 93.4 million people (CIA 2014). 44.8% is between 25 and 54 years old (CIA 2014) and 60% of the population is under 30 (Gasparro 2014). However, according to Mr. Duong Quoc Trong, director of General Department of Population and Family Planning, Vietnam will soon face population-aging challenges by 2017 (TN News 2014).

Secondly, nuclear family trend is on the rise. More Vietnamese people are opting for small-sized families (Anh & Phuong 2012). Household size has shrunk from 5.2 people/household to 3.8 people/household (Anh 2013). Nuclear family model helps promote gender equality, personal life and reduce conflicts (Pham 2011). In addition, with fewer children to take care, women have time to take part in social activities and make considerable contribution to the community (Think 2012). On the other hand, nuclear family model also has some side effects e.g. care for old people is limited and parents spend little time taking care of their children due to work commitments (Think 2012).

Thirdly, the middle class in Vietnam is growing (Chi 2014; Doanh Nhan Sai Gon 2014 & TTVH 2012). Nielsen Vietnam categorizes household income into six bands. The table on next page demonstrates detail categories of household income band (HIB) in Vietnam.

TABLE 5. Household Income Classification (Nielsen Vietnam 2013). (As per Google Finance on 17 March 2015, VND 1,000 ≈ €0.04395)

HIB DEFINITION	UNIT: VND
A	15,000,000 or higher
B	7,500,000 – 14,999,999
C	4,500,000 – 7,499,999
D	3,000,000 – 4,499,999
E	1,500,000 – 2,999,999
F	0 – 1,499,999

From 2012 to 2013, there are 7% and 3% increase in group B and C respectively. Meanwhile, group D, E, F have diminished considerably. Boston Consulting Group (BCG) predicted that there will be around 30 million people in the middle and elite classes by 2020 and Vietnam will become richer thanks to the rise of these groups (Doanh Nhan Sai Gon 2014). In addition, these groups have higher spending expenses than the other groups do. Therefore, they can put a positive effect on the currently weak consumer purchasing power. (TTVH 2012.) The figure below demonstrates, in detail, all of the changes between 2012 and 2013.

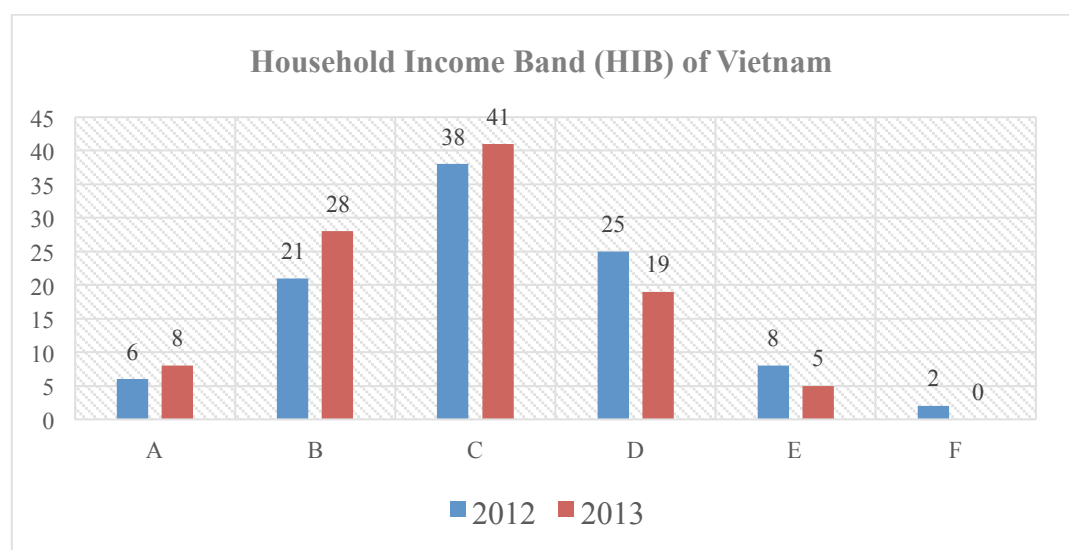


FIGURE 9. Comparison of HIB 2012 and HIB 2013 (Nielsen Vietnam 2014 & Nielsen Vietnam 2013).

According to Glenn B. Maguire, Chief Economist in Asia – Pacific area, this middle class has several characteristics. First, people in this group are sensitive with high badge-value products such as iPhone. Even though they cannot afford the product, they purchase it anyway because it shows higher social status. Second, these consumers are highly obsessed with “user experience”. They always want to share their shopping experiences (which brand, how much and product usage) with others. Third, they do not tend to admit verbally that they belong to the group. Rather, they prove it by purchasing high-class products. Fourth, political movements seem to affect this middle class more than economic-social changes do. (Phuc 2014.)

The fourth and final trend in the Vietnamese society is growing concern about obesity. As reported by National Institute of Nutrition, obesity ratio among children is rising rapidly. The urban rate is 6.5% and the rural rate is 4.2% for children below 5 years old. Compared to the rate of 2000, the rate of 2012 has increased six-fold. (Ngo 2013.) The obesity rate of grownups is escalating as well (Thu 2011 & Tran 2014b). Research has shown that 14% of Vietnamese men and 12% of Vietnamese women have obesity or overweight problems (Tran 2014b). The reasons for this social problem include unhealthy eating diet, lack of exercise and busy work schedule (Thu 2011).

4.1.4 Technological situation

Vietnam is, in fact, an internet-favored country. According to Ministry of Information and Communication, Vietnam is among top 10 Asian countries with the most Internet users and ranked at the 18th place in the world. At the end of 2013, more than 33 million people (37% of population) are reported to use the Internet. (An 2014.)

Moreover, Vietnam has a growing technology industry. Vietnam is considered an ideal place for technology start-ups because of cheap labor and young population. According to Thinh Nguyen, a former Silicon Valley executive who has worked in Vietnam for about 10 years, there are more than 750 software companies, 150 of which are outsourcing firms. (Pham 2012.) In addition, the industry is attracting more and more FDI. Intel, LG Electronics, Nokia and Samsung have

invested billions of dollars in new production facilities and complexes. One of the reasons for the influx of FDI is the favorable investment laws with generous tax concessions and subsidies. (Vietnam Briefing 2014.)

At the same time, the government is implementing development plan for science and technology. Following the plan, high-tech production would make up for 45% of the country's GDP by 2020. (Hoang, Thompson & Ritter 2014.) One of the governmental plans is Silicon Valley Project. Launched by the Ministry of Science and Technology, the project aims to turn one of the big cities into a tech hub, like Silicon Valley. The approach is to build an ecosystem that assists entrepreneurs to develop their ideas and accelerate business process. (Rosen 2014.) Nevertheless, the project still experiences difficulties due to unmatched skills of labour force, lack of investment and missing entrepreneurial experiences and intervention of government policies (Hoang, Thompson & Ritter 2014; Pham 2012 & Rosen 2014).

