1997

Asia's Next Tiger?

Clifford J. Shultz
Loyola University Chicago, cshultz@luc.edu

William J. Ardrey

Recommended Citation
Shultz, Clifford J. and Ardrey, William J.. Asia's Next Tiger?. Marketing Management, 97, 5: 26-37, 1997. Retrieved from Loyola eCommons, School of Business: Faculty Publications and Other Works,
Asia's Next Tiger?

Vietnam is fraught with promise and peril for marketers.

Vietnam has come a long way since the 1986 decision by the Communist Party (CPV) to implement Doi Moi, or economic renovation. Its economy is humming along with near-double-digit growth rates and foreign investors line up to fund the choice projects for Vietnam’s expansion. Abroad, Vietnam has achieved stable relations with its neighbors, reduced its military expenditures, and forged foreign policy successes with the Association of Southeast Asian Nations (ASEAN), the United States, and China.

These macroeconomic and foreign policy trends have spawned a boom economy. The Vietnamese government wants—indeed, desperately needs—this boom to continue, and Vietnamese consumers are increasingly unlikely to accept anything less than full integration into the global economy. As economic reforms create more wealth in Vietnam, more and more Vietnamese consumers are shifting from the grind of daily subsistence to the joys of consumption.

If Vietnam continues its drive to modernize, promising opportunities for marketing firms will continue to emerge. But peril accompanies this promise and marketing managers must have a keen awareness of the many factors that can predict success or failure in Vietnam.

War Wounds

Say the word “Vietnam” and myriad images come to mind. For most Americans, it evokes recollections of grisly war footage and boat people; for younger Americans, it conjures up Hollywood’s depictions of the war. Rarely does one think of present-day Vietnam, a country of enormous natural wealth and limitless potential. Its natural assets include timber, fisheries, vast oil and gas reserves, a coastline longer than the one extending between Seattle and San Diego, and fertile soil that has enabled Vietnam to become the third-largest rice producer in the world. The nation’s cultural wealth includes the traditions and historical sites of 4,000 years of national identity. Its people are industrious, cheerful, and very keen to join the consumer society. Yet Vietnam still struggles to be seen as a country, not a war.

Recently, Vietnam has been able to attract significant private investment capital and multilateral aid; the Ministry of Planning and Investment received license applications for $5.4 billion in
1995 and hopes to exceed $6 billion in 1996. With development aid came more private business. The World Bank financed a $2 billion highway and infrastructure project that brought big American companies such as Caterpillar, Morrison Knudsen, and others to Vietnam. Total investment of over $520 million from U.S. companies alone flowed into Vietnam by the end of 1995.

Forward-thinking marketing managers look at Vietnam as a promising market; with 74 million consumers, it is the 13th largest in the world. Whether one is selling earth movers or soft drinks, airplanes or cosmetics, Vietnam is already a burgeoning market with considerable purchasing power. In 1994, the United States was a virtual nonplayer; by 1996, it was the sixth-largest investor. Nevertheless, Vietnam is not an “easy” market, nor is it one that lends itself to simple replications of successful strategies used in other parts of Southeast Asia or China. Vietnam is a market of inexplicable contradictions of the good-news, bad-news sort.

**First, the Bad News**

With all the hype over opportunity in Vietnam, it’s easy to forget that this economic change is quite recent. Once isolated and totally dependent on dwindling aid from the Soviet-controlled Council for Mutual Economic assistance, Vietnam was unable to tap into Western capital and know-how until its withdrawal from Cambodia in 1989. In addition, as a result of the U.S.-led embargo and poor central economic planning at home, Vietnam still has an annual per-capita income under $400. And even though the Doi Moi policy has been successful to date, Vietnam’s small but growing middle class counts on annual incomes of less than half the $2,600 of their upwardly mobile neighbors in China.

Vietnam remains a poor country with a physical, legal, and economic infrastructure that is still undergoing a massive overhaul. Economic reform was undertaken in reaction to the utter failure of the command economy to survive without Soviet assistance, not as part of a master plan for development as envisioned by other Asian “tiger” states. This overhaul was and still is administered by CPV and any ambition for doing business in Vietnam must consider that the country will continue to be a single-party state. Accordingly, regulations, laws, and licenses continue to be issued and enforced at the discretion of the CPV, which, despite the reform movement, is not altogether comfortable promoting “market socialism,” the term preferred by the CPV to describe a market economy administered in the shadow of socialist ideology. But the reform process does continue to lurch forward, albeit with numerous stops, starts, and more than a few steps backwards.

