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CP Trading in Vietnam

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1. Introduction

This case study focuses on the investment of the CP Group in Vietnam and we will retrace the step by step approach taken to comply with rules and regulations, the attempts made to clear other hurdles, and how finally the CP Group succeeded in launching its business investment in Vietnam.

2. The rationale for Thai companies to launch into international markets

There are many reasons for CP to make inroads into markets in other countries. The main reasons for CP to expand business internationally are to maintain its leading position in trade and industry and to ensure its long-term growth and profitability.

Another reason is the need to respond to new market opportunities and to face existing market realities. CP opted for the animal food industry first in expanding its business internationally, mainly because the company has accumulated a lot of experience in this field. It has invested in the required facilities and possesses the necessary technology to do so. Moreover, CP realised that the animal food business in Thailand was getting saturated and that the growth rate in this industry was slowing down. The effects of product life cycle were being felt. Every product has its own life cycle and when it reaches the peak, it has to come down. Not only was the market size in Thailand shrinking but also the level of local competition was growing. CP knew that it had to expand internationally before its competitors did. The same counted for all other product lines CP is involved in.

CP has to invest in other countries also in order to spread or avoid risks. CP realises that relying on only one country is not a good way to do business, so CP has invested in many countries around the world. When there is a business problem in one country, branches in other countries can help dampen the risks. CP will not put all its eggs in only one basket.

3. Introducing CP

CP is the acronym for Charoen Phokphand. The business was started over seventy years ago and it was originally a small shop selling seeds. At present CP has ten main lines of business with two special units. The main business of the company is the production and distribution of animal feed.

In the past people thought of CP as a chicken farming company. Later, people regarded it as an animal food supplier. But now every one in Thailand knows that CP is involved in the retail sector and that it is the biggest telecommunications company in Thailand. What is the CP philosophy?

Joining with leading companies. Whenever CP has planned mergers, a leading company has always been the first candidate. A leading company here means a company which is amongst those which have the most experience in a given market or technology. For example, when CP wanted to enter the retail market, it teamed up with Makro from the Netherlands. For the beer industry in China,

it teamed up with Heineken, and for the PVC sector “Vinylthai” was established with the Solvay Group from Belgium, all world market leaders.

Backward and forward integration. CP started its business with agricultural products. First the business was in chicken feed production and distribution. Later on they started their own chicken farms and slaughter houses as well. After that, CP realised that good quality chickens do not come only from the right breeding and farming systems but also from the best raw materials, which means high quality chicken feed. At this point, we see that CP wanted to improve the product quality. That made it necessary for the company to control the whole chain of poultry production, which in turn implied and this meant a backward integration up to the point of raw material selection and purchases. After CP applied this backward integration, the next question was what, where and to whom the company should sell. Thus CP entered the ready-to-eat food production sector. In order to push its own production and to support its own brands of chicken-based meals or other food products, they eventually ventured into the distribution sector. CP opened its own medium-size supermarkets, e.g. Sunny Supermarket, and bought the license for operating convenience chain stores like 7-11. Besides, CP developed a chain of discount stores, e.g. Lotus Supercenter. We can state as a conclusion that CP expands business by first adopting backward integration in production, followed by forward integration in marketing.

Diversification strategy to avoid risks. After CP became very successful in agricultural products, the company tried to reduce risks. CP always realised that relying on only one business or industry is very risky, so it gradually expanded into other industries.

1. CP starts diversifying by expanding its local business to other countries. Expanding markets is the first diversification strategy. In this case they mainly expanded abroad their core products such as chicken feed or shrimp feed.
2. CP expands only into a new business that has high potential. It chooses the sector on the base of its growth potential and the availability of a strong partner with plenty of experience in that specific sector and who is willing to invest with CP. In most cases CP brings in its market knowledge and management know-how, and the foreign partner its product and technology know-how.

Maintaining a good relationship with the government. Wherever CP is active in business, it emphasises good relations with the host government. Therefore, CP will even consider the possibility of entering into a joint venture with the government, as CP acknowledges its importance to successful long-term business prospects.

Vietnam is selected. In order to support the fast expansion of CP in Thailand, the CP International Trading Business Group has been established. The CP International Trading Business Group has expanded its trading businesses into many countries: Malaysia, Singapore, Hong Kong, Korea, Japan, USA, Belgium, Germany, Myanmar, U.A.E., South Africa, Chile, India and China. Presently CP also has eighty animal feed production factories in seven countries. The capacity is about 12.5 million tons per year. At this level of production, CP is the second leading company in the world. One of the

countries where CP has tried to develop its business during the last few years is Vietnam. Vietnam has been a priority focus for both the production of animal feed and the trading business. The name of its local representative office is Evershine Co., Ltd.