Another noteworthy point in Vietnam technological situation is the emergence of 3D printing technology, which is marked when a group of university students successfully developed 3D printers (Pham 2015 & Khang 2014). According to Liem Hoang and Truong, two students from HCMC Technology University, their 3D printer can work at 0.05 – 0.2 mm precision and produce 200×100×150 mm objects (Khang 2014). Despite the beginning success, they believe it is still a long way to go due to the shortage of technical knowledge, financial support and materials (Pham 2015 & Khang 2014). Speaking of 3D printing market, there are several companies that supply 3D printers and provide 3D printing services such as 3D Maker JSC, Flashforge Vietnam and Café 3D (3D Maker 2014, Flashforge Vietnam 2015 & Tao mau 3D 2014). Although the concept is quite unfamiliar with businesses (3DMaker 2015), it is believed to be the future of Vietnamese industry (Vu 2014).

4.1.5 Environmental situation

Some of the most concerning environmental issues in Vietnam are forest size shrinking, biodiversity damage, waterway pollution, increasing industrial waste, pollution from agricultural production and craft villages, excessive mineral

exploitation and air pollution (Tap chi Cong San 2013). However, the author just briefly discusses the air pollution situation because it is closely related to the subject, Scouter.

As a matter of fact, the air pollution is at an alarming level in Vietnam, especially in big cities such as Hanoi, Ho Chi Minh City (Khuc 2014). According to Environmental Performance Index, Vietnam is ranked at the bottom 10 of the air quality with score of 51.32/100 (Environmental Performance Index 2014). There are several causes for this bleak situation: traffic and production activities from craft villages, industrialized and recycling areas. However, the biggest component is emission from transportation activities (70% of air pollution). (Bac 2013.)

Hanoi, the capital, is among the most polluted cities in South East Asia (Wick 2014 & TN News 2012a). The Directorate of Environment reported that the pollution level in Hanoi has exceeded the standard allowance (Anh 2014). According to ARIA Technologies, Hanoi's level of PM10 (particles smaller than 10 micrometers diameter) is four times higher than the alarm level set by WHO (TN News 2012a). Research also shows that 72% of households have respiratory diseases and one of the main causes is air pollution (Khuc 2014).

4.1.6 Legal situation

Speaking of the legal situation in Vietnam, there are four main points, three of which are directly related to Scouter, the researched product. The first point is an amended and simplified Law of Enterprise. All business and investment activities in Vietnam are administered under the Law of Enterprise (LOE) and Law of Investment (LOI) dated in 2005 (Ernst & Young 2013). However, LOE has recently been amended with several significant changes that will go into effect from 01.07.2015 (Center for Services and Technology Transfer 2014; Le 2014 & Dan 2014).

The amended law creates more freedom and equality for businesses (An Ninh Tien Te 2014). For instance, business registration procedure is simplified (Dan 2014). Businesses do not have to list their line of business, practicing certificate or legal capital (Le 2014 & Center for Services and Technology Transfer 2014).

Enterprises are also allowed to design and manage their own business stamp (An Ninh Tien Te 2014). In addition, an enterprise can have more than one legal representative (PLF Law Firm 2014).

Scouter, the research product, is currently classified as a car according to the National Standards (more in chapter four). As a result, the two following legal points are concerned about the legal situation for cars. Concerning imported cars, Vietnam has regulated heavy taxation. Cars imported into Vietnam are regulated under three kinds of tax: import tax, special consumption tax and VAT (Ministry of Finance 2014a). The formula for calculating taxes is followed:

$$Total\ tax = Import\ Tax\ (I) + Special\ Consumption\ Tax\ (S) + VAT$$

$$I = Car\ price \times import\ rate$$

$$S = (Car\ price + I) \times special\ consumption\ rate$$

$$VAT = (Car\ price + I + S) \times VAT\ rate$$

EQUATION 1. Import Tax Formula (Minh Khue Law Firm 2014).

Since Scouter is an electric vehicle, the author focuses on tax information for electric cars. If electric cars are imported from ASEAN countries, the rate is 50% (Ministry of Finance 2014b). Otherwise, the rate is 70% (Ministry of Finance 2013). The level of special consumption tax specifically for electric cars is 25% (General Department of Vietnam Customs 2013). The VAT level is 10% for cars regardless of types (Vietnam Governmental Portal 2008).

Scouter is a two-seat electric car (Pitkänen 2014) with price assumption of [REDACTED]. The imported company is from Finland. Based on the information above, import tax rate is 70%, special consumption tax rate 25% and VAT rate 10%. As a result, the tax paid on this car is calculated below:

$$I = [REDACTED] \times 70\% = [REDACTED]$$

$$S = [REDACTED] \times 25\% = [REDACTED]$$

$$\text{VAT} = \blacksquare \times 10\% = \blacksquare$$

$$\text{Total} = \blacksquare$$

Because of the extremely high tax rate, the government is planning on reduce taxation especially on imports from ASEAN countries (Tho 2014 & Dau Tu 2014). As agreed with ASEAN Free Trade Area (AFTA), Vietnam plans to reduce import tax level on cars down to 50% in 2015, 30% in 2016, 10% in 2017 and 0% in 2018 (Ministry of Finance 2014b). However, car producers and customers are still pessimistic about the price outlook (Dau Tu 2014; Nhi 2014 & Le 2015c).

Another considerable legal point concerning Scooter is legal ban on certain electrical vehicles for commercial use. Electric vehicles can only be used for normal transportation if they are eligible for national technical regulations for car (Vo & Manh 2015; Ngoc 2015 & Nguyen 2015a). For example, the maximum speed is not below 60km/h, the minimum driveway slope is 20% and the vehicle is not longer than 12.2 meter and not wider than 2.5 meter (Vietnam Register 2011). Drivers need to acquire B2-level license when driving electric cars (Vo & Manh 2015).

Other electric vehicles such as two-wheel or three-wheel electric cars (picture below) are banned on the street for safety reasons and under-qualified technical specifications. The only exception are the vehicles used for tourism purpose such as sightseeing electric car for tourists. (Nguyen 2015a; Ngan, Anh & Thanh 2014; Tien 2014 & Kha 2013.)



PICTURE 1. Electric vehicles imported from China (Hue 2014).



PICTURE 2. Electric cars for tourists in Hanoi and Danang (Kha 2013 & Hoang 2012).

At the same time, the environmental tax on gasoline and diesel is increasing. On 10 March 2015, a new environmental tax has been agreed upon. According to the new law, environmental tax per liter of gasoline and diesel will be increased three-fold. The main reason for this “abrupt” change is believed to be decreasing import tax. As a result, new environmental tax will be compensating for the lost in national budget. Although there is slight dispute over this new change, the new tax is passed by the National Assembly and will be effective from 1 May 2015. The new change is believed to affect both the consumers and businesses greatly. (B. & T. 2015; VTC News 2015 & Tuan 2015.) Below is the table about new environmental taxation.

