PHILIPS
sense and simplicity

University of Twente
Enschede - The Netherlands

Lighting the Lotus

Developing a marketing strategy for the consumer market of the Division Lighting of Philips Electronics Vietnam Ltd.

Master Thesis for Business Administration

University of Twente

Martijn Pruijsen

June 2008

Lighting the Lotus

Developing a marketing strategy for the consumer market of the Division Lighting of Philips Electronics Vietnam Ltd.

Master Thesis for Business Administration

School of Management and Governance

University of Twente

Enschede, the Netherlands

Author:

Martijn Pruijsen

Principal:

Philips Electronics Vietnam Ltd.
6/F Dien Bien Phu Street, District 1
Ho Chi Minh City
Vietnam

Graduation committee:

Prof. Dr. Ir. E.J. de Bruijn	(University of Twente)
Dr. Ir. S.J. de Boer	(University of Twente)
Drs. M. Galetzka	(University of Twente)
Mr. Le Viet Hung	(Philips Electronics Vietnam Ltd.)

Date

June 24, 2008

Management Summary

Background and goal

This report describes the assignment that was executed at the Lighting Division of Philips Electronics Vietnam Ltd. (PEV) in the period of September 2007 until February 2008. The assignment focuses on the consumer market of PEV. At the moment PEV is the third player in the Vietnamese consumer lighting market with a market share of about 10%, after the two leading brands: Dien Quang and Rang Dong. PEV wants to change this: they want to become the market leader in the Vietnamese lighting market by the end of 2010.

The goal of the assignment was to develop a marketing strategy for the Trade Retail (TR) channel of PEV, in order to develop this channel so that PEV will be the market leader on the Vietnamese consumer lighting market by the end of 2010. The research question of this assignment is therefore: 'What marketing strategy should the Division Lighting of Philips Electronics Vietnam adopt in order to become the market leader in the Vietnamese consumer lighting market by the end of 2010?' In order to answer this research question and achieve the goal of the assignment, a number of analyses have been performed from which a number of strategies have been derived, that together form a marketing strategy.

Results

A macro-environmental has been performed regadering the political and legal, economic and demographic, social and cultural, and technological and physical forces that exist in Vietnam. This analysis showed that opportunities are in the membership of Vietnam of the World Trade Organization and the ASEAN Free Trade Area (AFTA), the energy-saving policy of the Vietnamese government, the strong growth of the Vietnamese economy, improving lifestyle and education of Vietnamese people, and the investments in improvement of the infrastructure in Vietnam. The threats for PEV consist of import taxes and import quota imposed on imported Philips products, the protection of local companies by the Vietnamese government, the fact that local companies can profit more from economic growth, lack of good infrastructure, and power shortages.

The meso- and micro environmental consisted of four parts: a company analysis, consumer analysis, competitor analysis, and market analysis.

The company analysis showed that the strengths of PEV are in the products (low defective return rate, high quality and energy saving), good national sales coverage and a clear organization structure. The weaknesses of PEV are in the complicated order process, complicated after-sales service, relatively high price and limited product range of locally produced products..

The consumer analysis showed that the end-users of lighting products consider Philips products of high quality, energy-saving, and not too expensive for the quality you get. Weak points are the limited product range and relatively high prices (compared to other brands). The consumer analysis also showed that the favorite place of buying is electricity shops. The supermarket is regarded inconvenient as a place of buying.

The competitor analysis showed that there are two main competitors: Dien Quang and Rang Dong. The other brands on the Vietnamese consumer lighting market are considerably less strong than these brands. Weak points of the competitors (and therefore opportunities for PEV) are the lower quality (especially in Compact Fluorescent Lamps (CFL)), and their lesser image than Philips in the energy-saving segment. The strong points of the competitors (and therefore threats to PEV) are the lower prices, higher national coverage, investments in higher quality and energy-saving products, higher local production than PEV, and better brand knowledge amongst end-users.

The market analysis showed that opportunities for PEV are in the growing total number of households, growing market for CFL and the existence of a potential market for other Philips products. Threats are absence in the GLS (normal light bulbs) market, which is still the biggest market, CFL still is a relatively small market, and the rural market (in which PEV is weaker) grows faster than the urban market.

Analysis and strategies

The results as described before have been analyzed with the use of a SWOT (Strenghts, Weaknesses, Opportunities and Threats) analysis. Five strategies are recommended:

Educate the consumers
Customers should be made more aware of the fact that Philips is a high quality lighting brand, and of the characteristics of Philips products. Recommendations to achieve this are given in the CS-report.

Expand product range
The current locally produced product range is too limited and should be expanded with

- More different wattages, lamp colors and types of lamps
- More different types of lamps (e.g. halogen lamps and High Intensity Discharge lamps)
- Other lighting products (e.g. battens, starters, electronic ballasts and complete lightings sets)

Improve the after-sales service
Two points can be improved in the after-sales service:

- Simplify the process of replacing defective lamps
- Lengthen the warranty period to compete with Dien Quang and Rang Dong, and start the warranty period at the moment of sale

Adapt prices
To compete with the competitors (especially for CFL) the prices should be lowered. It should be further investigated what a good price is to maintain enough profit and at the same time compete with Dien Quang and Rang Dong. An option here is trying to reduce the production costs and transportation costs by localizing production of Philips products: in this way the price can be lowered without affecting the profit margins.

Keep focus on the energy-saving segment
Philips has a good image in the energy-saving segment. Because the competition is also investing in energy-saving products, PEV has to maintain the good image that Philips has in this segment in order to keep the advantage. Recommendations to achieve this are given in the CS-study.

Preface

When I started searching for an assignment to finish my master studies, at first I had no idea where to look for a suitable assignment. Should it be in the Netherlands, in Europa, or another continent? Well, the master is called 'International Management', so let's look abroad. Asia maybe? Sounds fun! But then, what assignment: should it be consumer psychologoy, strategy, marketing, process management or something else? Lots of choices, lots of possibilities. But then an opportunity opened up at Philips in Vietnam. Vietnam, the country of conical hats and spring rolls. Vietnam, the country of green rice fields and bays with limestone rocks rising up from the deep blue waters. But most of all: Vietnam, the country I was going to live for six months to finish my study.

Philips Electronics Vietnam was the company I was going to graduate: a marketing assignment, with the objective to make Philips the market leader in Vietnam in the field of consumer lighting. A challenging task, which would require a lot of effort and work, but (hopefully) also a good time and a great experience at a Vietnamese company (though from Dutch origin).

Now, almost a year later, I can only say that it really hás been a great experience. Not only have I had a really good time at PEV, but I also really enjoyed my time in Vietnam: a great country which delivered everything the Lonely Planet promised me and more, and where I've made new friends from all over the world.

However, this great time and wonderful experience would not have been possible without the help of a lot of people. I would like to use this preface to thank these people. First of all, the people at PEV. Without them it would not have been possible to do my assignment in the first place, but everybody at PEV has also been really helpful and friendly, not only in completing my assignment, but also by taking me out to small restaurants no Western man will ever come, showing me around the city, taking me to the night clubs and introducing me to real Vietnamese dishes.

Second, I would like to thank my tutors at the University of Twente. Mirjam and Sirp, and in a later stadium prof. de Bruijn: thank you for assisting me in my assignment. You all have been of great help, even at the great distance between Vietnam and the Netherlands you were still able to help me out when I had difficulties, and I really enjoyed having you as my tutors.

Third, a thank you to all my friends in Holland and everywhere else. Although I really enjoyed myself in Vietnam, I was still a long way from home in a country with a different culture and different habits: it has been really great to hear from you from time to time and support me where possible, even if that meant waking me up in the middle of the night by calling me, just because you were having a beer in Amsterdam and wanted to let me know I was really missing out on a great party. Doesn't matter guys, I've had the best parties in Vietnam as well!

And last but not least: my parents, who have supported me all the way. Without you it would not have been possible to study for such a long time in the first place, but it would most definitely not have been possible to go to Vietnam and have such a great time. Thank you for everything!