4. Expanding business internationally

Each company has its own way of expanding business internationally. Of course CP is not successful in business just by chance. CP always takes the following steps when it wants to expand business internationally, as also illustrated by Figure 1.

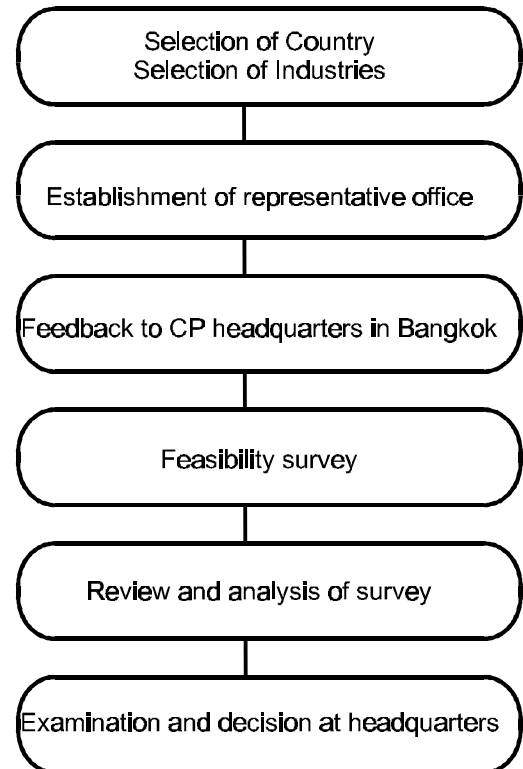
Region comes first. After CP realises that it has to expand internationally, it looks at the countries in Asia or close to Thailand first. CP will study all relevant statistical data of that specific country. For example, CP will study the population figures, gross national product, political stability and the system of government. In order to get this information, CP may contact the embassy of the host country, local Thai libraries such as that of the Department of Export Promotion or the Bank of Thailand, or even government institutions within the target country. Besides, local and international publications are consulted. Thus CP carries out a full desk research.

A trading company is the first investment. After CP has selected the country on the basis of its desk investigation, CP will start doing business by establishing a trading company or a representative office. It will develop its business together with the customers and co-ordinate trade with the head office. CP considers that in starting business in another country there are many kinds of risks. CP will build a factory or will have the partners in those countries only at a later stage. Of course having a trading company is also risky, but the amount of investment is minimal. Normally CP establishes trading companies without foreign partners. If the law does not allow this, CP has to consider partnerships.

CP's executives consider that the benefits in starting as a trading company are as follows:

1. The real figures of the local potential may be collected. CP will know exactly the needs and scope of the local market.
2. The company can update the information all the time.
3. CP gives time to study the culture of people and the business environment in the country selected.

Figure 1: Stages of CP's International Expansion



Starting the business as a trading company is very easy since CP can bring managers from the home country and hire the employees in the host country. The managers can study the local culture through interaction with local employees, and as a result they can better absorb the culture and better assess the demand of products for that country.

Agricultural products are selected. The country information will be focused on agricultural products. Most of the time the first product to be launched will be an agricultural product, because CP prefers to launch its most specialised products first. CP usually launches animal food first since it can create the company's image as a dealer in quality products. It wants customers to be confident of the products they purchase, so the product quality comes first.

Price competition. CP will not cut the price in order to enter a market and it really believes in its product quality, so it will sell its product at a slightly higher price. CP will convey the message to consumers that the company sells quality products, not cheap ones.

Wholesalers and retailers are employed. Initially CP always employs agents to sell its products. The reason is that the company does not have to pay for setting up its own sales team. However, there will be technical training for the sales team of the agents, both wholesalers and retailers. The training will be given periodically. CP also contacts the main farmers directly to sell the products. The longer CP is in a market, the more it will target the key end-users directly.

Orientation trips to Thailand. Frequently CP organises promotion campaigns for wholesalers and retailers to bolster competition. The prize for the competition is a trip to see business conditions in Thailand. CP is clever in employing this gambit as it can train those people at the same time. When the wholesalers and retailers come to observe conditions in Thailand they will certainly discover how business is conducted in this country. They may adapt this new knowledge and use it in their own countries.