TABLE 6. New environmental taxation (Tuan 2015). (As per Google Finance on 10 March 2015, VND 1,000 = US\$0.04683)

Nr.	Product	Unit	Current tax (VND/unit)	New tax (VND/unit)
1	Gasoline (except for ethanol)	Liter	1,000	3,000
2	Aviation gasoline	Liter	1,000	3,000
3	Diesel	Liter	500	1,500
4	Kerosene	Liter	300	900
5	Mazut	Liter	300	900
6	Lubricant oil	Liter	300	900
7	Grease	Kg	300	900

4.2 Industry analysis

According to Vietnam Standards 6211:2003, ISO 3833:1977, car is a road transportation vehicle which runs on motor and has at least four wheels (Directorate for Standards, Metrology and Quality 2003). The researched product, Scouter, is an electric vehicle with four wheels and a cycling pedal. The maximum speed with battery is 25km/h and it runs on lithium-ion battery. (Pitkänen 2014.) Hence, Scouter is classified as an electric “car” in Vietnam. However, it is not exactly a “car” either, it is something between bicycle and car (Pitkänen 2014). Based on the uniqueness of the product and the standards in Vietnam, the author analyzes the car industry with focus on electric cars and some similar products on the market.

4.2.1 Threat of substitutes

This part discusses Scouter’s substitutes and how big their threats are. Based on the definition of Scouter, its substitutes range from (electric) cars to look-like-car products on the market.

Indirect substitutes

Scouter is classified as a car in Vietnam because it has four wheels and runs on motor. Thus, indirect substitutes to Scouter are (electric) cars. According to Vietnam Automobile Manufacturer’s Association (VAMA), more than 157 thousands cars were sold in 2014, with 37% increase from 2013 (Duc & Viet 2015 & Tri Thuc Tre 2015). The average price for a car is 764.5 million VND, or US\$35,802 as per exchange rate on Google Finance on 9 March 2015 (Duc & Viet 2015). With the current annual income level of US\$1,910 per person, a Vietnamese resident needs 17 years of savings to purchase a car (Tri Thuc Tre 2015).

The most popular car models in 2014 are Toyota Vios, Toyota Fortuner and Toyota Innova (Duc & Viet 2015 & Tri Thuc Tre 2015). Approximately there is an average of 25.4 units of Toyota Vios sold every day in 2014 (Viet 2015). The price range for Toyota Vios is 538 million – 612 million VND, or US\$25,195 - US\$28,659 as per Google Finance on 9 March 2015 (Duc & Viet 2015). Toyota

Vios owes its popularity to attractive and modern design, comfortable interior furniture, reasonable maintenance cost and good money value (Pham 2014; News Central 2015 & Toyota Vietnam 2015).

The closer indirect substitute to Scouter is an electric car. In order to be used for transportation, electric cars must follow national technical regulations for normal cars (Vo & Manh 2015; Ngoc 2015 & Nguyen 2015a). For the time being, electric cars are not favored by Vietnamese consumers (Tran 2015 & Nhat 2014). There are several reasons for this situation. Firstly, electric cars are quite inconvenient in terms of low speed, regular charging and not, at all, cheaper than regular cars (Tran 2015). For example, a Nissan Leaf is sold at US\$75,000 while an average price for car is more or less US\$35,000 (Quang 2014 & Tran 2015). Moreover, there has not been any charging station available in Vietnam; thus, it is difficult to recharge every time (Nhat 2014). Secondly, battery disposal after use raises questions about environmental safety. There is growing concern about devastating environmental effects if users dispose the battery into the environment. (Tran 2015 & Nhat 2014.) Thirdly, electric car industry is in need of tax incentives, infrastructure development as well as auxiliary industries (Nhat 2014).

Direct substitutes

The direct substitute of Scouter should be more or less similar to Scouter. Scouter is an electric vehicle with four wheels and a cycling pedal and it runs on lithium-ion battery (Pitkänen 2015a). In the Vietnamese market, recently, a type of Chinese electric vehicle has appeared on the street. Even though they are not legally recognized because of unsafety technical specifications, the demand for it seems to increase gradually. (Thuy 2015.) According to a retailer in Hanoi, the vehicle named Dolphin has two seats, 3kW motor and automatic transmission. Dolphin (pictures below the table) also operates on lithium-ion battery like Scouter does. The maximum speed is 40km/h and it needs re-charging every 120km. (Huy 2015.) The table below shows detail comparison between Scouter and Dolphin.

TABLE 7. Features of Scouter and Dolphin (Huy 2015; Pitkänen 2015a & Pitkänen 2015b)

Category	Scouter	Dolphin
<i>Transmission</i>	Auto	Auto
<i>Motor power</i>	1kW	3kW
<i>Battery type</i>	Lithium-ion	Lithium-ion
<i>Maximum speed</i>	25 km/h	40 km/h
<i>Distance till the next charge</i>	25 km per battery	120 km
<i>Charging time</i>	4 hours	N/A
<i>Charging current</i>	AC – 220V	AC – 220V
<i>Dimension</i>	Width: 1m	2.1m × 1.12m × 1.565m
<i>Price</i>	██████████ ██████████	VND 70,000,000 (or US\$3277.4 as per Google Finance on 10 March 2015)
<i>Special feature</i>	Has cycling pedal Can be modified according to users	

In terms of design, Dolphin has, for the time being, one color available with a slim and modern look (Nguyen 2015b). Below are several pictures collected from the mentioned retailer in Hanoi.



High window,
double headlamp



Two seats



Steering wheel
with automatic
transmission



AC-220V charge

PICTURE 3. Dolphin – Chinese electric vehicle (Nguyen 2015b).

Despite the popular demand for Dolphin (Thuy 2015), such product have had difficulties in expanding on the market because of missing legal paper (Huyen 2015 & Phong 2015). Normally, there is no legal registration paper, custom declaration or regulation permission (Thuy 2015 & Tien Phong 2015). As a result, consumers are still hesitant to buy them. They are afraid that they cannot run the vehicle on the streets without missing legal documents and safety control. (Tien Phong 2015.)

4.2.2 Threat of new entrants

The threat of new entrants are often reflected through the entry barriers. The higher the barriers, the lower the threat. (Barney & Hesterly 2008, 41.) Since Scouter is defined as a car in Vietnam, the author focuses on analyzing the entry barriers into the car industry. The biggest entry barrier is believed to be diseconomies of scale (Khanh 2013 & To 2014). There are two main reasons for this situation.

First, the auxiliary industry is still weak and small (Chung 2014; To 2014 & Phuong 2014b). At the moment, there are about 200 firms that produce car components and only about half of them can meet the demand of car manufacturers (Chung 2014 & Mai 2014). In addition, most of the components produced are simple with low technical complex. As a result, car manufacturers have no choice but to import. Approximately US\$2 billion worth of car components are imported every year. (Chung 2014.)

Second, high taxation also contributes to the diseconomies of scale. According to Mr. Gaurav Gupta, General Manager of General Motors Vietnam, tax accounts for 60% of car price on the market (Khanh 2013). Many car companies such as Hyundai Viet Han Joinstock are frustrated about the way car tax is calculated (Hyundai Cam Le 2013) (See tax formula in part 4.1.6). Because of high taxation, production cost in Vietnam is 20% higher than that of China even though labour cost is three times cheaper (Khanh 2013).

4.2.3 Bargaining power of buyers

There are many factors that construct the bargaining power of buyers. However, the author just focuses on two factors listed in part 3.2.3: price sensitivity and product standardization.