Martijn Pruijsen
Enschede, June 2008

Table of contents

MANAGEMENT SUMMARY 2
PREFACE 4
TABLE OF CONTENTS 5
TABLE OF ABBREVIATIONS 7
1. INTRODUCTION 8
1.1 BACKGROUND 8
1.2 APPROACH TO THE ASSIGNMENT 10
1.3 OBJECTIVES 10
1.4 PROBLEM FORMULATION 11
1.5 RESEARCH QUESTIONS 11
1.6 RESEARCH APPROACH 11
1.7 REPORT STRUCTURE 13
2. MODELS AND THEORIES 14
2.1 STRATEGY ANALYSIS 14
2.2 MACRO-ENVIRONMENT 15
2.3 MESO- AND MICRO ENVIRONMENT 16
2.4 SYNTHESIS AND STRATEGIC ANALYSIS 21
2.5 STRATEGY DEVELOPMENT 22
2.1 CONCLUSION 24
3. METHODOLOGY 26
3.1 TYPES OF DATA AND DATA COLLECTION 26
3.2 DATA COLLECTION METHODS 26
3.3 QUESTIONNAIRES AND INTERVIEWS 27
4. STRATEGIC FRAMEWORK 29
4.1 ROYAL PHILIPS N.V. & WORLDWIDE LIGHTING DIVISION 29
4.2 PHILIPS ELECTRONICS VIETNAM 30
4.3 TRADE RETAIL CHANNEL 31
4.4 CONCLUSION 33
5. MACRO-ENVIRONMENT 34
5.1 POLITICAL AND LEGAL FORCES 34
5.2 ECONOMIC AND DEMOGRAPHIC FORCES 36
5.3 SOCIAL AND CULTURAL FORCES 37
5.4 TECHNOLOGICAL AND PHYSICAL FORCES 38
5.5 CONCLUSION 39

6. MESO- AND MICRO ENVIRONMENT 40
6.1 COMPANY ANALYSIS 40
6.2 CONSUMER ANALYSIS 47
6.3 COMPETITOR ANALYSIS 51
6.4 MARKET ANALYSIS 58
7. ANALYSIS AND STRATEGY DEVELOPMENT 62
7.1 SWOT-ANALYSES 62
7.1 GOAL SETTING 65
7.2 POTENTIAL STRATEGIES 66
7.3 CHOOSING STRATEGIES 68
7.4 STRATEGY DEVELOPMENT 68
7.5 BOUNDARY CONDITIONS 72
8. CONCLUSIONS AND RECOMMENDATIONS 74
8.1 STRATEGIC FRAMEWORK 74
8.2 MACRO-ENVIRONMENT 74
8.3 MESO- AND MICRO-ENVIRONMENT 75
8.4 MAIN RESEARCH QUESTION 76
8.5 RECOMMENDATIONS 76
9. DISCUSSION AND REFLECTION 78
9.1 COMBINATION OF BA AND CS 78
9.2 PRACTICAL VERSUS SCIENTIFIC 78
9.3 DATA 78
9.4 RECOMMENDATIONS 79
LITERATURE AND SOURCES 80
APPENDICES 83

Table of abbreviations

The abbreviations that are used in this report are outlined below.

Table A - Abbreviations

Abbreviation	*Outline*
AFTA	ASEAN Free Trade Area
ASEAN	Association of Southeast Asian Nations
BA	Business Administration
BSPM	Business Strategic Planning Model (Kotler, 2003)
CS	Communication Science
CFL-i / CFL	Compact Fluorescent Lamp (with integrated starter)
CFL-ni	Compact Fluorescent Lamp (no integrated starter)
GDP	Gross Domestic Product
GLS	General Lighting Service
GNI	Gross National Income
HCMC	Ho Chi Minh City
LE	Lighting Electronics
OEM	Original Equipment Manufacturing
PEV	Philips Electronics Vietnam Ltd.
PEU-R	Professional End User & Replacement
TLD	Tubular Lamp Dun (Fluorescent Tube Lamp)
TLE	Round Tube Lamp
TP	Trade Professional
TR	Trade Retail
WTO	World Trade Organization

1. Introduction

This report describes the assignment that was executed at the Lighting Division of Philips Electronics Vietnam Ltd. (PEV) in the period of September 2007 until February 2008. This assignment was executed as a graduation project for two master studies: Business Administration (BA) and Communication Science (CS). This report describes the BA-part of the assignment, and will from now on be called the BA-report. For the CS-study another report has been written: that report will from now on be called the CS-report.

In this introduction is explained what the background and objectives of the graduation assignment conducted at PEV are. This chapter starts with a description of the background of the company and the assignment (section 1.1), followed by the approach towards the assignment (section 1.2) and the objectives derived from this background and the approach (section 1.3). Finally, the main problem formulations that are derived from these objectives for the study are given (section 1.4).

1.1 Background

Philips was founded in 1891 in Eindhoven, the Netherlands by the brothers Anton and Gerard Philips. It began by making carbo-filament lamps, and by the turn of the century was one of the largest producers in Europe. Philips has been growing ever since, and nowadays called Royal Philips N.V., it is one of the largest companies in producing electronics products in the world. Philips nowadays is a $30 billion dollar company, which has more than 160.000 employees in over 60 countries worldwide, and with sales and services in 150 countries. In lighting Philips is the number 1 player in the world.

At the moment this study started Philips was divided into five divisions: Consumer Electronics, Lighting, Medical Systems, Semiconductors and Domestic appliances and personal care. However, since the start of the study the Semiconductors division has been sold, and from January 2008 on Philips is divided in three divisions only: Consumer Products, Medical, and Lighting.

1.1.1 Philips Electronics Vietnam Ltd.

In 1993 Philips opened a representative office in Vietnam of the regional distribution center (located in Singapore) to import Philips lamps to Vietnam. However, this had limitations: the Vietnamese law only allowed Philips to import to local distributors, which made it difficult to expand the business.

In order to expand, Philips had to invest in a production facility. Therefore in 2002 Philips opened a new plant near Ho Chi Minh City (HCMC) to assemble fluorescent tube lamps (TLD) and compact lamps (CFL) for the Vietnamese market. The parts needed for the assembly are imported from Philips factories in other countries, for example Indonesia and China.

The Lighting Division of PEV in HCMC is divided into two parts: the factory and the commercial center. This assignment took place at the commercial center, and focuses mainly on this part of PEV. The commercial center drives four sales channels: Trade Retail (TR), Trade Professional (TP), Original

Equipment Manufacturing (OEM), and Professional End User & Replacement (PEU-R). Figure 1.1 gives an overview of the place of the commercial center, the four sales channels and on what type of customers the sales channels are mainly focused. The grey boxes are the most important parts of PEV for this assignment.