The result is that Vietnam is similar to a football field with moving goal posts—the rules
Asia's Next Tiger?

always seem to change just when one is about to be profitable. This phenomenon is explained partly by bureaucracy, partly by government insecurities about administering a market economy, and partly by corruption. Despite the efforts of Prime Minister Vo Van Kiet to take a personal interest in streamlining licensing agreements and business procedures, generally, the bureaucracy and red tape in Vietnam remain daunting. So, while license applications for investment continue to grow, actual investment by foreign corporations in approved projects fell over 40% in the first half of 1996. Some foreigners have become especially wary of joint ventures with Vietnamese firms (usually state-owned), and the Vietnam News Agency has reported a trend toward wholly owned foreign projects.

Besides bureaucratic slowdowns and corruption, the CPV continues to coddle state-run enterprises and Hanoi intends to keep the state sector as the vanguard of the economy. Investment in infrastructure and the fledgling private sector remains relatively small. Virtually all investments to date have been in oil and gas exploration, fisheries, cash exports, or other big-ticket items, with state enterprises serving as the Vietnamese partners.

The private sector grew to more than $300 million in combined capital in 1993, with license applications for private businesses maintaining double-digit growth since 1993. But local private manufacturers complain of excessive taxation, lack of capital and resources, and government favoritism for foreign investments, especially joint-venture projects with the state.

Foreigners looking to create partnerships with a private Vietnamese company must be aware that the private sector receives lots of praise, but few useful resources in Vietnam. The state-run commercial banks, which account for almost 90% of bank assets, are heavily, if not exclusively, geared toward the state enterprise sector. Listings on the long-planned Vietnam Stock Exchange—and the exchange itself—have not yet appeared. Some 50 state firms have been ordered to begin “equitization,” gradually selling small stakes into private hands.

Unfortunately, there is no secondary market for these equity stakes. Smaller private companies and foreign joint ventures already prepared for privatization have been discouraged from offering shares, and management buyouts and outright acquisitions have been frowned upon as well. By 1996, 5,000 of the 12,000 state-owned enterprises (SOEs) operating in 1993 were closed or merged as part of Doi Moi, but only five small state enterprises have “equitized” to permit private participation.

Medium-size firms also have felt the financial squeeze due to efforts by CPV conservatives to keep all assets in the hands of the state. From 1991-1995, Vietnamese state and private partners were able to attract foreign investors by offering land rights directly to foreign companies as an important part of the local partner’s contribution to the capital of a new business venture. Before the controversial Decree 18/CP in February 1995, Vietnamese firms also were able to mortgage land-use rights for loans. And while repeal of this decree is still being debated in the National Assembly, for the time being, land use rights must be leased directly from the state. This places a sig-
Vietnam: The Bad News

- Inconsistent and frequently inexplicable policies that hinder all aspects of the transition from a command to a market economy, including the legal, banking, and accounting systems.
- Persistent and expanding trade deficits, which ballooned from $60 million in 1992 to $2.2 billion dollars in 1996.
- Growing overseas debt.
- Burgeoning current account deficit, which hit an estimated 15.1% of GDP in 1995.
- Stagnating foreign direct investment (FDI) realizations; while approval rates are soaring, actual realization of the projects is slowing, partly because of the frustrations presented by bureaucracy.
- Inefficiencies of state-owned enterprises, as evidenced by little job creation and the failure to create value-added exports.

Vietnam has one of the lowest deposit rates in the developing world, less than 25% of GDP. (Most countries average 75%, with higher rates in Asia.) This is not surprising considering that local banks charge for withdrawals, an obvious disincentive to save in the formal banking system. Memories of high inflation and bank failures also impede progress. In the 1980s, state-run banks failed to honor withdrawals, informal credit cooperatives collapsed, and high inflation discouraged saving. Alternative services and sources of capital have filled the vacuum created by state-bank shortcomings. Informal credit rings are flourishing, with more than $2 billion being hoarded outside the formal banking system in U.S. dollars, gold, or consumer goods such as liquor and durable goods that will hold their value over time. Viet Kieu (overseas Vietnamese) infusions also play a role. Approximately 2 million Viet Kieu bring money into the country and/or send money to families and friends. Some private banks also have been established in Vietnam, with many turning a profit from trade finance. Financial-service reforms, however, still tend to ignore small enterprises and consumers, and the institutions generally are out of step with the standards required by serious players in a global economy.