Studies has shown that 83% of Vietnamese consumers compare prices before they make purchase decisions. In addition, 81% is aware of product price and 55% check prices carefully. 75 % of Vietnamese consumers believe higher price indicates higher quality. In fact, 73% is willing to pay more for higher-quality products (Nielsen Vietnam 2014, 15.) In terms of product standardization, Scouter is quite different from its substitutes. Scouter is a light vehicle with maximum capacity of 250kg (Pitkänen 2015a). It is only one meter wide (Pitkänen 2015a), which is 60% less than the regulated width (Vietnam Register 2011). Moreover, the users can personalize and modify Scouter for business use e.g. delivery truck, ice cream truck, mobile flower shop, (Pitkänen 2015a). Battery is another competitive advantage. The battery is rather light-weighted, only 6 kg each (Pitkänen 2015b). One battery can be recharged for 1000 times and users can add more batteries for bigger capacity (Pitkänen 2015a).

When it comes to owning a car, Vietnamese consumers are usually reluctant and hesitant because of the tremendous amount of cost (The 2012 & Hai 2015). They have to pay for three kinds of taxes and the tax level is extremely high (The 2012). Moreover, car owners are responsible for seven types of registration fees (Hai 2015). As a result, research shows that only Vietnamese whose monthly income level exceeds VND 50 million or US\$ 2,321 as per Google Finance on 30 March 2015 can afford a car (Nghiep 2015 & Nguyen 2014). Meanwhile, the average monthly income level in Vietnam is VND 3.8 million (Nam 2014), which is 13.15 times less than the “affordable” level. In addition, according to Nielsen Vietnam, there is less than 1% of population whose income is more-or-less the “affordable” level (Nielsen Vietnam 2014 & Nielsen Vietnam 2013). As a result, it is safe to conclude that when it comes to owning a car, Vietnamese consumers do not have much bargaining power.

4.2.4 Rivalry intensity

Rivalry intensity is composed of industry growth rate, competitor factors, and product differentiation. Speaking of industry growth rate, 2014 has been a good year for car industry (Khoi 2015). The figure below shows detail about sale figures of the total industry.

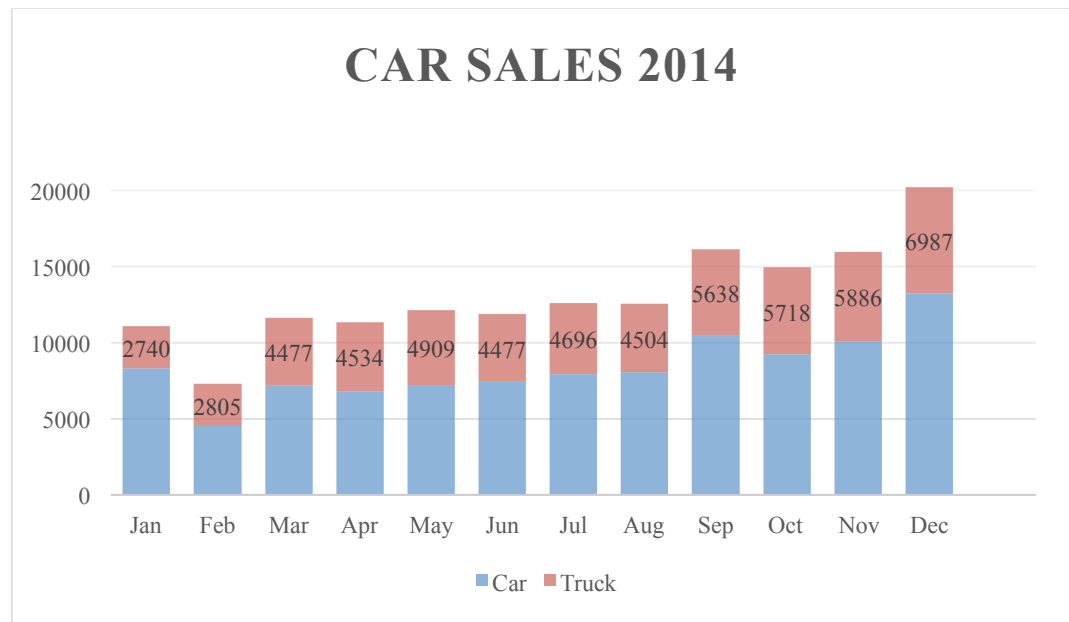


FIGURE 10. Car sales 2014 (VAMA 2015).

It can be seen from the chart that the sales have been increasing constantly throughout the year. The sale figure in December 2014 is 20,208 units, with 27% rise from November 2014. In total, the year-to-month sale 2014 reaches 157,810 units, up 42.71% from last year. (VAMA 2015.) The sale forecast for car industry is, overall, positive with year-end sale of 200,000 units (Tho 2015a). In fact, car sales of the first two months in 2015 have grown as well (Le 2015d & Tho 2015b). There are several reasons for this promising situation. First, the economic is anticipated to grow in 2015 with estimated 5.8% GDP increase. Second, the infrastructure is being improved, especially in big cities such as Hanoi, Ho Chi Minh City. Third, the overall gasoline prices are reducing and expected to continue in 2015. Fourth, many new car models will be introduced into the market with high anticipation from the market. Fifth, registration fees are likely to drop as car manufacturers are working on a proposal with the Government. Finally, based

on the new car tax and tax incentives, car prices might possibly decline. (Tho 2015a.)

Speaking of competitor factors, the author concentrates on the companies or individuals who supply Scouter’s substitutes. As mentioned in part 3.2.1, Scouter’s substitutes are (electric) cars and Chinese look-like-car electric vehicles.

In the car manufacturing market, Truong Hai Auto Corporation (Thaco) is currently leading the market with 2,965 units sold in February 2015 (Tho 2015b). Thaco is the manufacturer and distributor of KIA, MAZDA and PEUGEOT in Vietnam (Thaco Group 2013). Following Thaco closely is Toyota with 2,868 units sold, 97 units less than Thaco’s figure. The best seller is still Toyota Vios, the most popular car model in 2014. (Tho 2015b.) The third place belongs to Ford with 965 units and the best-selling model is Ford Ranger (Tho 2015b). The following chart shows detail all of the competitors and their market shares in the car market.