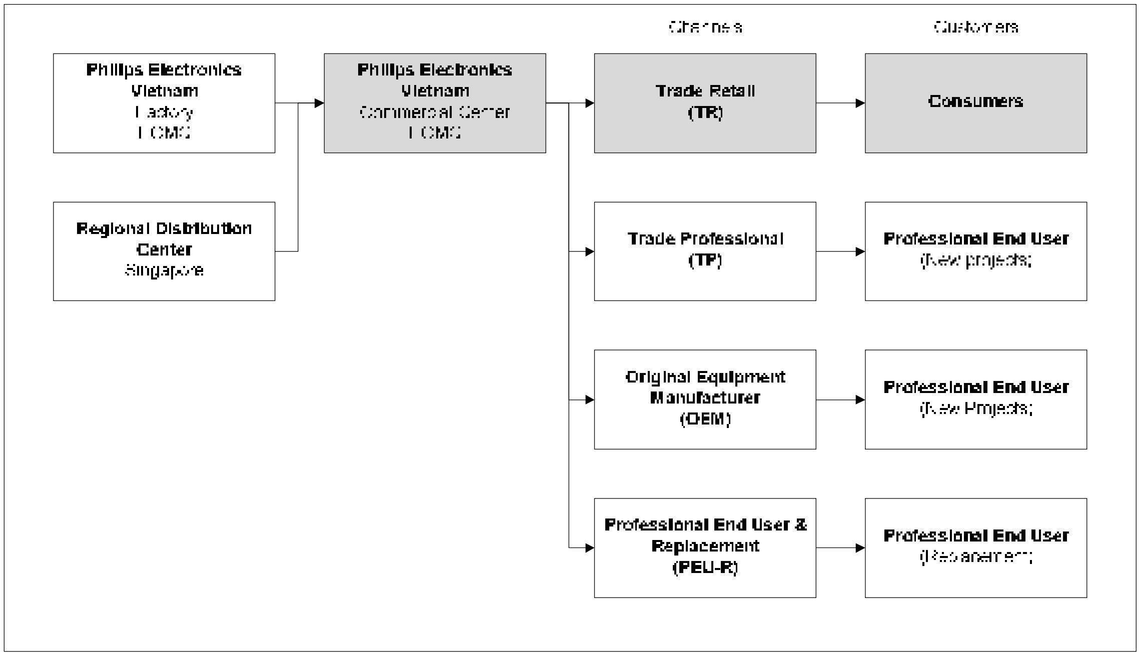


Figure 1.1 – The place of PEV and the commercial center

A note must be made on the usage of the abbreviation PEV in this report. PEV is short for Philips Electronics Vietnam, which also includes other Vietnamese Philips divisions, for example Consumer Electronics. However, since this assignment focuses on the Lighting Division of PEV only, from now on in this report the use of the abbreviation PEV refers to the Lighting Division of PEV only, and not to any other Vietnamese Philips divisions.

1.1.2 The assignment

Philips has expanded on the Vietnamese market. However, at the moment PEV is only the third player in the Vietnamese consumer lighting market with a market share of only about 10%, after the two leading brands: Dien Quang and Rang Dong. PEV wants to change this: it wants to become the market leader in the Vietnamese lighting market by the end of 2010.

This assignment focuses on achieving this in one of the four sales channels of PEV: the TR-channel (which is concerned with the consumer lighting). The goal of the assignment as given by PEV is: 'Philips wants to become the no. 1 brand in Vietnamese household lighting by the end of 2010'. In other words, Philips wants to become market leader in the Vietnamese consumer lighting market by the end of 2010. In trying to fulfill this goal and completing the graduation assignment an approach has been chosen that is both scientific and practical: this approach is discussed in the next section.

1.2 Approach to the assignment

The assignment has been approached from both a scientific point of view, as from the point of view of the company PEV, which is a more practical point of view. Besides that, this assignment is the completion of both the master of BA and the master of CS.

1.2.1 Basic and applied research

The approach for this assignment is two-sided. Saunders et al. (2003) distinguish the difference between basic research (which is academically focused, with little attention to practical applications) and applied research (which is more focused on relevance to managers and practical applications).

In this graduation assignment both approaches are used. On the one hand, the assignment is practical of nature, and is conducted at a company: PEV. Therefore the managers of this company want to see results from the study they can use: this leads to applied research. On the other hand, this graduation assignment is the finalization of two scientific studies, which focuses more on the scientific background of the assignment, and therefore on basic research. To combine these two approaches leads to a scientific study, with an outcome of practical implications for the company the study is conducted at.

1.2.2 Combination of BA and CS

Besides the distinction between basic and applied research, an important issue is that this assignment is the completion of two master studies: Business Administration and Communication Science. This has resulted in two separate reports, one for BA and one for CS. Because the studies are linked to each other, and the output of both studies have been used as input for each other, in both reports is referred to the other report.

1.3 Objectives

The objective of this graduation assignment from the viewpoint of PEV can be described as: *to develop a marketing strategy for the consumer market of Philips Electronics Vietnam Ltd., in order to become the no.1 brand in Vietnamese household lighting by the end of 2010.* The development of a marketing strategy can be described as the assignment from the viewpoint of BA.

Since the assignment given by PEV focuses on becoming market leader in the consumer lighting market, the target is simple: Vietnamese consumers will have to buy Philips' products. An important question then is: what influences Vietnamese consumers in their buying process? The CS-part of the study focuses on this question. More specific, the influence of two subjects on this buying process has been researched: the brand knowledge of Philips' products with Vietnamese consumers, and the corporate image of Philips as a company. In the latter subject the subject of corporate responsibility and service quality have been researched: how do corporate responsibility and service quality influence the corporate image of Philips?

Therefore the objective of the CS-part of the study can be formulated as: *to investigate the influence of brand knowledge and the corporate image of Philips (with the influence of corporate responsibility and service quality on this image) with Vietnamese consumers on the buying behavior of Vietnamese consumers.* This study has lead to information that has been used for developing the marketing strategy: the results of the CS-study have been used as input for the BA-study. Since this report focuses on the BA-study only, the results from the CS-study are discussed in the CS-report, and only the results that are useful for developing the marketing strategy are discussed in this report.

1.4Problem formulation

In this section the problem formulation for the BA-study is described. This is the main research question, based on the objectives and research approach as described in the previous sections. The following problem formulation has been formulated:

What marketing strategy should the Division Lighting of Philips Electronics Vietnam adopt to in order to become the market leader in the Vietnamese consumer lighting market by the end of 2010?

1.5Research questions

Based on the problem formulation a number of research questions have been made, in order to solve the problem formulation. These research questions are:

1. What is the current strategy of PEV concerning the Vietnamese consumer lighting market?

2. What is the role of the macro-environment on the Vietnamese consumer lighting market, and how do these factors influence the business of PEV and the TR-channel?

3. What is the role of the meso- and micro-environment on the Vietnamese consumer lighting market?
    a. What are the relevant internal characteristics of PEV?
    b. What are the relevant characteristics of the competitors in the market?
    c. What are the relevant characteristics of the consumers in the market?
    d. What are the relevant characteristics of the consumer lighting market?

4. What marketing strategy should PEV adopt according to the previous analyses, in order to become the market leader by the end of 2010?

1.6Research approach

In order to fulfill the objectives or both the BA- and the CS-study the Business Strategic Planning Model (BSPM) of Kotler (2003) as shown in figure 1.2 has been chosen as a basis. This model is chosen based on the combination of two requirements: it describes the process of the development of a marketing strategy, on which the BA-study is based, and it can contain a consumer buying behavior model, on which the CS-study is based.

1.6.1 Business Strategic Planning Model

The BSPM is shown in figure 1.2.

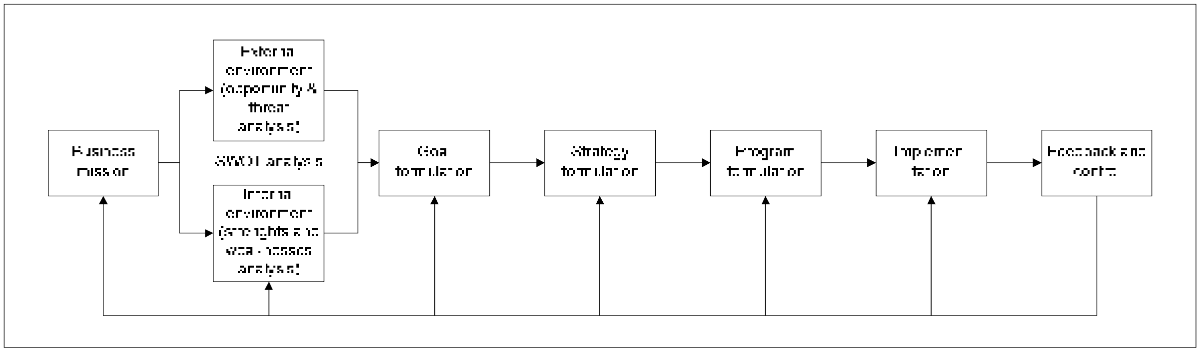


Figure 1.2 –Business Strategic-Planning Model (Kotler, 2003)

This model shows the steps that business units have to take in order to formulate and execute a marketing strategy. The model consists of 8 steps:

- Business mission: the starting point is the formulation of the business mission – each business unit needs to define its specific mission within the broader company mission.
- SWOT analysis: the second step is an analysis of the company's strengths, weaknesses, opportunities and threats. This is divided into two parts:
  - External environment (opportunities and threats): the influence of macro-environmental forces (demographic-economic, technological, political-legal and social-cultural forces) on the company.
  - Internal environment (strengths and weaknesses): the micro-environmental actors (customers, competitors and the company itself) that influence the performance of the company.