Service is also important. CP does not look only at the sales volume, and the company always tries to provide good value to the final users of the products. Sometimes CP sends representatives to train the animal farmers so that it can collect feedback of products directly. If CP receives feedback only from the agents, there may be some bias. We can see that the company attempts to probe extensively into the needs and satisfaction of its consumers.

Once the trading company has been established the manager will send back reports regarding the distribution network, market conditions, outlook etc., in order to update the information at the head office. By doing this, the company ensures that the information on record is complete and correct.

Information sent to CP Headquarters. Information collected is sent to CP Headquarters regularly, and performance statistics and other details are analysed closely in order to decide whether it is time and how to invest in that country.

Verifying information. After CP Headquarters comes to the conclusion that the market is interesting, it will send a group of specialists to investigate the situation in depth. The objective of this step is to verify whether the information received is correct or not, and to analyse in what directions the business should go.

Analytical information. The responsibility of the specialists is not only to see the real field situation but also to verify information provided by its own trading office. The group of specialists will go into the field, by which we mean they will discuss with the local parties concerned. They will ask about the perception of the products from the point of view of the wholesalers and retailers. Competition information is also important. They will try to ascertain the quantity and quality of the competitors' products. Other key local parties are the local trade associations, government officials, and transportation and distribution companies.

These specialists will go out with the CP local representatives, see how they perform and consider whether they need further training. When they meet the owners of the farms, they will try to get feedback from these people. The problem during such interactions are likely to be differences in language and culture. Sometimes they have to use their common sense to understand the situation.

They also learn the culture and way of life of the local people. The performance of the wholesalers and retailers, the incentives they want to have, the kind of motivation they prefer etc. will be considered. On the way to see customers, they will observe possible places to build a factory. In order to reduce bias, they will try to see different customers several times. After they have collected enough information they will send it back for further discussions at the head office.

Competitive analysis. The evaluation by the specialists will also include competition analysis. They will give comments about the level of competition and whether the company can compete successfully in the market or not. The evaluation will also include research into the strong competitors in that specific market.

Investment-making decision. When the CP Headquarters receives all information required, CP's top management will decide to invest or not. In order to make such a decision, the following feasibility studies and forecasts are undertaken:

1. The demand for the products.
2. The growth potential of the markets.
3. The competitive situation.
4. The required investments.
5. The expected return.

The amount of capital to be invested and the target date for commencement of operations are also decided at this stage. Normally the number of days to complete the project will be estimated, but this is just a guideline.

Type of company. Initially CP Intertrade sets up a representative office or a trading company. Later on it will look at what type of company should be used for the next steps. CP has to study the laws and regulations of the target country for the type of firm possible. Some countries do not allow an international company to own 100% equity in a firm. There are three types of international business expansion:

1. **Business cooperation:** By setting up business cooperation, the company will use local facilities with CP providing know-how in producing products. After that CP will buy back finished goods. In this way, the company will enter into contract with the local producers or farmers.
2. **Joint venture:** CP will join with a local company or the host government, and there will be joint ownership.
3. **Wholly owned subsidiary:** CP will own 100% of the equity.

For agricultural products CP normally prefers to set up a wholly owned subsidiary if there is no regulation against this kind of investment. It has learned from experience that the wholly owned subsidiary will create the fewest problems in doing business as it offers full control.

Implementation phase. Finally CP will implement the project in accordance with its investment and business plan. This phase is very critical, but the better the quality of the preliminary studies, the fewer unforeseen problems will occur and the faster sustainable business (production or distribution) may take off.

5. Vietnam

Vietnam is dominated by two hubs: the state capital of Hanoi in the north, and the commercial centre of Ho Chi Minh City (formerly Saigon) in the south. With over 72 million inhabitants, Vietnam is the twelfth most populated country in the world, making it the largest market in mainland Southeast Asia and second only to Indonesia within the whole of Southeast Asia. The country also displays a youthful demographic profile: 40% of the people are under 15 years of age. Population growth is forecast to continue at over 2% per annum. The country's position within the Southeast Asia region, its proximity to Hong Kong and Southern China, and its extended coastline provide Vietnam with an opportunity to harness and emulate the economic dynamism displayed by its neighbours. The smaller, poorly developed, yet proximate markets of Cambodia and landlocked Laos also grant Vietnam the opportunity to act as a trade and investment conduit for the Indochina region.