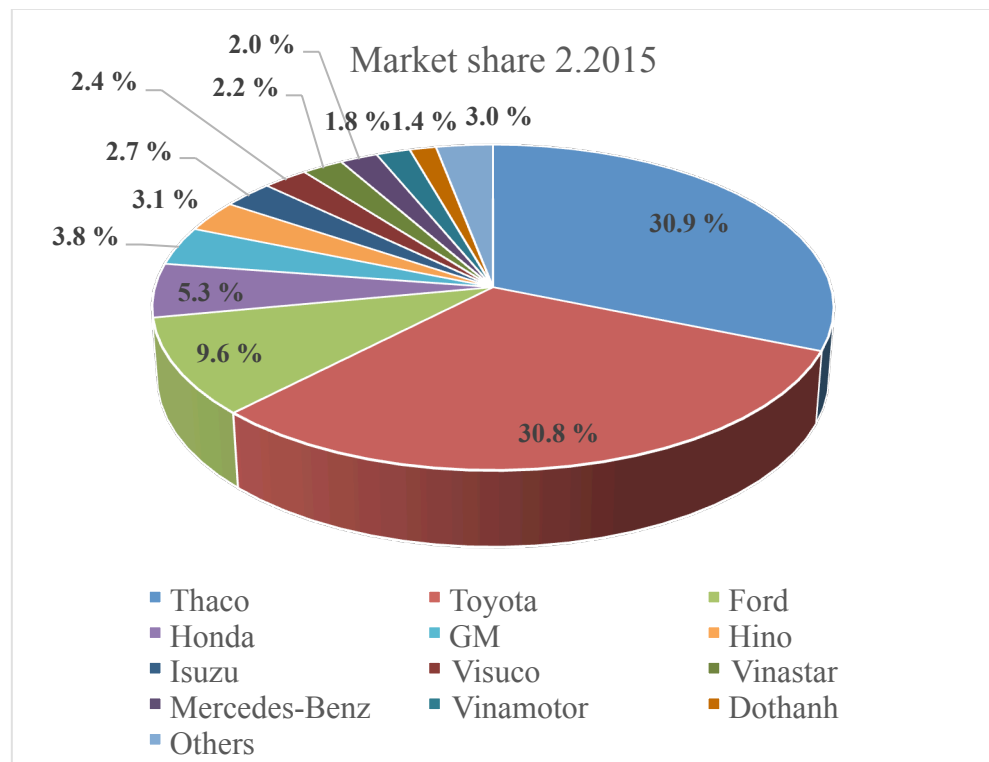


FIGURE 11. Car market share 2.2015 (Thaco Group 2015).

Despite the growing car market (Khoi 2015), there has not been a market for electric cars yet (Tran 2015 & Nhat 2014). One of the electric car models ever

introduced in Vietnam is Nissan Leaf. The model is sold in one car retailer in Ho Chi Minh City. The advertising price is VND 1.55 billion or US\$72,168 as per Google Finance on 16 March 2015. It runs on 24kWh lithium-ion battery that produces 107-horse power. The charging time is roughly three hours and it can travel 135km at full battery. (Ba 2014.) Unfortunately, there has not been any record of its sale so far.

About the Chinese look-like-car electric vehicles, there has not been any authorized retailers or sellers since the product is legally banned on the street (Nguyen 2015a; Ngan, Anh & Thanh 2014; Tien 2014 & Kha 2013). The only sources about suppliers that the author could find are two Facebook pages: Bán Ô tô điện (or Electric Car Sale) and Xe điện (or Electric vehicles) but there is no information regarding the supplier or the product itself except for the photos.

In terms of product differentiation, there has not been any standard product on the market yet so it is hard to compare Scouter to the standard product. Thus, the author describes Scouter's value-added features evaluated to differentiate Scouter from its substitutes. Scouter is a light vehicle with maximum capacity of 250kg (Pitkänen 2015a). It is only one meter wide (Pitkänen 2015a), which is 60% less than the regulated width (Vietnam Register 2011). Moreover, the users can personalize and modify Scouter for business use e.g. delivery truck, ice cream truck, mobile flower shop, (Pitkänen 2015a). Battery is another competitive advantage. The battery is rather light-weighted, only 6 kg each (Pitkänen 2015b). One battery can be recharged for 1000 times and users can add more batteries for bigger capacity (Pitkänen 2015a).

5 CONSUMER ANALYSIS

In this chapter, the author presents general characteristics of Vietnamese consumers and more specifically, of Hanoi consumers. In addition, empirical data from 26 interviews are presented in the second half of this chapter to summarize what people think of Scouter.

5.1 Consumers' characteristics

According to research, Vietnamese consumers are obtaining an optimistic view of the economic within the next 5 years since CCI is showing recovery (Tran, Nguyen & Ha 2014, 16). At the same time, Nielsen has published studies saying that Vietnamese consumers are the most economical consumers in Southeast Asia (Thanh Nien News 2015 & Son 2014). In fact, about 77% of participants are reported to spare cash for savings (Thanh Nien News 2015). Some of the expenses on which consumers are cutting are gas and electricity (Nielsen Vietnam 2014, 13). Furthermore, Vietnamese consumers are more wealthy, educated and mobile (Nielsen Vietnam 2014, 26). In terms of shopping behaviors, 92% of consumers are more likely to trust recommendations from people they know (Nielsen Vietnam 2013, 44-46). Meanwhile, BCG's research has shown 51% of Vietnamese consumers and 80% of elite consumers shop in supermarkets and hypermarkets in addition to traditional markets (Doanh Nhan Sai Gon 2014).

Speaking of Hanoi consumers, research has shown some special characteristics of this group. Hanoi consumers are reported to be highly price-sensitive; thus, they pay substantial attention to sale promotions and after-sale services (Nguyen 2011 & Nielsen Vietnam 2009). Moreover, Hanoi consumers are very fond of and willing to pay more for products with high badge value and impressive appearance (Nguyen 2011 & Trich 2010). In term of purchasing decision, Hanoi consumers are strongly affected by other people's opinions (Nielsen Vietnam 2009 & Trich 2010). In fact, they are likely to stop buying a product if someone else criticizes it (Nielsen Vietnam 2009). The following figure summarizes characteristics of Vietnamese consumers, in general, and Hanoi consumers, in specific.

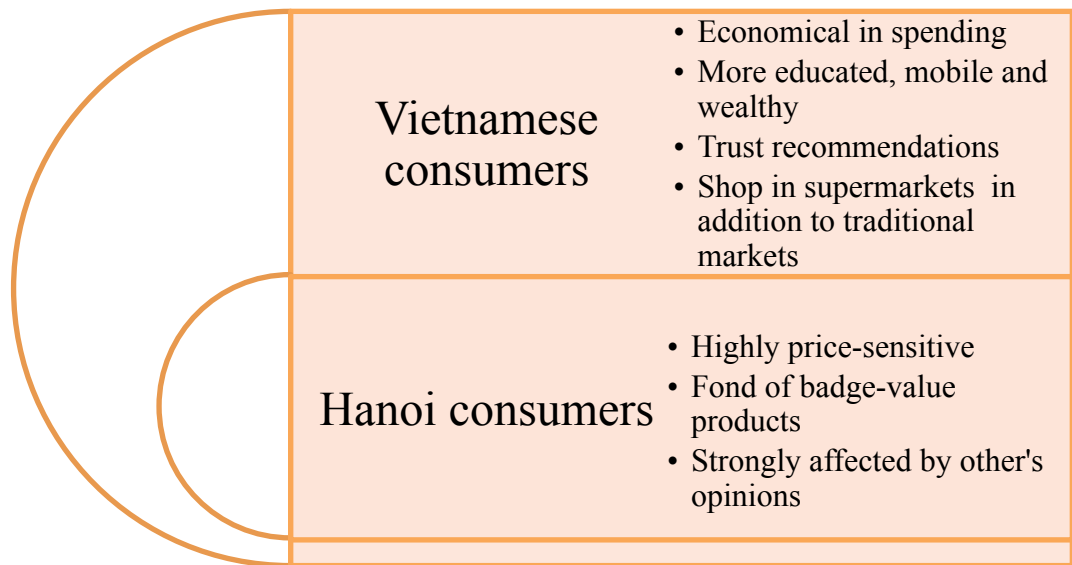


FIGURE 12. Characteristics of Vietnamese and Hanoi consumers

5.2 Hanoi consumers and Scouter

In order to get the idea of how Hanoi consumers think of Scouter, the author conducted 26 interviews via Internet with the help of smart-phone applications e.g. Viber, Skype and FaceTime. The talking time ranged from 15 to 30 minutes. The interviewees aged 22 to 64 years old all reside in Hanoi. As a result, this part is dedicated to result summarization and analysis. The first sub-part outlines the interview questions. The second sub-part explains the interviewee selection. The third sub-part sums up the results and lays out the analysis.