All of these perils have taken the bloom off Vietnam’s rose. Many investors who came with high expectations and hopes for quick results quickly had them dashed and departed Vietnam in search of the next investment Shangri-La. Michael Scown, a partner with Russin and Vecchi in Ho Chi Minh City and a former president of the American Chamber of Commerce in Vietnam, recently shared a growing sentiment among investors: “It has become increasingly apparent that investors will have to set more realistic goals, truly commit to projects and settle in for the long haul.”

Now, the Good News

It would be easy for a marketing manager in charge of introducing and/or managing a product in Vietnam to become disheartened by the bad-news scenario. But for every investor who leaves, two more seem to fill the vacuum because the market is so promising. The macroeconomic reforms that resulted from Doi Moi, have controlled inflation, freed prices, promoted agriculture and export marketing, spurred foreign investment, and opened domestic markets.
Asia’s Next Tiger?

Many of the problems in Vietnam are simply growing pains, which the central government is working to remedy. And, after a decade of reforms, the direction, if not the pace of Doi Mni, remains focused on economic growth and expansion. Moreover, Vietnamese authorities increasingly are attempting to facilitate the foreign investment process. “We have shifted toward a market economy,” says Tran Quang Nghiem, chairman of the Government Price Committee. “Now, we must modernize. This requires establishing a modern, integrated marketing, finance, and accounting system throughout the country and with links to external markets.” To those ends legal, tax, and financial reforms have been proposed, and many desirable projects have had their license procedures “fast tracked” by the government. The economy continues to grow, inflation remains low, and some early foreign investors have begun to generate returns.

Recent political developments also should make investors optimistic. Vietnam has been at the heart of a region dominated for centuries by brutal conflict, but the climate in the last five years has arguably fostered progress on a sustainable peace and more-predictable economic growth than any time in the past 50 years.

Improved relations with the United States and China have been critical to Vietnam’s economic success. Vietnam faces few external constraints on growth and can continue to reduce military spending in favor of infrastructure investment. Vietnam now boasts of trading relationships with over 100 nations. Once contentious with most countries outside the former Soviet bloc, Le Van Bang and Ha Huy Thong, Vietnam’s ambassador to the United States and deputy consul, respectively, have on more than one occasion informed us that Vietnam’s current foreign policy is to “get along well with everyone.”

Vietnam continues to capitalize on its successful mix of domestic reforms and openness to foreign investment. Even though the country started its reform process nearly a decade after China, the Vietnamese have been able to catch up in the areas of agricultural reform, price reform, currency devaluation, and healthy growth rates for GDP and foreign investment. Similar to China, the Communist Party has remained in command, with the role of guiding the economy along the road to “marketization.” In this regard, CPV is functioning much more like the single-party “capitalist” states in the region than the Stalinist regimes of the cold war. The Asian Development Bank and other sources predict 9%-10% annual growth rates, single-digit inflation rates, and exponential growth in consumption.

Marketing Environment

The bureaucracy can frustrate the most determined investors and the CPV does not yet fully embrace the private sector but, on balance, the macroeconomic and political changes coupled with pent-up consumer demand make a compelling argument for investment in Vietnam. Indeed, precisely because of the current uncertainty of the market, opportunities abound if investors understand the unique dynamism that is Vietnam. Investors who wait for optimal conditions will miss the proverbial boat. But where, exactly, are the opportunities right now?

Infrastructure

Because Vietnam is in the process of rebuilding a nation, there are many opportunities in infrastructure development. Seaports, airports, highways, water treatment facilities, buildings, dams, power stations, and other foundations to support a modern economy need investment.