The current economic reform programme - Doi Moi, or Renovation - broadly commenced in 1986. Doi Moi has been an incremental process, with an emphasis on maintaining socio-political stability and an avoidance of any shock therapies. As one expert observer has pointed out, Doi Moi is a highly dynamic process that responds to daily experience and takes account of failed attempts at reform throughout Eastern Europe, pressures and opportunities presented by non-socialist neighbours, and the advice of international lending institutions and foreign investors. To date the results have been quite impressive. Vietnam continued to enjoy 9.4% GDP growth in 1995, and the Asian Development Bank has forecast GDP growth of 9.6% for Vietnam in 1996. Ho Chi Minh City – the country's economic pace-setter - recorded a growth of 14.5% in 1994. A highly pragmatic approach has been

adopted by the government, which has done much to eliminate past inefficiencies and harness new strengths from the existing economic base. New forms of ownership and management responsibilities have been established, and the private sector is enjoying rapid growth.

The GDP breakdown shows that with over 75% of the people living in rural areas, the majority of the labour force is still rooted in agriculture. The relative importance of the agricultural sector in terms of production has waned in recent years, as both light industry and a blossoming services sector has begun to enjoy rapid growth rates.

Although Vietnam has very interesting economic figures, there are definitely some weak points. The country lacks capital, which is reflected in its GDP/capita of only \$280, one of the lowest in Asia. Infrastructure is mostly depreciated or even virtually non-existent. The centralised administrative system leads to a great deal of red tape and other inefficiencies. Regulations are not always clear or are altered on a frequent basis. The differences in development between Vietnam's main centres, Ho Chi Minh City and Hanoi, and the countryside are striking. Finally, the communist party maintains a strong grip on the society and the economy, and thus restricts to a great extent most private initiative (for example, state companies continue to control the business world, unlike fellow communist China). Despite these shortcomings, Vietnam seems to be heading towards a prosperous future.

6. Reasons for CP to expand its business in Vietnam

Since the core business of CP is agriculture and 75% of the Vietnamese population is active in agriculture, there is high interest in investing in agricultural products in this country.

There are many reasons for CP to expand its business in Vietnam. As discussed above regarding the need to expand business internationally, CP also has its own need to expand animal feed production in Vietnam:

1. The growth of the animal feed business is very high in Vietnam. Currently Vietnam is not an industrialised country yet. The main growth factor in Vietnam in the short and medium term is the agriculture sector, which includes animal feed.
2. Production of animal feed stood at 1.1 million tons last year, compared with a local demand of 5.7 million tons.
3. Currently there are very few competitors, so the company does not need a lot of capital investment.
4. The company feels that for animal food Thailand is a "Sunset" country, so CP has to find a "Sunrise region". If CP cannot find a new "Sunrise" country, that line of business will become problematic.
5. People in Vietnam do not have much understanding about modern livestock farming yet. CP thinks that it will be a very big opportunity to educate the farmers, especially in modern farming and feeding techniques. For example, pigs in Vietnam eat rice bran now. CP will teach farmers to feed them with modern pig feed, and the result mostly will be that the pork will turn deeper red and it will have less fat. Importantly, the pigs will grow faster while consuming a lesser amount.

6. Vietnam's local meat consumption shows great growth potential. Current per capita meat consumption stands at 12 kilograms, and the government hopes to lift this to 18 kg by the year 2000. By comparison, Thais eat an average of 30 kg of meat a year.
7. Vietnam today is like China in the past, and CP already has business in the latter country. CP realises that the business environment will most likely be the same, so CP will transplant the business development pattern it used in China to Vietnam.
8. The investment support policy of SCCI (Vietnam's state body for investment co-ordination) is to grant various privileges for the companies who want to invest in Vietnam. The government supports this policy. When companies need information, they receive the full support of SCCI.

7. Stages of the Vietnam project

The need for CP to expand its business in agricultural products internationally has already been discussed and we will consider now in detail the project in Vietnam, keeping in mind that Vietnam is not the first country in which CP has chosen to expand.

CP had experience before in investing in China. As we know, the political system in China is quite similar to Vietnam, namely a communist system, and in economic terms, Vietnam is only a couple of years behind China. In China CP has already invested in the animal feed industry and also in other agricultural products. CP wanted to apply its experience in China to Vietnam. CP saw that the economy, the political system, and the need to open the country to outside investment were similar to China. Thus CP realised the future of Vietnam will be similar to China's recent past.

7.1 Establishing a representative company

In 1988 Evershine Co. was established as a representative office in Vietnam. The reason for establishing this representative office has already been discussed above. CP knew that the laws in Vietnam were being modernised, so it decided on an actual move.