5.2.1 Interview questions

The questions are divided into two parts. The first one asks about biographical information and habits of using vehicles. The questions include choice of vehicle, running and maintenance expenses, drawbacks of the current vehicle and desired vehicle. In addition, the interviewees were asked about their attitudes towards eco-friendly products and product origin. In the second part, the author showed the interviewees a picture of Scouter. Then, the interviewees were enquired to describe their first impression about Scouter, alternations for the product, willing-

to-pay price, and presumed uses in daily life and business. As mentioned in the “Research methodology and method” (part 1.3), the employed interview type is semi-structured. Thus, the questions slightly changed according to the flow of the conversation between the author and the interviewee. However, there are certain themes and standard questions used as interview guides. The interview sample can be retrieved in the first Appendix.

5.2.2 Interviewee selection

The interviewees were selected based on three criteria: income level, age and marital status. Based on the fact that the middle class is growing in Vietnam (Chi 2014; Doanh Nhan Sai Gon 2014 & TTVH 2012), the author picked all of the interviewees from that segment. In fact, they belong to medium-high income class whose monthly income is higher than VND 4.5 million or US\$209.295 as per Google Finance on 26 March 2015. Moreover, since Scouter is classified as a car (part 3.2) and it is extremely costly to buy and own a car in Vietnam (Nguyen 2014; Nghiep 2015 & The 2012), it is reasonable to target at higher-income segment.

The second criterion is age. The interviewee’s age ranges from 22 to 64. The reason for this wide range is that the author aims to collect diverse opinions and to discover how demand varies according to different age. However, the interviewees all share one thing: they are financially independent. The third criterion is marital status. The author interviewed both married and non-married people in order to recognize the different needs of a household and an individual.

Among 26 interviewees, there are four expatriates who are based in Hanoi. The minimum living time is three years. The idea is to gather opinions of a foreign group, who often have higher income than the locals (TN News 2012b & Alo Trip Ltd 2014) and come from different cultures.

Below is the sum-up figure of interviewee profile. Each box represents one person and there are 26 boxes in total. Inside the box, there is information about name, age and profession. The red color indicates female, blue male. Color-filled boxes imply married; otherwise, single. For information security reason, the author only

listed the abridged names of the interviewees.



FIGURE 13. Interviewee profile

5.2.3 Results

In order to present the data in an easy-to-comprehend way, the author initially divided the interviewees into five groups:

- Group 1: Young (below 35) and single (6 interviewees)
- Group 2: Young (below 35) and married (5 interviewees)
- Group 3: Middle-aged (from 35 to 54), married (6 interviewees)
- Group 4: Senior (above 54), married (5 interviewees)
- Group 5: Expatriates (4 interviewees)

In the interview, the participants were asked about the choice of vehicle, running and maintenance expenses, drawbacks of the current vehicle and the desired vehicles. In addition, they were enquired about their attitudes towards eco-friendly products and product origin. Regarding Scouter, the author questioned their first impression, alternations for the product, willing-to-pay price, and presumed uses in daily life and business. Despite the diverse age and professions, there are several shared opinions and beliefs regarding those questions. The table below sums up all of the issues that were most brought up.

TABLE 8. Most common opinions brought up in the interviews

Issues	Common opinions/beliefs and author observations
The currently-used vehicle	Generally satisfied with the cost spent
An ideal vehicle to use	Motorbike because of the congested and small streets in Hanoi But prefer car (if affordable)
Car as a daily means transportation	Preferred if affordable Safer and more convenient in bad weather (rain, storm, sunny weather) Difficult to find parking space
Attitudes towards eco-friendly products	Supportive and positive Not using often due to the shortage of supply Concerns about price differences compared to normal products
Product origin	Foreign products have higher quality than local products especially medicine, cosmetics, electronics Prefer to buy higher quality products ► More often purchase foreign goods
The concept of Scouter	Interesting, unique Unusual, different, funny Environmental-friendly
First impression about Scouter	Immediately assumed it was a car, but changed the idea after descriptions

Alterations for Scouter	Clearer concept: Is it more like a car or a motorbike? Add roof (or convertible cover) and door so that it is more secure and suitable for Hanoi's tropical weather More color choices
Willingness to pay for Scouter	US\$5,000 (most mentioned number!)
Daily use of Scouter	School, work, leisure Within the city and short distance transportation
Business use of Scouter	Based on the illustrating picture, the interviewees had a hard time picturing how Scouter could be used for business.

In addition, different groups raised dissimilar opinions about other issues such as vehicle choices, Scouter's design and willing-to-pay prices. The following part digs deeper into each group's issues.

Group 1: Young (below 35) and single

The main characteristics of this group are young and single. They tend to pay more attention to appearances. Since they are not married, there is no kid dependent on them financially. All of the interviewees work in business or related-to-business fields and their income is rather high compared to average. Furthermore, they mainly use motorbike with an average monthly gasoline expense of VND 500,000 or US\$23.23 as per Google Finance on 27 March 2015. The tendency to buy foreign goods is not dominating since the sole concern is high quality. Thus, regardless of product origin, they tend to buy the products that best suit their demand.

In terms of Scouter, there are two separate viewpoints. One is considering Scouter a car; therefore, price perception varies from US\$3,000 to US\$20,000. The expectations for Scouter are also similar to those for a normal car: cover, door, etc. The other viewpoint is looking at Scouter as an "advanced motorbike" since it has only two seats. Hence, the expectation is less and so is the willingness to

pay: US\$1,000 - US\$3,000. The possible business uses for Scouter, according to some interviewees, could be marketing and PR because the vehicle “looks easy to decorate”. Another idea is to pick-up merchandise for small clothes store. Even though they think the concept is “*interesting*”, the overall impression is not entirely positive because of the “*abnormal, unimpressive, inconvenient*” design of Scouter.

Group 2: Young (below 35) and married

Group 2 includes married people with or without kids. Different from group 1, they are more concerned about product usefulness and price, rather than appearance. 3 out of 5 interviewees own a car and use it often. The tendency to buy foreign products is vividly visible among the group.