  The results of the external and internal analysis are analyzed and interpreted.
- Goal formulation: after the SWOT-analysis is executed and interpreted, the specific goals for the planning period can be formulated: the goal formulation. This is mostly a mix of objectives including profitability, sales growth, market-share improvement, risk containment, innovation, and reputation.
- Strategy formulation: the next step is converting the goals into a game plan for achieving the goals. This is done by designing a strategy for the business unit. A strategy for example is based on overall cost leadership, differentiation or focus (Porter, 1985). These strategies will be further explained in chapter 4.
- Program formulation: once the business unit has developed a strategy, this strategy must be worked out into detailed supporting programs. These are used to execute the strategy.
- Implementation: after the program formulation the strategy is implemented by executing the program.
- Feedback and control: as it implements the strategy, the company needs to result and monitor new developments: the marketplace will change, and the company needs to review and revise its implementations, programs, strategies or even objectives.

This study is based on the first four steps of this model: the strategy analysis, environmental analysis, goal formulation and strategy formulation. In the next chapter is explained how this is represented in a research model for this study.

1.7 Report structure

The structure of this report is shown in figure 1.3. In chapter 2 is described which models and theories are used to conduct the study and answer the research questions, after which in chapter 3 the methodology of the study is described.

After this, in the next three chapters the results of the different analyses are presented. In chapter 4 the current strategic framework of Philips and PEV is given, followed by the macro- environmental analysis in chapter 5, and the meso-and micro-environmental analysis in chapter 6.

The analysis and strategy development is then described in chapter 7, Finally, in chapter 8 some conclusions and recommendations are given, and in chapter 9 the research process is discussed in the discussion and reflection. At the end of the report a literature list and the appendices are given.

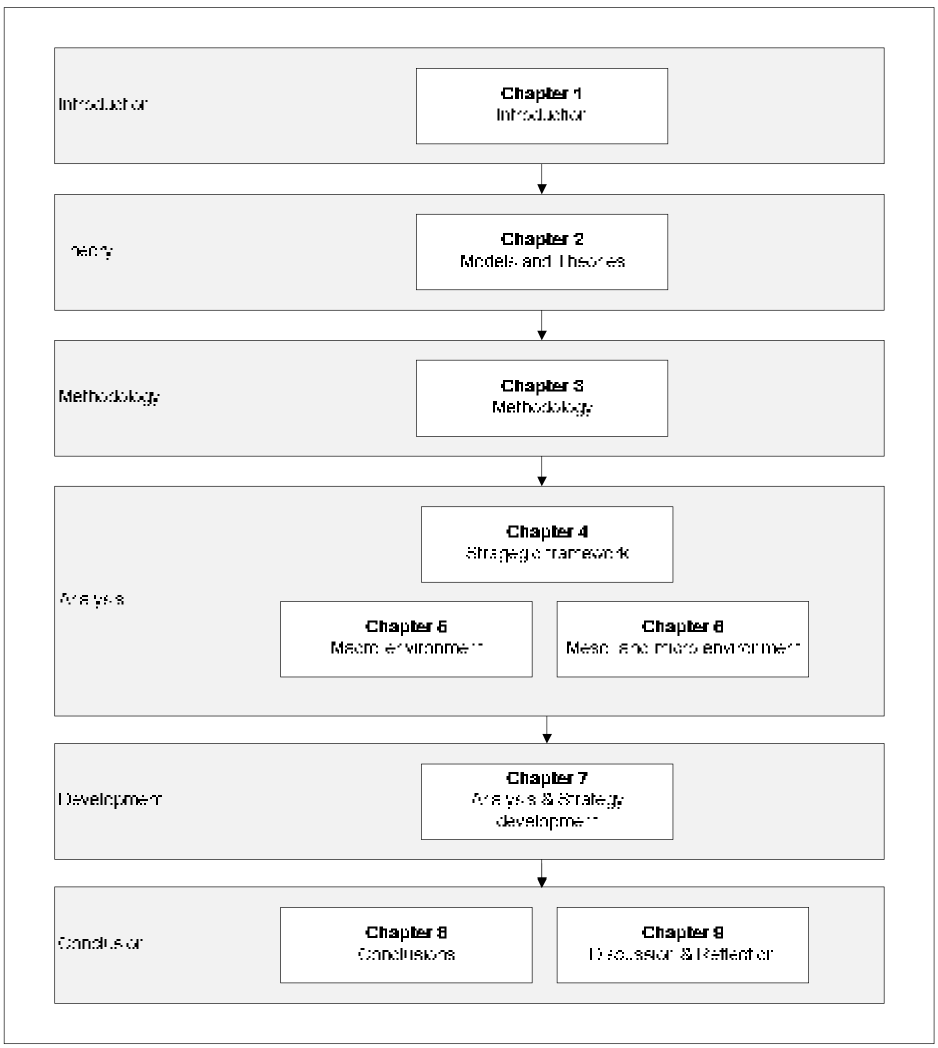


Figure 1.3 – Report structure

2. Models and theories

In this chapter the models and theories that are used for the study are discussed. This is done on basis of the BSPM as described in the previous chapter. This chapter is divided into 4 sections and a conclusion:

- 2.1: Strategy analysis
- 2.2: Analysis of the macro-environment
- 2.3: Analysis of the meso- and micro-environment
- 2.4: Strategy formulation
- 2.5: Conclusion

In each of these sections the models and theories used for the study are explained, as well as how they have been applied in this research. In the conclusion this is summarized and put into the research model for this study.

2.1 Strategy analysis

As a starting point the strategies of Philips and PEV have been analyzed. Two factors are important here: the different levels of strategy and different types of strategy.

2.1.1 Levels of strategy

Johnson, Scholes and Wittington (2006) describe strategy as: 'Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations'. They distinguish three levels of strategy:

- Corporate-level strategy: is concerned with the overall purpose and scope of an organization and how value will be added to the different parts (business units) of the organization.
- Business-level strategy: is about how to compete successfully in particular markets. This applies to business units.
- Operational strategies: are concerned with how the component parts of an organization deliver effectively the corporate- and business-level strategies in terms of resources, processes and people.

These levels of strategy are confirmed by several authors (Blythe, 2006; Jain, 1993; Kotler, 2003; Zikmund & d'Amico, 1995) who all mention these three levels of strategy.

According to these definitions the overall strategy of Royal Philips N.V. can be considered a corporate-level strategy, where the strategy of the Lighting Division can be considered business-level strategy. Since PEV can also be considered a business unit, the strategy of PEV is also seen as a business-level strategy. The strategy of the TR-channel is then seen as an operational strategy.

Johnson, Scholes and Wittington argue that the higher-level strategies give direction to the lower-level strategies, and that lower-level strategies should therefore follow the higher-level strategies. In other words, the strategies should match. For PEV has been analyzed whether this is the case:

therefore the four strategic levels (corporate, business level (worldwide), business level (PEV) and operational) have each been analyzed, and have been compared with each other to see whether they comply.

In this study the assumption has been made that the overall strategy and the strategy of the worldwide Lighting Division cannot be changed. These strategic levels therefore only have been used as a basis for the analysis of the strategy of PEV, and as a starting point for the development of the marketing strategy for this study.