The way CP establishes a representative office or a trading company is quite standard. CP contacted the government office beforehand about the relevant laws and regulations and made a thorough market analysis and a detailed business plan. Since it required only a minimum investment CP did not have to spend a lot of money in establishing a representative office, thereby avoiding high risks.

7.2 Some additional information on CP Evershine Co., Ltd. in Vietnam

Status and role. The company is a registered Thai company with a mission to explore and initiate trade investment opportunities in Indochina and ASEAN countries. In Vietnam the company set up its operations in the form of a representative office, commencing business activities in late 1988 with an initial start-up capital of roughly US \$150,000.

Office approval. As a representative office, the office's establishment came under the direct responsibilities of the Vietnamese Chamber of Commerce. The types of incentives received by the host government were :

1. Tax exemption on office vehicles and equipment.
2. The office's employment of expatriate personnel.

Business activities. As governed by Vietnamese law and regulations regarding foreign representative offices, the office does not and cannot have direct engagement in any trade or investment business. All businesses are done through Evershine Co., Ltd., in Thailand. The representative office serves in a liaison capacity linking local Vietnamese firms with the CP Group.

Lease term. At present the office holds a three-year lease contract on its office location.

Performance. The office has helped to initiate a number of import and export businesses. Most of them are related to basic consumer goods and general foodstuffs, with some to construction materials and agro-commodities. It should be noted that CP's investment projects in Vietnam such as animal feed mills are handled by a different company, attached to CP's agro-industry business group.

7.3 Fact-finding process

Once the representative office was established, it started doing business. During this process CP did not worry much about the profit. CP knew well what it was doing and the company initially wanted to collect market information and to study the social and cultural trends in Vietnam. By matching the market information with the projected sales prospects the company was able to recognise the direction of the business and estimate the demand for the products. CP knew which products were to be launched next by tapping into experience gained from the Chinese market.

The facts and figures collected during the exploratory stages are critical to reflecting the local market situations, since they were obtained at first hand and through field work by CP's own employees. CP decided quite early to send its specialists to Vietnam and to continue its normal process of verifying information, carrying out feasibility studies and the like.

In the case of Vietnam the reports were more and more positive, as government policies started to bear fruit during the early stages, farmers and consumers turned out to be quite similar to Thailand and China, and economic development patterns were strikingly similar to China.

7.4 Final decision

After the CP Headquarters agreed to invest in Vietnam, it came to the conclusion that having a production unit in Vietnam was not only feasible but also desirable. The project leader presented this conclusion to the top executives and the Executive Committee for final approval.

7.5 Site selection

Normally CP accepts partners in developing countries not because of the capital needed but because it is required by law. Fortunately in Vietnam this was not the case. Although the Vietnam government is willing to support foreign companies in investing in its country, they cannot own any land, and are therefore forced to resort to long term leases.

This step tended to be the only real problem. CP had to rent the land. Searching for the right place was very difficult because the living costs are quite different in different localities around Vietnam. In addition to the living costs, the quality and availability of labour, as well as its costs, were quite different. CP had to find a place which was in the centre of the agricultural business, with good transportation access, and low labour costs. CP is very much concerned about good transportation facilities. At this stage help from the wholesalers and retailers is very important. Finally CP found place it was looking for in the Bien Hoa Industrial Zone (a former U.S. air base) in Dong Nai, which it is 35 km from Ho Chi Minh City, and finalised the lease agreement with the Vietnamese government.

7.6 Implementation of the project

The actual implementation of the project was not easy, which is more or less normal in a developing country. CP had to go through a time-consuming process for obtaining all the necessary documents and approvals. Once this was over the construction of the factory had to be undertaken, which in turn necessitated facing logistical and technical problems common in developing countries. Finally staff had to be hired and trained, which was again a tough task. However, CP judges all these starting-up hiccups as normal and manageable hindrances on the road to a profitable business future.

In late 1994 CP Vietnam Livestock Co., Ltd. (or CP Vina as it is known locally) was opened as CP's first animal feed plant in Vietnam. The company is under CP's Agro-industry Group. At the end of 1995 CP had two mills in Dong Nai, with a monthly capacity of 24,000 tons. CP Vina's feed, sold under the brand "Hi-Gro", has about 30% of the total Vietnamese feed market, making it the present market leader. CP Vina has several expansion plans, including new feed mills in North Vietnam, hatcheries, abattoirs, farms and processing plants. Their market penetration will follow its usual pattern of backward integration, probably followed by a forward integration of activities.