Regarding Scouter, the overall attitude is either neutral or positive and the price range is from US\$1,000 - US\$50,000 varying accordingly to the income level. The trend is the higher the income, the higher the estimated price. Since they are married, they pay more attention to space and number of seats. All of the interviewees said that they would be more willing to buy Scouter if there were at least four seats and a trunk in the back. In terms of business use, 100% of this group members expressed no interest or intention at all. It is worth mentioning that one interviewee of this group has very close impressions about Scouter to Group 1. Although she is married, she is 25 years old and has not had or planned to have any kid yet.

Group 3: Middle-aged

The interviewees in this group are from 44 to 53. They are the generations who have adolescent children and partially or entirely take care of them. Although most of interviewees own a car (4 out of 6), they still use motorbike more often. The attitude towards local and foreign products is separated yet clearly defined. With regard to perishable and low-value goods, they are willing to buy local products. On the other hand, relating hi-tech products such as electronics, cosmetics and medicine, they obviously favor imported products.

Speaking of Scouter, this group shared a neutral/positive attitude with Group 2. However, one interviewee with expertise in business and engineer has quite strong opinion against Scouter. He said the concept of Scouter was unclear, “cloddish” and unfit for the Vietnamese environment. The price range for Scouter is US\$1,500 - US\$15,000.

Group 4: Senior (above 54)

The participants in this group belong to the generation who have grownup children. It means that normally no one is dependent on them but in some cases, only grandchildren. Similar to group 2, the tendency to purchase imported goods is very strong though they are willing to support local products. Concerning Scouter, the impression is not purely positive. There is a shared belief that it is not suitable for the Vietnamese market because the consumers might not be clear about the concept, thus not ready for it. In addition, there is a consensus price put on Scouter: VND 100 million or US\$4,642 as per Google Finance on 30 March 2015.

Group 5: Expatriates

The shared feature of this group is that everyone comes from a different country and has lived in Hanoi for a long time (minimum three years). Thus, they have a basic understanding of how things work in Vietnam. These interviewees tend to choose foreign products over local because the local ones cannot meet their personal demand. Speaking of Scouter, they think the look is “futuristic” with box-like design. The overall impression is very positive because they really support the concept of Scouter though one person expressed doubt about its applicability in Vietnam. The price varies greatly according to personal use, from US\$1,500 to US\$20,000. Business uses for Scouter are listed as for public promotion, mobile restaurant and delivery services.

6 CONCLUSION

This chapter gives answers to the research questions. In addition, the author suggests the next actions for the company. At the same time, topics for further research are proposed. Finally, reliability and validity of the research are discussed.

6.1 Thesis findings

This part presents a cluster of information that help answer the research questions. There are four research questions listed at the beginning of the thesis. Question 1 asks about external factors affecting in Scouter. The factors are listed in the table below. A factor acts as either an opportunity/advantage or a challenge/disadvantage.

TABLE 9. Macro environment challenges and opportunities

Opportunities/Advantages	Challenges/Disadvantages
Stable political environment	Inefficient rule of law
Young age structure	Concerning CPP
The rise of middle or consumer class	Noticeable level of corruption
Growing spending trend in green products	Heavy taxation on imported cars
Blooming concern about obesity	Legal ban on vehicles like Scouter
Growing technology industry	
The emergence of 3D printing	
Alarming air pollution in urban cities	
Increasing environmental tax on gasoline and diesel	

Question 2 asks about the competitiveness of the vehicle market in Vietnam.

Using the Porter's Five Forces, the author sums up evaluations of each factor.

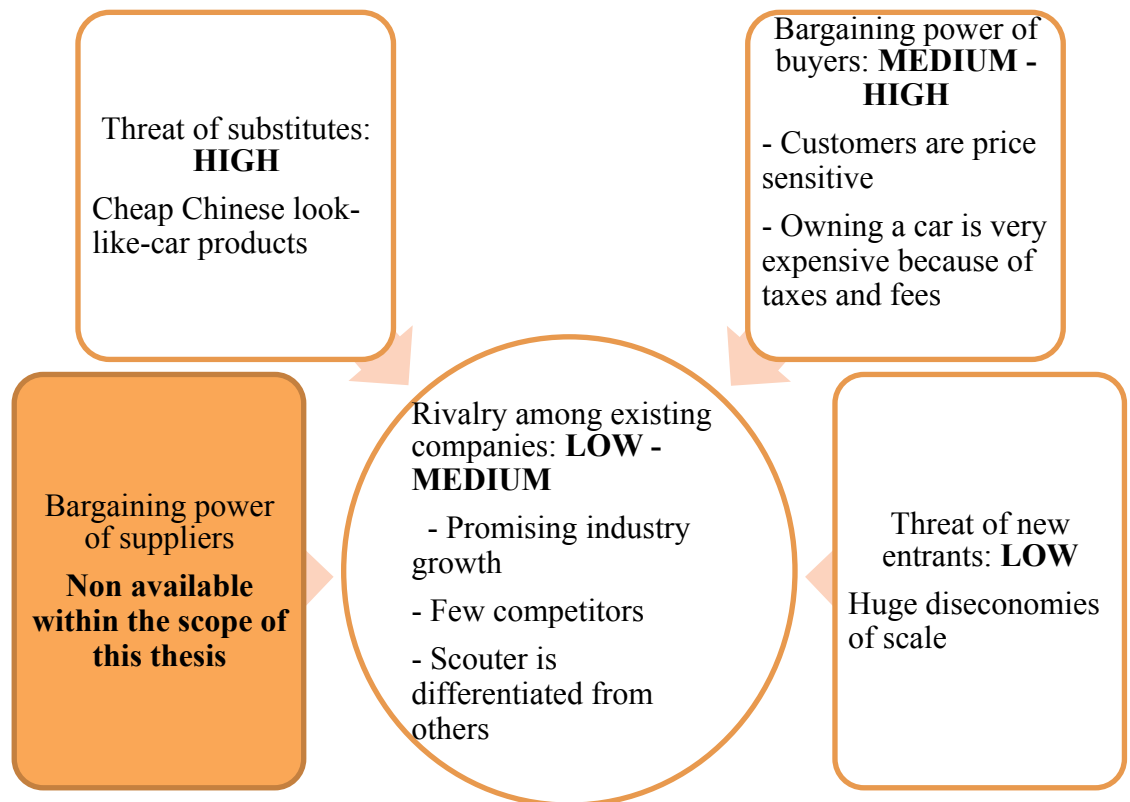


FIGURE 14. Market competitiveness

Due to the limited scope of this thesis, the factor concerning “Bargaining power of Suppliers” is not discussed. Therefore, based on the correlation among Five Forces, if the bargaining power of suppliers is high, the market is, overall, highly competitive and vice versa.

Question 3 asks whether there is a niche market for Scouter in Vietnam. In fact, there is such market for Scouter, a car-like vehicle. For one reason, less than 1% of the population can afford a normal car. In addition, consumers are willing to purchase any car-like products as long as they are cheaper. For example, Chinese look-alike-car vehicles are on high demand even though they are not legal. Thus, it is reasonable to conclude that there is a market for Scouter in Vietnam.