2.1.2 Types of strategy

A second point in the strategic analysis is the characterization of the current strategy of PEV. For this characterization the Competitive Strategies model of Porter (1985) has been used, which provides a framework for business unit competitive action. Porter suggests that companies can adopt three strategies to gain competitive advantage. These strategies are:

- Differentiation: distinguish the products or services of the company from that of its competitors. This strategy can be profitable because customers are loyal and will pay high prices for the product.
- Cost leadership: companies with this strategy seek efficient facilities, cuts, costs and employs tight cost controls to be more efficient than competitors. The company then can undercut competitors' prices and still offer comparable quality and earn a reasonable profit.
- Focus: the company concentrates on a specific regional market or buyer group. This means the use of either a differentiation- or a cost leadership strategy, but on a narrower market.

The strategy of PEV has been analyzed based on these types of strategy, which has lead to a characterization of the strategy of PEV in one of these three strategies. The outcome of this has formed the starting point for the development of a marketing strategy. Also, based on the results of the study, an analysis has been done whether this strategy is the right one for PEV, or if PEV should adopt another strategy.

2.2 Macro-environment

The second stage in the BA-study is a macro-environmental analysis. There is much consensus among authors on which factors belong to the macro-environment. Although sometimes named differently, the macro-environment is divided into four main environmental forces (Blythe, 2006; Jain, 1993; Kotler 2003; Kotler & Armstrong, 1996):

- Political / legal forces
- Economic / demographic forces
- Social /cultural forces
- Technological / physical forces

These four forces have been analyzed on basis of the PEST-model (Johnson, Scholes and Wittington, 2006). PEST is short for Political, Economic, Social and Technological forces. Some of the important factors that will be taken into account are shown in table 2.1. Not all of the factors mentioned in the table below are of influence on PEV: therefore in the macro-environmental analysis only the factors that influence PEV are discussed.

Table 2.1 – Important factors for PEST-analysis

Policitcal / Legal	*Economic / Demographic*	*Social / Cultural*	*Technological / Physical*
Government stability	Business cycles	Population demographics	Government spending on research
Taxation policy	GNP trends	Income distribution	Focus on technological effort
Trade regulations	Interest rates	Social mobility	New discoveries / developments
Social welfare policies	Money supply	Lifestyle changes	Speed of technology transfer
Competition law	Inflation	Attitudes to work and leisure	Rates of obsolescence
Employment law	Unemployment	Consumerism	
Health and safety	Disposable income	Levels of education	
Product safety			

Since these forces cannot be changed by a marketing strategy, they are taken for granted and have just been used to analyze what influence they have on the current strategy and business of PEV, and how they might influence the formation of the marketing strategy.

2.3 Meso- and micro environment

The second step in the environmental analysis is the analysis of the meso- and micro-environment of the company. In the meso- and micro-environment many authors distinguish a number of different factors. These factors belong, depending on the author, whether to the micro-environment or to the meso-environment. However, three important factors are distinguished by several authors: company, competition, and customers (Jain, 1993; Kotler, 2003; Kotler & Armstrong, 1999). In this study a fourth factor is added to this: the characteristics of the market, as described by Alsem (1993), consisting of market size and market growth. These four factors are put together in an analysis of the micro- and meso-environment.

2.3.1 Company

In this part first the internal environment has been investigated: the company itself. This is divided into two parts:

- Organizational analysis, in order to analyze the structure of the organization.
- Value-chain analysis of the activities of PEV, in order to analyze the core competencies and the way in which PEV can achieve competitive advantage.

Organizational structure

The first analysis is the analysis of the structure of the organization. There are three main components in the organization structure (Daft, 2000b):

- Organization structure designates formal reporting relationships, including the number of levels in the hierarchy, and the span of control of managers and supervisors.

- Organization structure identifies the grouping together of individuals into departments and of departments into the total organization.
- Organization structure includes the design of systems to ensure effective communication, coordination, and integration of effort across departments.

Value chain analysis

The basis of the analysis of the main activities of PEV is the value-chain framework by Porter (1985). The value chain describes the activities within and around an organization which together create a product or service. The value chain can help to create competitive advantage by analysis of the activities of a company and the coherence of these activities. The value chain model is shown in figure 2.1.

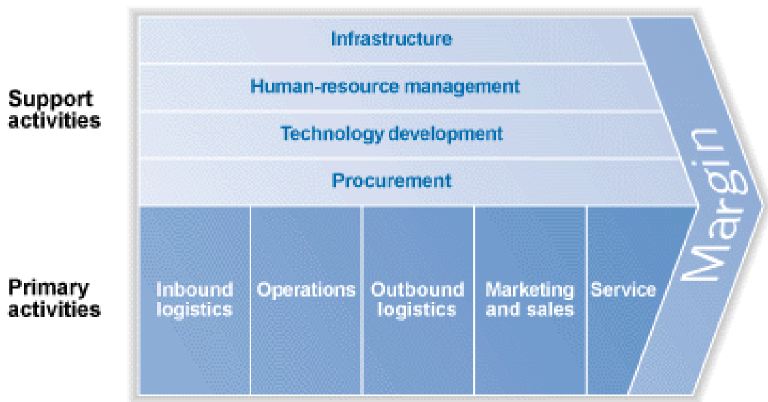


Figure 2.1 – Value chain within an organization (Porter, 1985)

The value chain is divided into two main activities: primary activities, which are directly concerned with the creation or delivery of a product or service, and support activities, which help to improve the effectiveness or efficiency of primary activities.

The primary activities are:

- Inbound logistics: receiving, storing, and distributing the inputs to the product or service.
- Operations: transform the various inputs into the final product or service: machining, packaging, assembly, testing etc.
- Outbound logistics: collect, store and distribute the product to customers. For example: warehousing, materials handling, distribution, etc.
- Marketing and sales: the means whereby the consumers are made aware of the product: sales administration, advertising, selling etc.
- Service: activities which enhance or maintain the value of a product or service: installation, repair, training and spares.

Support activities are:

- Procurement: processing for acquiring the various resource inputs to the primary activities.
- Technology development: concerned with the product (R&D, product design) or processes (process development) or with a particular resource (e.g. raw materials improvements). This is fundamental to the innovative capacity of an organization.

- Human resource management (HRM): activities concerning recruiting, training, developing and awarding people within the organization.
- Infrastructure: systems of planning, finance, quality control, information management etc. Also consists of the structures and routines that are part of the culture.

The value chain can be seen in two ways to contribute to the analysis of the strategic position of the organization (Johnson, Scholes and Wittington, 2006): as generic descriptions of activities that might be mapped (in order to see what the strong and weak points of the company are), or in terms of cost and value of activities (in order to see what point managers should focus on in relation to strategy). In this study both approaches have been used: the first for the analysis of the current position of PEV, and the second for the development of the marketing strategy.

2.3.2 Consumer

The second step in the meso- and micro environmental analysis is the analysis of the consumers: the end-users of lighting products. This part of the analysis is also the main subject of the CS-study, which is discussed in the CS-report. The outcomes of the CS-study (and then mainly the end-user questionnaires) have been used as input for this part of the BA-study.

The main point in the consumer research is their buying behavior: what influences consumers in buying products? This is described in the model of buying behavior (Kotler, 2003), shown in figure 2.2.