Vietnam: The Good News

- Annual GDP over the last five years has averaged 8.2%.
- Inflation has dropped from 487% in 1986 to 12.4% in 1995, mainly attributable to tough government budgets.
- Agricultural production has risen 7% annually and industrial production has jumped 13%-15% annually since 1988.
- Registered imports are up; unregistered imports smuggled in from Southern China and Thailand via Cambodia are way up.
- FDI licensing approvals totaled $18 billion at the end of 1995, up 97% in 1995 alone.
- Overseas direct assistance pledges remain healthy, with $2 billion pledged at the latest donor conference held in November 1995 in Paris.
Household possessions of durables

![Bar chart showing household possessions of durables in Ho Chi Minh City and Hanoi.](chart.png)

Source: 1996 raw data provided by SRG Vietnam

Economy is being built or refurbished. Goods and services that abet the process—construction, telecommunications, and transportation supplies and equipment—are in huge demand, and investors have access to multilateral aid to fund the projects.

**Export Markets**

Many government policies, including tax breaks and export processing zones, encourage investors to initiate operations that facilitate export growth and development. Imports of heavy equipment, for example, often are duty free. Petroleum and minerals, aquaculture, and agriculture also are viable industries. Vietnam is beginning to demonstrate the ability to produce quality products in low-tech, labor-intensive, value-added industries such as textiles and furniture. With a redoubled effort to establish technology parks and R&D centers, and a commitment to maintain low wages, Vietnam hopes to compete in high-tech industries within a decade.

**Consumer Markets**

All types and brands of consumer products and services are rapidly diffusing throughout Vietnam. Popular brands familiar to Americans are beginning to dominate the clothing, electronics, household goods, and recreational beverage markets. Foreign brands are equated with quality and prestige, and consumers are willing to pay price premiums for them. This trend, while generally positive, also has some drawbacks because even though brand names are very popular among Vietnamese, brand authenticity is a secondary consideration. Consequently, one drawback is a booming brand-piracy industry, whereby the Vietnamese manufacture or distribute counterfeits of items. Brands associated with pop culture, Disney characters, Ray Ban sunglasses, and Nike are just a few examples of popular trademarks that are frequently victimized.

A second drawback is concern by the CPV and domestic manufacturers that Vietnamese products are being squeezed out of the marketplace. Consequently, domestic producers have called on the government to protect industries such as cigarettes, beverages, detergents, and paper. The success of foreign products has been accompanied by a crackdown on “social evils” such as karaoke bars and many types of outdoor advertisements. While the government has not expected demand for popular brands or non-Vietnamese ideas to disappear, it has taken steps to avoid cultural disintegration and complete dominance by foreign products. For example, the government stipulates that ads for foreign products include copy in the Vietnamese language.

Government rhetoric, however, cannot affect the reality that the consumer is now king in Vietnam. Truly, there is no stopping or even slowing this revolution. Rising incomes, exposure to popular culture, product availability, and limited opportunities for other forms of recreation are making shopping and consumption popular pastimes. More specifically, trends affecting the shift toward a consumer culture include five basic factors: urbanization, family dynamics, emerging middle and upper classes, a foreign invasion, and the youth movement.

**Urbanization.** Vietnam is still an agrarian society with 80% of the population living in the countryside, but there is large-scale migration to the cities. This migration is the result of economic growth and opportunities afforded by extensive foreign investment in Hanoi, Ho Chi Minh City, Danang, Can Tho, Hue and Haiphong, and special economic zones such as Vung Tau. As part of this urbanization process, Vietnamese are increasingly exposed to the new consumption ethos found in the cities.

**Family dynamics.** Large families continue to share small houses, with urban households typical-
Asia’s Next Tiger?

ly consisting of more than seven members. Although each family member earns only a few hundred dollars each year, household income more than exceeds expenses. Children live at home until marriage, contributing to the family income in addition to their own needs. Viet Kieu family members also contribute significantly by sending money or gifts. So, while individual purchasing power is modest, pooled resources by families create purchasing clout.

Emerging classes. Millions of Vietnamese now have disposable income. Official figures in Hanoi and Ho Chi Minh City indicate incomes now often approach and exceed $1,000, respectively. Our personal interviews indicate much larger, unreported and untaxed pockets of wealth springing up throughout Vietnamese cities. A middle and even a small upper class is emerging. Many consumers or households now can afford relatively expensive items such as motorcycles, televisions, VCRs, stereo equipment, and washing machines; some can afford luxury items of all kinds, including automobiles, villas, and high-fashion products (see Exhibit 1).