For the future, CP will probably be challenged much more as several local and foreign competitors, such as Cargill and ADM from the U.S. and Chinfon from Taiwan, are rapidly expanding or penetrating in the lucrative Vietnamese feed market.

8. Evaluation

We believe that CP's expansion policy in Vietnam is very successful and professional for the following reasons. Firstly, we can see that CP was one of the early investors in Vietnam. In the future it will be very difficult for any other company to compete with CP, since it will have a very strong presence in Vietnam by that time. Also we can acknowledge as a strength that CP penetrated the Vietnamese

market with its core business, the agricultural sector, first. This leads to various advantages ranging from risk control to the promotion of a quality image in the local market. Next, we may approve the way CP searches for information. It is the best way, since they knew little about that country, so they had to look at the political environment, the GDP and many more relevant data. After the country was chosen for investment, CP started its business with a representative office. We support this option, which means that companies should preferably and, if possible, start with the lowest possible risk. We may notice that CP does not care much about profit at this stage. CP just wants to collect as much information and experience as possible. Since CP is a very big company this could be done, but many small companies cannot proceed in this way because they must assure enough profit to survive.

After CP has established a representative office, all information is periodically sent back to the CP Headquarters since this is one of the reasons for which the representative office was established. When CP Headquarters agrees that this country is interesting to invest in, a group of specialists will be sent to that country, as the information needs to be verified in the field; when managers are sent to work in a representative office in another country, they might be biased in providing information. Bias here does not exactly mean a negative thing, but when people like or enjoy something or a situation, they tend to be overly optimistic (or the other way around). Therefore, CP sends specialists to study and verify all relevant information received. This can help to control a possible bias and enable to develop a clear picture.

For the location of the factory, we also believe this approach seems to be based on thorough research, not only regarding to laws and regulations but all relevant commercial and logistic elements as well. CP also manages very well the system of comparative market analysis. For example, CP employed all its previously acquired experience in China in opening up their first Vietnam facility.

Moreover, establishment of the representative office, the execution of the feasibility study and the implementation of the investment seem to be handled by qualified and experienced managers.

Finally, CP remains loyal to its proven strategy of backward integration, followed by a forward integration, which has ensured them continued market leadership, elsewhere in the past.

We can see only very few drawbacks, threats or weaknesses in regard to CP's strategy in Vietnam. First of all, CP's cautious business approach could in the future lead to some missed opportunities. However, the fact that the company entered the Vietnamese market so early gave it ample time to consider all future steps. Therefore, its cautious approach did not lead to any missed opportunities in this particular case.

Next, CP's human resources policies could sooner or later lead to some friction. At home, promotion for foreign project management seems to be almost entirely decided by seniority. This policy may result not only in the demotivation of younger staff, but to inefficiencies by under-utilizing some high-potential company resources. On the other hand, the policy for overseas personnel is to gradually incorporate local staff in a particular country to higher managerial positions, giving them more authority and responsibilities as they become knowledgeable about the group's culture and businesses. If this

process does not proceed fast enough, it could lead in its turn to demotivation among the local staff. It will be up to CP's top management to tackle these challenges in an appropriate way.

Finally we can notice that the competition in Vietnam is growing fast, and CP will probably be continuously challenged to maintain its leading position.

9. Conclusions

It seems to be hardly a coincidence that CP became one of the leading and most successful Thai companies in venturing abroad. They apply a very professional strategy in evaluating their market penetration step by step. Their cautious policy seems to be inspired by their desire to minimise all investment risks and focus on long term benefits. Still, the fact that they made their first market presence long before all others puts them in a very competitive situation. Unfortunately not all Thai companies dispose of comparable financial and managerial resources, and are therefore often forced to penetrate at a later stage and to proceed much faster, pushed by their needs for early returns.

Next, it seems to be very important for companies to rely on their star products first in the international market. Product line diversification will be greatly facilitated later on thanks to the initial quality perception.

Finally, Vietnam seems to be a difficult but high potential market for interested Thai investors. Competition in Vietnam tends to become fiercer and fiercer. Therefore, Thai companies should not delay further in prospecting this promising neighbouring market.