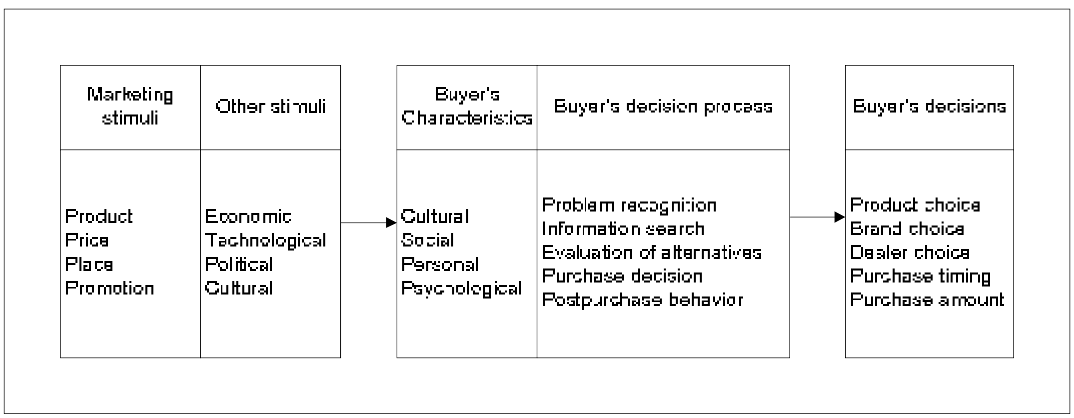


Figure 2.2 – Model of Buying Behavior (Kotler, 2003)

Since the main focus of the consumer research is treated in the CS-study, only some points of interest for PEV have been treated in the BA-study. These are mainly in the third field of Kotler's model: the buyer's decisions, and in specific the product choice, brand choice, and dealer choice.

Product choice

Two points are important in the product choice: first, what characteristics of products are important in buying lighting products, and in special lamps? This has been researched by asking the end-users to what extent certain characteristics of lamps influence their buying decision.

Second, a point of interest for PEV is to expand their product range with more locally produced products. The potential market for these products has been researched by asking the end-users to what extent they think certain Philips products could be a success in Vietnam.

Brand choice

In order to investigate which brands the end-users buy at the moment, they have been asked to indicate which brands they normally buy.

Dealer choice

A subject of interest for PEV is the place where the consumers buy their lamps: is this for example in the supermarket, or more in the small electric shops in the streets? Also the reason for why they buy their lighting products in this location has been researched.

2.3.3 Competition

The second step in the meso- and micro environmental analysis is the analysis of the competition. In this analysis Kotler (2003) distinguishes the industry concept of competition and the market concept of competition. He defines an industry as a group of firms that offer a product or class of products that are close substitutes for another. In the market concept he defines competitors as companies that satisfy the same customer need. Jain (1993) also describes competition as rivalry among firms in a market to fill the same customer need.

Kotler argues that for the analysis of the competition both an industry analysis and a market analysis must be executed. Alsem (1993) uses a similar approach in analyzing the competition.

Industry analysis of competition

The industry analysis in this study is based on the industry analysis framework for developing countries of Austin (1990). Austin’s model is based on the five forces model of Porter (1985), which identifies five key structural features that determine the strength of the competitive forces within an industry. Austin adds one force to the five forces of Porter: the role of the government in resource control and regulation. Also Austin includes the macro-environmental forces in his model as external factors. The industry analysis framework of Austin is shown in figure 2.3.

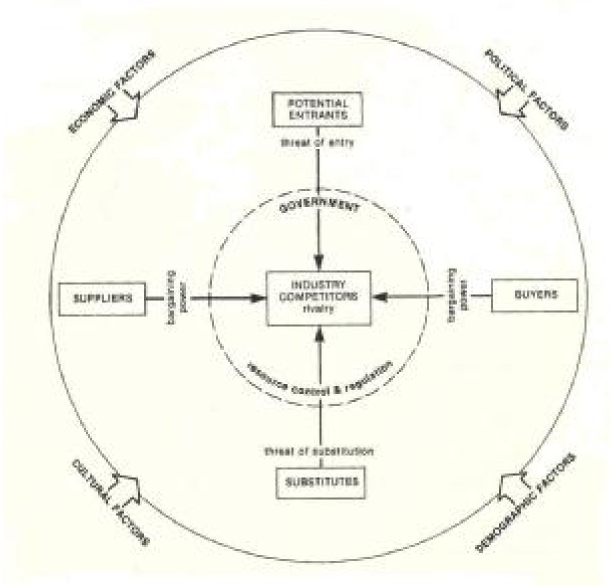


Figure 2.3 – Industry Analysis Framework for Developing Countries (Austin, 1990)

The five forces of Porter, and the sixth force added by Austin in this model are shortly described below.

- Potential new entrants: this is influenced by for example capital requirements and economies of scale. These can form barriers for entry.
- Bargaining power of buyers: informed customers are empowered customers. As customers have more information on the full range of price and product options in a market, their influence over a company increases. This is especially true if the company relies on one or two large, powerful customers for the majority of its sales.
- Bargaining power of suppliers: this is influenced by the concentration of suppliers and the availability of substitute suppliers, but also by the factor of whether the supplier can survive without a particular purchaser, or whether the purchaser can self-manufacture the needed supplies.
- Threat of substitute products: the power of alternatives and substitutes for a company's product may be affected by cost changers or trends, like for example environmental consciousness of customers.
- Industry competitors rivalry: rivalries between companies are influenced by the preceding four forces, as well as by cost and product differentiation.
- Government: The sixth force added by Austin is the resource control and regulating role of the government.

As shown in figure 2.3 the macro-environmental forces are also influencing the industry: political, economic, cultural and demographic forces. These forces are described in the macro-environmental analysis as discussed in section 2.2.

Market analysis of competition

After conducting the industry analysis, the main competitors are indentified in the market analysis of competition. Alsem (1993) mentions two methods to identify competitors: the customer-based orientation, and the competition-based orientation. Both approaches have been used in this research.

The customer-based approach can be used by asking the (potential) customers of a product for example which brands they consider when they buy lighting products. This research has been combined with the CS-study on brand knowledge and corporate image.

In the competition-based approach an analysis has been made based on strategic groups. A strategic group is a group of companies that have common characterizations, and use similar strategies (Porter, 1980). The advantage of this approach is that the competition is classified in groups of the same products, and it also offers the possibility of analyzing differences between strategic groups.

After the identification of the main competitors in strategic groups, they have been analyzed by identifying the following factors of the competitors (Kotler, 2003 and Alsem, 1993):

- Current strategies and objectives
- Strengths
- Weaknesses
- Reaction patterns and future strategies

Porter (1980) also presents a framework for analyzing competitors, in which he mentions four key aspects of a competitor, divided into two categories: what drives the competitor (consisting of their objectives and assumptions), and what is the competitor doing or capable of doing (consisting of their strategy and resources & capabilities). This framework has been used for analyzing the competitors.

2.3.4 Market

The last step in the meso- and micro environmental analysis is the analysis of the market. In this part the general characteristics of the market are researched. Alsem (1993) describes two important characteristics of the market: market size and market growth.

Market size is important because this gives meaning to the size of a certain market share. The market size therefore gives an indication of the minimum required market share to earn back the investments. Also, larger markets have more options for market segmentation than smaller markets, but also attract more competitors. In measuring the market size a distinction has to be made between the current market and the potential market.

Market growth is an important factor in determining the attractiveness of a market: for example a strong growing market implies that an increasing turnover can be expected. In measuring the market growth a distinction has to be made to the current market growth, and the expected market growth.

2.4 Synthesis and strategic analysis

After completing the analysis of the meso- and micro environmental the results of the separate previous analyses are synthesized in a situation analysis. For this a SWOT-analysis is used. This analysis is mentioned by several authors as an instrument for the overall evaluation of a company's strengths, weaknesses, opportunities and threats (e.g. Blythe, 2006; Kotler, 2003; Zikmund &

d'Amico (1996). Alsem (1993) describes the definition of strategic options as a goal of the SWOT-analysis. Also Houben, Lenie and Van Hoof (1999) argue that recognition of internal strengths and weaknesses, as well as external opportunities and threats is an essential component of the strategic management process. They also argue that this can be achieved by a SWOT-analysis.

The strengths and weaknesses are measured by the internal analysis, while the opportunities and threats are measured by the external analyses (competition and customers, and in this study also the market characteristics). The results of these analyses can be placed in a SWOT-matrix, in which the strengths and weaknesses are placed against the threats and opportunities. This can lead to possible new strategies. Some of these general strategies are shown in table 2.2.