Foreign invasion. Many Vietnamese feel under siege with all the new products and advertisements. Furthermore, tourists and expatriates visiting or working in Vietnam bring new ideas, products, expectations, and demands. Hotels, transportation services, discos, newspapers, magazines, golf courses, promotion campaigns, and satellite TV all are intended to meet the needs of this growing “foreigner” market. But Vietnamese also are exposed to these new products, information, ideas, and values and, subsequently, are changing their expectations and demands.

Tabula rasa. The combined impressionable nature of youth and the flood of new ideas and products has created a segment of Generation X consumers in a very short period of time. The tabula rasa factor and the sheer size of the youth market is having a profound effect on Vietnamese society. Although still family-oriented and living under the shadow of socialist dogma, more than half of Vietnam’s population is under age 20. To these consumers, the Vietnam War and the teachings of Uncle Ho are little more than a history lesson.

But then, who has time for history when one can work for a Western company; save a little money; buy the latest CD, a pair of jeans, and some fake Ray Ban sunglasses; and then cruise Le Loi Boulevard and Dinh Khoi Street on a new Honda Dream motor scooter? Anyone who has spent an evening trying to cross these streets will appreciate the accuracy of this description of the youth market. An affluent population of teenagers in Ho Chi Minh City now has the wherewithal to obtain credit cards from foreign banks and purchase expensive imported consumer goods. In addition to constituting a growing market in their own right, Vietnam’s young are becoming opinion leaders for others.

These trends all indicate radical change, rapid market segmentation, and consumer clout. A decade ago there was only one segment: the destitute. Just a few years ago segmentation schemes differentiated consumers on urban-rural and North-South dimensions. More recently, age, access to Western or developed-market Asian ideas and products, one’s marketable skills, and disposable income have become factors that predict consumption patterns. Although it should be noted that as in any transforming agrarian economy in which socialism and collectivism were the norm, there is a conservative element, particularly in Northern and rural regions, whose members prefer traditional or local Vietnamese products. Nevertheless, the sweeping trend is a society transforming to a consumer culture, and in the cities this transformation is occurring at an astonishing rate.

‘Exit’ Interviews

Vietnam is a promising market, but to succeed there, marketing managers must have more than a fundamental understanding of the classic 4Ps of the marketing mix. They must accept that Vietnam is a series of enigmas and seemingly illogical confounds. Management in Vietnam is as much art, nuance, and persuasion as science. We have conducted many exit interviews with investors—literally, interviews with investors at either Tan Son Nhat or Noi Bai airports exiting Vietnam because

An affluent population of teenagers in Ho Chi Minh City now has the wherewithal to obtain credit cards from foreign banks and purchase expensive imported consumer goods.
of failed projects. For the most part, those projects did not fail because of poor market demand for the goods or services, but because managers and investors simply could not come to grips with the arcane conditions of Vietnam's management environment. The emergent themes from those interviews, as well as from the success stories, are factors U.S. managers need to consider.

Move With the Goal Posts
Managers must accept that the goal posts in Vietnam will continue to shift, making it difficult to score. Asian investors and some Europeans seem much more willing to accept this fact and spend considerable amounts of time nurturing relationships with partners and government authorities. (Note too that these two entities are sometimes synonymous.) Consequently, they are able to predict and adjust to goal-post movements. More importantly, they often discover that because of their efforts to nurture relationships, the goal posts haven't moved at all for them.

As a case in point, the country manager for one European brewery was pleased to inform us that his firm would not have to remove or repaint its billboards in response to the social-evils campaign. He attributed this time and cost savings solely to his efforts to maintain a good relationship with government authorities. American investors, however, find it difficult to work solely on solid relationships and trust and want to ensure that all the legal issues are agreed upon before moving forward. If this strategy were not so counterproductive, it would be comical because the legal codes in Vietnam are either nonexistent or revised continually.

This is not to argue that one should abandon respect for laws and the legal process. To the contrary, understanding Vietnamese laws and Vietnam’s legal system is very important. For example, favoritism toward Americans and American brands is a powerful advantage that should not be underestimated. But Tanya Pullin, an attorney for Baker and McKenzie who has practiced in Vietnam, adds that “trademarks in Vietnam mean nothing unless they are registered in Vietnam.” Trademark registration begets government protection. Despite problems with brand piracy, the government will crack down by closing bogus plants and fining purveyors of pirated goods if the pirated trademarks are registered.