Question 4 asks for product adaptation ideas to the Vietnamese market. Taken from 26 interviews with Hanoi consumers, these ideas are practically based on

customer's demand and expectations. The table below lists all of the mentioned ideas.

TABLE 10. Product adaptation ideas

Categories	Product adaptation ideas
Concept	Clearer product concept: Is Scouter a budget car or an advance motorbike?
Design	- More color choices
	- Less square-like, box-like look
	- Add cover/roof and door to make it more closed and secure
	- More space for bags and luggage's
	- Add windshield to prevent dusk
Functionality	- 1 or 2 seats
	- Higher maximum speed
Battery	- Add solar panel on the back to assist battery
	- Spare battery
	- Extended battery life
Other	- Spare wheel

6.2 Suggestions for the next action and topic for further research

Based on the thesis findings and personal background, the author suggests that the company consider going for the market with an adapted product and further research. The recommended direction is to turn Scouter into a budget-friendly vehicle, which looks similar to a car but functions like an electric bike.

Although it might be challenging at the moment as Vietnam is still an emerging market, the company can actively take measures to overcome difficulties. Firstly, regarding the missing regulations, it is a known fact that companies can lobby to enforce the law (C.Tuan 2015). Moreover, since the demand for such vehicle like Scouter is on the rise (Thuy 2015), the government will have to make the law soon (Ngan, Anh & Thanh 2014). Secondly, technical adjustments could be made to "avoid" heavy taxation. According to the national regulations, a "car" is a motor vehicle, which has, at least, four wheels and runs on a motor (Vietnam

Register 2011). Thus, if the company can make any change regarding either factor, Scouter will not be classified as a car and, hence, not be regulated under car taxation. Thirdly, according to Petri Pitkänen, CTO and CHP of the company, they are very flexible in terms of product adaptation. The current technical condition is to meet the European law and they are willing to adjust the product within certain limits. (Pitkänen 2015b.)

Nevertheless, further research should be done to ensure the success rate of the business. The first topic is further legal regulations on Scouter e.g. which factor would define Scouter as what it would. Then the company can make right and legitimate adjustments, which could also help avoid taxation. The second research is about specific customer segments at whom the company could target. The third topic is extended market research to other cities such as HCMC, Da Nang, Can Tho, etc. so that the company can decide on a good starting point.

6.3 Reliability and validity

The thesis is relatively valid and reliable. All of the collected data are relevant and valuable in the case of market entry decision. In fact, they are closely related to the research object and questions. Moreover, the data collected are at country-level and industry-level so they can be generalized for similar industries or other cities in Vietnam. In terms of reliability, the thesis can be viewed as highly reliable. All of the secondary information were carefully chosen from trustworthy sources. Even though electronic sources contribute a big deal to the thesis, these sources are official, honest and reliable newspapers in Vietnam and the world. The list of example Vietnamese e-newspapers used in the thesis can be found in the second Appendix. Primary data were collected from interviews with the company and Hanoi people. The author conducted all of the interviews and the language used is either Vietnamese or English. Vietnamese is the native language of the author and most of the interviewees. Speaking of English interviews, the interviewees acquire either native or professional working level of English. Meanwhile, the author possesses proficient English skills. Therefore, understanding is guaranteed.

7 SUMMARY

This chapter is dedicated to summarizing this thesis. It started out as a project for a Finnish start-up. They want to know how their new product, named Scouter, would be used in certain market areas. At the same time, the author wishes to introduce the concept to her home country, Vietnam. As a result, the main goal of this thesis is to discover possible uses of Scouter in Vietnam. The thesis uses deductive reasoning and qualitative research method. Primary data are gathered from interviewees with consumers and the company. Meanwhile, secondary data are cited from trustworthy and honest sources. Using the marketing tools PESTEL and Porter's Five Forces, the author conducted thorough country and industry analyses. Consumer analysis is completed by gathering consumer's opinions via semi-structured interviews.

The empirical part includes three analyses. The country analysis, backed by PESTEL, points out certain macro environment opportunities and challenges for the company. Furthermore, Porter's Five Forces help examine the competitiveness of the car industry to which Scouter currently belongs. Thanks to the industry analysis, the thesis explores the possibility of a niche market for Scouter in Vietnam. Besides, the thesis also proposes product adaptation ideas to the company. The ideas come from consumers in Hanoi and they represent the actual demand and expectations. At the end of the thesis, the author presents research findings, proposes next actions for the company, and suggests further topics for research. The thesis, overall, is evaluated to be relatively valid and reliable. The company is recommended to use the thesis as a reference when making the decision to enter the Vietnamese market.

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T.Hien. 2015. *Office Staff*. Interview 17 March 2015.

T.Thi. 2015. *Saleswoman*. Interview 19 March 2015.

APPENDIX

INTERVIEW SAMPLE

Part A. General Information

1. How old are you?
2. What is your profession?
3. Are you married?
4. Do you have any children/kids dependent on you?
5. What is your level of your family net income?
6. Do you or your family have a car?
7. What is your main means of transportation?
8. How much does it cost you to use this vehicle?
9. How much do you spend on maintenance of this vehicle monthly i.e. insurance, general check-up?
10. Are you satisfied with the cost spent?
11. What disturbs you with the current vehicle?
12. Which vehicle would you like to use? Why?
13. How many people including children are dependent on this vehicle?
14. What do you think of eco-friendly products?
15. Are you willing to pay more for an eco-friendly product?
16. Would you prefer a local product to a foreign counterpart?

Part B. Product-related information

17. What is your first impression about this vehicle?
18. If you could change anything about the vehicle, what would you change?
19. Would you buy this vehicle?
20. How much would you pay for this vehicle?
21. What are the daily uses do you think you could make with this vehicle?
22. What are the business uses do you think you could make with this vehicle?

VIETNAMESE E-NEWSPAPERS USED IN THE THESIS

TABLE 11. Example Vietnamese e-newspapers used in this thesis

Name	Description/Governing Body
.gov.vn	Official governmental site
Anninhthudo.vn	Hanoi Police Department
Baodatviet.vn	Vietnam Science and Technology Association
Baodautu.vn	Ministry of Planning & Investment
Chinhphu.vn	Government of Vietnam
Dantri.vn	Vietnam Learning Promotion Association
Doanhnhansaigon.vn	Association of HCMC Entrepreneurs
Hanoimoi.com.vn	The City of Hanoi
Nguyentandung.org	Prime Minister
Nld.com.vn	HCMC Labor Union
Radiovietnam.vn	Vietnam Radio Newspaper
Thanhvien.com.vn	Forum of Vietnam's Youth Association
Thanhviennews.com	Vietnam's Youth Association
Thesaigontimes.vn	HCMC Department of Industry and Trade
Tienphong.vn	HCMC Communist Youth Union
Tinnhanhchungkhoan.vn	Ministry of Planning & Investment
Tuoitre.vn	HCMC Communist Youth Union
Vietnamnet.vn	Ministry of Information and Communications
Vneconomy.vn	Part of Vietnam Economic Times
VnExpress.vn	Most-viewed e-newspaper in Vietnam
Vnmedia.vn	Vietnam Posts and Telecommunications Group