Table 2.2 – SWOT-combinations and strategies (Alsem, 1993)

	Strengths	*Weaknesses*
Opportunities	Grow	Improve
Threats	Defend	Problems/Run

In this study three SWOT-analyses have been performed. First, a SWOT-analysis based on information gathered by desk-research has been made. Second, a SWOT-analysis based on the interviews with retailers has been made. Third, these two analyses are combined into a final SWOT-analysis, which gives the most important outcomes for this study. The outcomes of the third SWOT-analysis give a starting point for the formulation of goals and a marketing strategy.

2.5Strategy development

After the completion of the strategic analysis the company has to make decision on the goals and strategies that have to be formulated. In this Alsem (1993) distinguishes 6 types of decisions:

1. Corporate objectives
2. Corporate strategy and business-level objectives
3. Business-level strategy and marketing objectives
4. Marketing strategy
5. Instrument objectives
6. Instrument strategies

For this study the assumption has been made that corporate objectives and corporate strategy/business-level objectives cannot be changed. Therefore this study has focused on the 3rd and 4th decision: business-level strategy and marketing objectives, and marketing strategy.

2.5.1 Goals formulation

The first step is the formulation of goals. Alsem (1993) describes several functions of goals. First, it is a guideline of what the company wants to achieve, and in this it also functions as a communicative function: everybody in the company knows what will be worked towards. Second, a goal is a norm to be able to answer whether the strategy has succeeded or not. If the goal is achieved, the strategy has worked; if not, the strategy might have to be adapted.

A goal therefore has to fulfill four demands. It has to be:

- Specific: it has to be defined for a specific period of time. In the case of a longer planning period (for example 3 years) it is a good idea to indicate a time path, in order to make temporary evaluations possible.
- Measurable: it has to be possible to measure if the goal is obtained. Therefore the goals have to be expressed in measurable variables, preferably quantitative.
- Challenging: the goals must not be set too low, because this will not motivate to perform.
- Realistic: it has to be able to obtain the goal within the given time period, otherwise every strategy to obtain the goal will fail.

Kotler (2003) mentions some other requirements in setting goals or objectives:

- Hierarchy: goals must be arranged hierarchically, from the most important to the least important.
- Consistency: goals must not conflict with each other. It is for example not possible to maximize both sales and profits simultaneously.

As described before, the goals of this study are focused on marketing goals. Alsem (1993) argues that marketing goals are usually expressed in market share or turnover, and in profit. Factors that influence the choice of goals are:

- Attractiveness of segments
- Phase in the product life cycle of the product
- Competition
- Corporate goals and strategies
- Financial means
- Long-term goals

Kotler (2003) mentions some other goals in addition to the ones mentioned by Alsem, for example: risk containment, innovation, and reputation.

2.5.2 Strategy formulation

As Kotler (2003) describes, goals indicate what a business unit wants to achieve; strategy is a game plan for getting there. He argues that every business must design a strategy that consists of a marketing strategy, a technology strategy and a sourcing strategy. This study focuses on the marketing strategy, which is based on the outcomes of the SWOT-analysis.

2.1Conclusion

In this chapter the theoretical models that form the basis for the research that has been conducted have been discussed. An overview is given in table 2.3.

Table 2.3 – Overview of theoretical models

Research stage	*Approach*	*Theoretical model*
Strategy analysis	Comparison of Philips' four strategic levels - Corporate - Business (worldwide lighting division) - Business (PEV) - Operational (TR-channel)	Generic Strategies (Porter, 1980)
Macro-environmental analysis	Analysis of four macro-environmental forces - Political / Legal - Economic / Demographic - Social / Cultural - Technological / Physical	PEST-analysis
Meso- and micro environmental analysis	Company analysis (internal) - Organizational structure - Acitivities analysis - Financial analysis	Organization chart Value-chain analysis (Porter, 1985)
	Competitor analysis (external) - Industry analysis - Market analysis	Industry analysis (Austin, 1990) Market analysis (Alsem, 1993; Kotler, 2003)
	Customer analysis (external) - Buyer's characteristics - Buying decision process	Model of Buying Behaviour (Kotler, 2003)
	Market analysis (external) - Market size - Market growth	Market characteristics (Alsem, 1993)
Strategic analysis	Analysis of strengths & weaknesses (internal) versus opportunities & threats (external)	SWOT-analysis
Strategy development	Goals formulation	Goal demands (Alsem, 1993; Kotler, 2003)
	Strategy formulation	Generic Strategies (Porter, 1980)

The different stages and approaches are represented in the research model, as shown in figure 2.4.

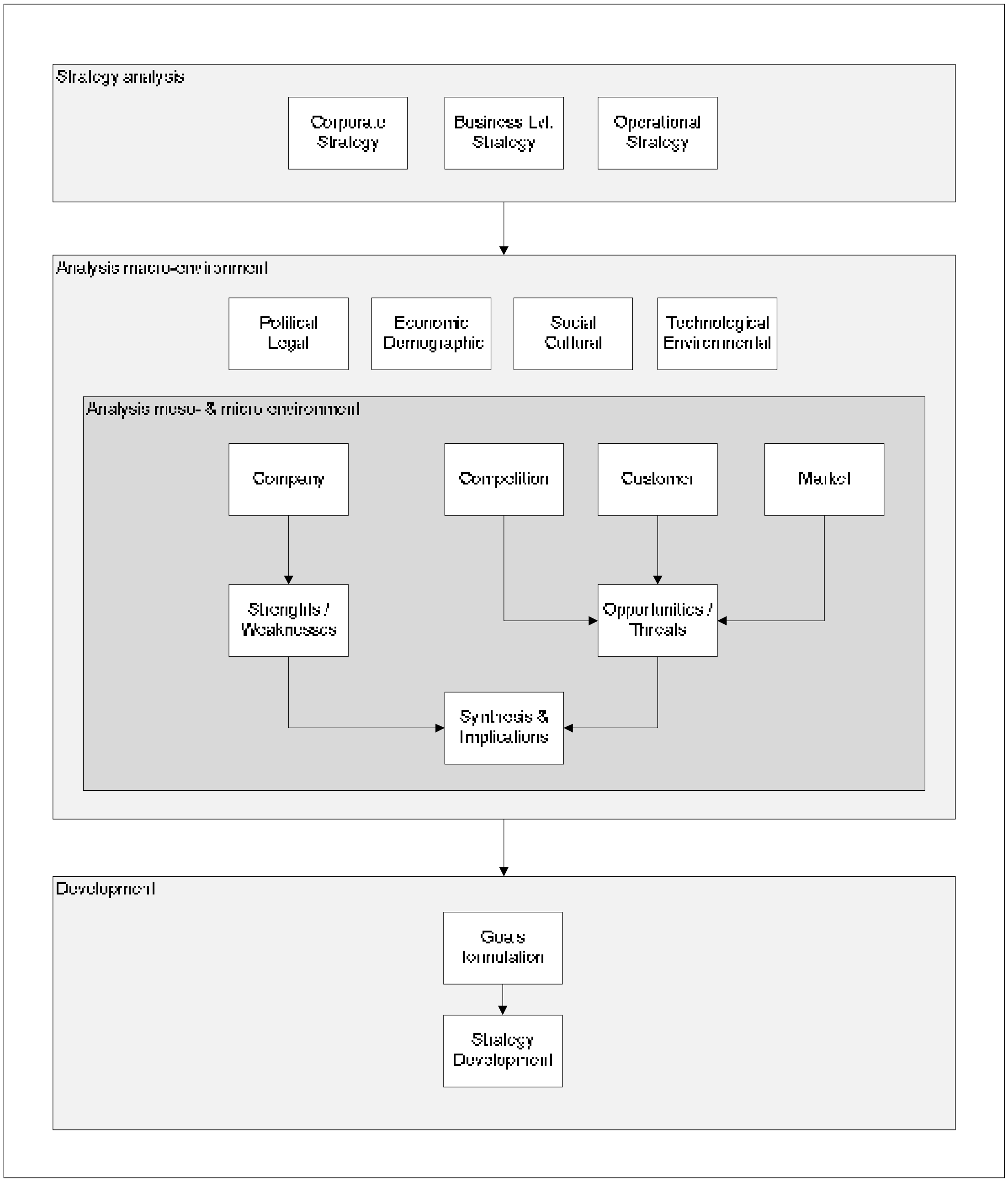


Figure 2.4 – Research model

In the next chapter the methodology of the study is discussed, after which from chapter 4 to 7 the results that have come from the actual execution of the research are discussed.