Even the fundamental logic of “best product for the best price” means little in Vietnam. “We went to the Vietnamese government with a proposal for a new cement formula that was 30% better and 30% cheaper,” says James Reany of International Trade Resources. “We even used Vietnamese laboratories to 'convince' them of our product’s superiority. To make a long story short, there's a lot of building going on in Vietnam, but we’re not part of it yet.” So, investors and managers constantly struggle to balance home-country laws, Vietnamese laws, and social forces in addition to managing the marketing mix.

The moving goal posts make Vietnam an exceptionally challenging market. But there are good, recent examples of large and small firms that have figured out how to score. PepsiCo, typically second in market share in the cola wars around the globe, arrived in Vietnam five hours after the U.S. embargo was lifted. The company thoroughly researched all relevant aspects of the market and, in so doing, determined demand and found an optimal partner and appropriate manufacturing sites. PepsiCo kept the initial investment low, established quality controls, offered professional training and cash resources, and effectively used "Su Lua Cua The He Moi" ("The choice of a new generation") as Pepsi’s promotional tag line.

In one year, this joint venture, in which PepsiCo holds 30% equity, had sales revenues of $33 million and a profit of $2.5 million. In two years, Pepsi outpaced local producer Tribeco to become...
Asia's Next Tiger?

the dominant brand in southern Vietnam (see Exhibit 2). In the process, PepsiCo solidified its relationship with the government by paying $6 million in taxes and employing 1,200 people. Procter & Gamble, Colgate-Palmolive, and the Coca-Cola Co. also are enjoying success. Companies providing a product or service that consumers can pay for now are doing well.

Small-firm success stories also are being written by a number of young, energetic entrepreneurs from the United States who are targeting newly emerging niche markets. From bamboo production and real-estate brokerage to trading companies and language centers, these pioneers are making a mark in Vietnam. They all have some common threads: low overhead, flexibility, an ability to see opportunities where others only saw stumbling blocks, target focus, enthusiasm, and a sense of adventure. And they all made a total commitment: They moved to Vietnam, immersed themselves in the environment, learned the language, and made discoveries that enabled them to leverage their skills. Upon reflection, we concluded that the successful large multinationals exhibited many of these traits as well.

Pick the Right Location

Managing business affairs from outside Vietnam generally proves to be an unsuccessful strategy. Precisely where one should locate in Vietnam depends on the product line, target market and strategic interests, but a local presence and some official support are crucial. Ho Chi Minh City (formerly Saigon) is the largest, most cosmopolitan urban center and Vietnam's commercial hub. Given that it has only been part of a socialist economy since 1975, it also has a population more familiar with free enterprise. Not surprisingly, it is usually favored by foreign investors. (By the way, Saigon is still the preferred term among locals, but marketers would be well-advised to speak of Ho Chi Minh City when dealing with government authorities.)

There are other locations, however, that should not be overlooked. The Vietnamese government is eager to develop the North and the countryside, and often offers incentives to foreigners interested in investing in these areas. The Coca-Cola Co.'s decision to establish a joint venture in the North, for example, has helped to overcome its comparatively slow start in Vietnam and is considered a factor in Coke's popularity in the northern part of the country. Moreover, while the urban sprawl of Ho Chi Minh City may make it an attractive consumer market, rent and wage increases may make it less desirable for manufacturing. Consequently, special development zones such as Haiphong or Vung Tau, which also happen to be ports, may be more attractive sites for factories.

Research the Market

Market research has been and always will be important in Vietnam. But because of proliferating products/promotions and growing consumer sophistication, the dynamics of the market—and the research requirements—have changed considerably during the past three years. For many Vietnamese, attitudes and beliefs have changed. Understanding how they have changed is instrumental in determining how to manipulate the marketing mix.

Second, the competition across product categories has become much more intense. These changes collectively shape how one might now administer, for example, a promotions campaign. Unlike the early 1990s, the battle for many segments now is being fought on differentiation rather than awareness. Furthermore, where simple outdoor advertisements and P-O-P materials once sufficed, many managers will now have to consider the importance of other variables in the marketing communications mix.