Tutorial Notes

I. CARRYING OUT STUDENT PROJECTS

Objectives and Companies Involved

The present case study was originally an assignment for MBA students in Thailand. The goal of student projects was to carry out a research on expansion strategies of individual Thai companies. Particular about this task was that the students had to analyse the overall expansion strategy of their selected company and next had to relate this strategy to a very specific case or deal.

Objectives of the assignment were several. First of all, students had to prove that they could master the general theory of international marketing and business. Secondly, they had to apply this knowledge to a real-life Thai case. Next, they were to collect both primary and secondary data by interacting with the managers who actually carried out the project as well as by consulting various general and specific background publications. After that they had to evaluate the performance of their chosen company and its project and had to make recommendations how to improve it. Also they had to report to and interact with their tutors on a regular basis, and thus could be guided in the right direction. Finally, they also had to focus on a professional presentation of their ideas.

Very important was the participation of the people involved in international expansion projects within the company, as desk research or secondary published data research would have been quite insufficient for fulfilling the research objectives. This turned out to be one of the major challenges for the fulfilment of this research. Thai companies remain quite wary of sharing their experiences with outsiders and even if they had agreed to share them, managers were mostly busy or frequently abroad.

The students and their tutors tackled this problem by applying to as many companies as possible, many declined to participate or referred the researcher to a competitor, claiming it had more experience abroad. Finally the tutors and the students together selected the companies and their specific projects by concentrating on a good mix of investment projects versus direct exports and on an appropriate regional mix reflecting more or less Thai interests, and lastly by incorporating both large and small companies in the project. They managed to extract success stories, but, as feared, companies were even more reluctant to share their negative experiences.

For the final revision of or improvements to the student projects, we received, contrary to their initial hesitation, full cooperation from the companies and top management.

During the research work, it turned out that the major difficulty next to mustering enough support from the respective companies was the students's inexperience in structuring presentations or research work. Many among them collected a huge amount of information and came up with very interesting ideas, but often repeated themselves or lacked a logical structure and appropriate English skills to express their concepts.

Practical Time-Frame of the Elaboration of the Cases

- Step 1** Announcement of the course was made, stating that it was open to MBA students with International Business or Marketing knowledge or experience.
- Step 2** The first month included a six-hours theoretical introductory course in order to fresh up the students's background knowledge.
- Step 3** The first month also included several guest speakers who shared their company's experiences in international expansion.
- Step 4** During the second month, assignments were initiated and consequently all specific companies and projects were selected. Students received instructions (see Appendix) and received a letter of introduction to the companies stating the objectives of the assignment.
- Step 5** During the second, third and fourth month all students worked in groups of two on their assignment. They presented their progress to their assigned tutors on a monthly basis. Tutorial sessions lasted on the average about one hour per session per group.
- Step 6** Final projects were presented personally to the tutor and an oral examination was given regard to the cases.
- Step 7** The tutors revised or rewrote the case.
- Step 8** The cases were presented to the companies for their approval and/or remarks.
- Step 9** Company remarks were incorporated in the cases by the tutors and a proof-reader finalised them.

CP Trading in Vietnam

The case study may offer possibilities to elaborate on:

Market leadership

CP's philosophy has been focused on leadership. In a sector where CP possesses the right technology, like aquaculture, broiler industry or feed mills, CP aims for regional leadership and if possible has the ambition for world-wide leadership, especially in terms of marketing power. In the fields where CP is not active, they aim for acquiring leadership through joint ventures or strategic alliances with leading companies. The case offers a very good opportunity to concentrate on the need of and potential for technological and market leadership (local, regional or even further) for Thai companies.

Integration of activities

CP's focus on backward and forward integration offers a good possibility to discuss this very topical management strategy. We may cite as examples Sony and its recent acquisitions in the music and film industries, and Westinghouse (CBS) and its acquisitions of cable TV operators. Students may evaluate integration by acquisition vs. integration through new business development (buy versus make). Later on they may also evaluate the need of and potential for some Thai companies to engage in integration, e.g. Thai Gypsum Industries or Siam Cement.

Companies and governments

CP's experiences in Vietnam and other countries may inspire professors to enter discussions on lobbying activities, obtaining and managing government concessions, corporate public relations abroad etc.

Market expansion strategies

CP offers an ideal opportunity to lecture on professional market expansion strategies. Although many companies still expand overseas in rather accidental ways, CP offers a good example that professional international players in fact apply standard market research procedures, Management Information Systems, feasibility studies, SWOT analyses, product life-cycle management, sunset and sunrise market concepts and all other managerial tools to facilitate foreign market expansion. It may also be a good occasion to evaluate the use of and need for strategic tools in this regard in Thailand in general.