Several market-research and advertising firms have established operations in Vietnam, but there still is no substitute for sending multiskilled employees there to examine market conditions thoroughly and to determine the viability of the product or service offering as well as the appropriate management of pricing, distribution, and promotion.

Invest in the Vietnamese People

No matter how great the demand for a product or service, if the organization to manage it is going to be larger than a mom and pop operation, employee selection, training, and management are critical. Fortunately, the pool size and quality of applicants for many jobs have increased impressively in the past three years. Younger Vietnamese are scrambling to learn English, computer skills, and marketing. Only three years ago, we were hard-pressed to find anyone who could operate a computer and speak English well. We found no one who had both of these skills plus a customer orientation. By comparison, we have associates
The Vietnamese have earned a reputation for being hard workers and as a population they enjoy one of the highest literacy rates in Asia. They are also very keen to learn contemporary business practices and often prefer to work for American companies. The work force is still lacking middle managers, however, and this problem can only be remedied with substantial investments in corporate-sanctioned training.

Problems especially relevant to Vietnam include the absence of qualified managers, poor infrastructure, and erratic improvements in the legal, tax and accounting systems. Rent extractions and other forms of corruption by national and local authorities also are problematic; so too are occasional reactionary movements within the government as Vietnam makes its transition to a market economy. And now competition has become a factor, as many companies struggle to penetrate the market and establish brand dominance.

Any serious marketing manager in Vietnam should add “prudence,” “patience,” and “persistence” to the classic 4Ps of the marketing mix. In Vietnam, relationships take time to nurture and can be expensive to maintain. Favorable brand and company images must be built and cared for. Good contacts, understanding the market, incremental growth, and sound business practices that address the unique Vietnamese condition will pay off in the long term.

Although the Vietnamese government’s policies can be confusing, the government has attempted to address problems that need longer-term solutions. Even with 10% growth rates, however, it will be at least a decade before Vietnam joins the ranks of the tiger economies. But marketers would be well-advised to seize the day. Vietnam will eventually join them, and companies that enter the market now will gain an early foothold as significant players in Vietnam and the region as a whole.

Editor’s Note: In April 1996, Cliff Shultz chaired a conference on “Markets and Marketing Opportunities in Vietnam.” Co-sponsored by the American Marketing Association, Arizona State University West, and the World Trade Center, it brought high-ranking Vietnamese government and business officials together with their American counterparts to address the current marketing environment in Vietnam.
Asia’s Next Tiger?

About the Authors

Clifford J. Shultz II is Assistant Professor of Marketing at the Arizona State University West School of Management where he specializes in marketing, consumption, and policy in transition economies. Cliff was the first scholar invited to Vietnam to lecture on consumer research and regularly serves as a Visiting Scholar at Vietnamese universities and research institutes. He holds an MA and PhD from Columbia University and his Vietnam work has been published in the *Columbia Journal of World Business, Business Horizons, Contemporary Southeast Asia, Asia-Pacific Advances in Consumer Research, Marketing News, Journal of Commerce,* and *Research in Consumer Behavior* and is coediting a book on marketing and consumers in East and Southeast Asia. As a consultant for over 15 years, he has helped governments and industries on five continents manage their trade, development, and transition challenges.

William J. Ardrey IV is Senior Vice President and International Policy Analyst at Fiduciary Communications Group in New York. William is a frequent lecturer at the Marketing College of Ho Chi Minh City and has published Vietnam articles in *Business Horizons, Contemporary Southeast Asia,* and *Asian Wall Street Weekly.* He holds a bachelor’s degree from the Georgetown School of International Affairs and an MA from Columbia University. He and Shultz have completed a monograph for the United Nations entitled *Enterprise Management in Transition Economies,* and William is currently writing a doctoral dissertation on Financial Services Marketing in Vietnam.

Acknowledgment

The authors wish to acknowledge the ASU FGIA, SRCA, and IIM programs, Nguyen Xuan Que and his associates at the Ho Chi Minh City College of Marketing; Ha Huy Thong, Nguyen Duy Khien; and Tom Vallely and the Harvard Institute for International Development.

Additional Reading