Investment risk and control management

CP's experiences also offer a good opportunity to enter into a discussion on the advantages and disadvantages of prudent foreign project investment.

Another interesting point of discussion is the fact that CP prefers in its foreign expansion to obtain full control of the venture, at least for all sectors where it possesses the necessary technology. Students may evaluate the advantages and disadvantages of wholly owned subsidiaries.

Foreign pricing techniques

CP's example offers a good opportunity to evaluate different foreign pricing strategies. This discussion may be related to the need for and ways of building brands on the international market.

Vietnam and transitional economies

Exactly as in the case of G. Premjee¹, the case offers the possibility to elaborate on the business potential of Vietnam and on the opportunities and risks of doing business in transitional economies.

¹ See Ph. Annez, S. Sarakosas and D. Vandenberghe: "G. Premjee Ltd. (GP) Venturing in Vietnam", Asean Business Case Studies No 8, Antwerp: Centre for Asean Studies.

APPENDIX 1:

Possible Structures for Case Studies on International Expansion Projects

Introduction

Explain briefly what the case study is about and focus on the objective of the study; namely, what do you want the reader to learn from it?

Elaborate on the need for Thai companies to expand internationally

Introduce in general the reasons for Thai companies to expand internationally. Apply this to the sector to which your selected company belongs.

Introduce the company you have selected

Give an introduction to the company. Use as few statistics as possible; focus more on activities and philosophy.

Elaborate on the reasons and the way your company opted to expand internationally

Apply here the general theory of international marketing; namely, explain the company's international management style (focusing on the 4 P's) and on the structures they have implemented in order to be able to expand internationally.

Introduce the market your company opted for

First introduce the specific market chosen and again use as little statistical material as possible (however, some major indications like population or GDP/cap are advisable). Focus more on market potential and its political, economic or trade particularities.

Next explain why your company chose this market.

Explain the deal (specific case) chronologically from here on

For example:

- Introduce the key persons in your company who have implemented this deal (who, achievements etc...).
- Exactly how did your company select this market?
- What were the first steps that they implemented in that market?
- Elaborate the process of selecting a local partner.
- Pay good attention to the reasons why this partner was chosen and others not.
- Offer a brief introduction to this partner (in a similar way as to your chosen company; if possible, compare both).
- Elaborate extensively on the negotiation process (obstacles, resolution of problems, help, frustrations, steps taken in this process etc.).
- Elaborate on the results of the negotiation process.

- Explain the deal if possible in basic financial terms (cost/benefit analysis, investment plans, feasibility studies, simulation models etc.). If the company does not wish to disclose its financial data, then request it to provide some rough indications.
- Explain how the financing of the deal was set up.
- Evaluate the deal in marketing terms (strengths/weaknesses); relate to international marketing theory as well as to common sense.
- Elaborate the potential future of the deal and/or the market and go into detail on the intentions of both partners.

Evaluation

Evaluate the importance of this deal for both partners (strategically as well as financially).

Evaluate all processes and choices (e.g. choice of market and partner, negotiation process, the outcome of the deal etc.). Be critical and point out clearly the reasons for success and for failure.

Make recommendations (for improvement); first concerning this specific case (deal), next concerning your company's international expansion strategy. Focus on alternative approaches, procedures or choices.

You may use a SWOT analysis, (Strengths, Weaknesses, Opportunities, Threats) for this purpose.

Draw your conclusions

Focus extensively on what can be learned by other Thai companies from this deal.

General remarks and recommendations

- Structure your ideas, e.g. elaborate a step-by-step approach; if necessary use a time-frame, finalise all details on a specific part of your research, and so on.
- Be narrative in your style (so as to evoke the interest of your readers).
- Be scientific in your approach, but do not become too theoretical.
- Remain practical.
- Use interviews as much as possible and refer to them in your final report (quote the main participants).
- Point it out clearly when you express your own opinion and be ready if necessary/possible to back this opinion scientifically.
- Put statistics and financial models in an annex as much as possible, in order not to lessen the interest of your reader.
- Limit your presentation to twelve pages maximum for text and eight pages maximum for annexes.
- Mind your language, style and your presentation (if possible use special soft-ware, graphs etc.).
- Use Microsoft WORD 6 software and supply us with a copy of your diskette.
- Follow this structure and the above-mentioned advice as much as possible.
- Each group should present monthly to its appointed tutor, in person, the progress of its research work.