3. Methodology

In this chapteris discussed how the data used to answer the research questions has been obtained. First a short explanation is given of the different types of data collection, after which is explained how these data have been obtained in the different stages of the study and with which research methods.

3.1 Types of data and data collection

A first distinction is made between two different types of data and several collection methods that have been used in this study. Saunders et al. (2003) mention different methods to obtain data. The two types of data that have been used for this study are:

- Secondary data: these are data that are already collected and used for some other purpose, and have been re-used for this study. This is for example done by internal interviews with employees of PEV, and by desk-research.
- Primary data: these data have been collected in this study. The primary data has been gathered with the use of questionnaires.

3.2 Data collection methods

As mentioned above, two types of data can be collected according to Saunders et al. In this section is shortly discussed which methods have been used to collect the data for this study.

3.2.1 Talking with employees

Since people in the organization of PEV are working on their normal tasks and were quite busy with this at the time of the research, no interviews have been conducted. However, a lot of useful information was given in an informal manner by just talking to the managers whenever they had time. Because of this informal way of talking to the people at PEV, only some notes were made during these conversations, and no recordings have been made of the conversations. Although this might not be the most scientific way of gathering data, this way of gathering information still has been very useful for the study.

A few examples of data gathered this way are for example the description of PEV and the history of PEV, information on the current strategy, and information on internal processes. Both primary and secondary data has been gathered with this research method.

3.2.2 Desk research

Much information has been gathered by desk research. Sources of this study were mainly the internet (for example the corporate website of Philips and the website of the General Statistics Office of Vietnam) and documents that were available at PEV (for example the integrated sales and marketing plan for 2007 and the documents on channel strategies, but also the reports of two Dutch students who have also graduated at PEV: Rienk Kentie and Casper Arnolds). The data gathered with this method is all secondary data.

3.2.3 Questionnaires and interviews

The third data gathering method has been the use of questionnaires and interviews. A distinction is made between the research that mainly has been used for the BA-study, consisting of a combination of questionnaires and interviews, and the research that mainly has been used for the CS-study, consisting of questionnaires only. This report only deals with the first part: the questionnaires and interviews for the BA-study. These are discussed in the next section.

3.3Questionnaires and interviews

3.3.1 Respondents

The questionnaires and interviews used for the BA-study have been conducted amongst the distributors, wholesalers and retailers of Philips products in the two largest cities of Vietnam: HCMC and Hanoi. In both HCMC and Hanoi one distributor has been interviewed; the rest of the interviews has been conducted with storekeepers that were both wholesaler and retailer at the same time. The reason for this is twofold. First, storekeepers that are both retailer and wholesaler know both the business from the viewpoint of a wholesaler and from the viewpoint of a retailer. Second, they have a product portfolio of both Philips products and products of the competitors. Since the results from the interviews with the distributors and the retailers/wholesalers were very similar, they are taken together. From now on to this group of respondents will be referred to as ‘retailers’.

3.3.2 Design

The interview was semi-structured, which means that a number of questions were formulated, which were asked to the retailer. When necessary more questions could be asked. The interview consisted of questions on these subjects:

- The strong and weak points of Philips and its products
- The market position of Philips compared to the competitors
- The strong and weak points of the competitors of Philips and their products
- The current and future strategies of the competitors of Philips
- What points Philips should improve according to the storekeepers

The questionnaire consists of three parts, of which the first two were intended as a preliminary research for the CS-study: therefore only the third part has been used for the BA-study. This part consisted of:

- Sales numbers, prices and profits of Philips lamps
- Sales numbers, prices and profits of the lamps of competitors
- Product developments of competitors
- Customer service of Philips and the competitors
- Potential other products to put on the Vietnamese market

At the end of the questionnaire there was room for remarks. The total questionnaire can be found in appendix 1 (English version).

3.3.3 Procedure

In HCMC a total of 11 retailers have been visited by the researcher and an employee of PEV. The visit to the store was not announced to the retailer. All retailers agreed on cooperating in the research.

In the shop the Philips employee first explained the research and procedure, after which the interview started. The questions on the subjects as mentioned above were translated to Vietnamese by a PEV employee, and the answers of the retailers were translated back into English. When necessary more questions were asked to get the information needed. Since it was too difficult and time-consuming to record the interviews, only notes have been made of the answers of the retailers.

After the interview was completed, the respondent was asked to fill in the questionnaire. In HCMC all eleven retailers have filled in the questionnaire. The employee of PEV assisted the respondent when he or she did not understand the questions by explaining what was meant with the questions. After completing the questionnaire the respondent was thanked for his cooperation in the research, and the retailer shop was left.

In Hanoi the same approach was intended, and 9 retailers have been visited. However, it appeared that the retailers in Hanoi were less cooperative than in Hanoi. Although all retailers visited agreed to cooperate in the interview, many retailers said they did not have time to fill in the questionnaire, so only four questionnaires have been filled in. The results from these questionnaires have been used where possible.

3.3.4 Results

The results from the interviews and questionnaires have been used for several parts of the study, but mainly for the company analysis and competitor analysis. These results are discussed throughout chapter 4 to 6.

4. Strategic framework

In this chapter the results of the analysis on the strategic framework are given, in which the different strategies of the four strategic levels have been analyzed. The goal of this analysis is threefold. The first goal is to compare the strategies of the different levels, to analyze whether they comply with each other. The second goal is to characterize the current strategy of PEV into one of Porter's generic strategies. The third and final goal is to form a starting point for the development of the marketing strategy.

This chapter is divided into three sections and a conclusion:

- 4.1: Strategic framework of Royal Philips N.V. and the worldwide Lighting Division
- 4.2: Business-level strategic framework of PEV
- 4.3: Operational strategic framework of the TR-channel
- 4.4: Conclusion

4.1 Royal Philips N.V. & Worldwide Lighting Division

On the two highest strategic levels the strategic framework of Royal Philips N.V. and the strategic framework of the worldwide Lighting Division have been analyzed. Since these two levels cannot be changed they only have been used as a basis for the analysis of the strategy of PEV. This is divided into the mission and values of, and the strategy that Philips has adopted to achieve the mission and values.

4.1.1 Mission, values and vision

On the global website of Philips[1] the mission, values, and strategy of Philips and the worldwide Lighting Division are described. These are given in appendix 2. The mission, vision and strategy of Philips Corporate and the Lighting Division come down to two points:

- Improving the lives of people through the technology of Philips: in this case with lighting solutions. This is mainly expressed in the mission and values.
- Strengthening the position of Philips where necessary, and maintaining the leading position where it has this position (as is the case with the Lighting Division). This is mainly expressed in the vision and strategy.

[1] http://www.philips.com/about/company/missionandvisionvaluesandstrategy/index.page?

4.1.2 Strategy

On the corporate website the strategy of Philips is described, which comes down to six key points: increase profitability, leverage the Philips brand, build partnerships, invest in innovation, strengthen leadership competencies, and drive productivity.

This is for the Lighting Division translated into three key points: growth (expanding in emerging countries and building on the strong current position), talent (strengthen leadership position through talent recruitment and a learning organization), and simplicity (streamlining the way of working through segment marketing, customer focus and supply excellence).

4.2 Philips Electronics Vietnam

The strategy of PEV is seen as a business level strategy, since PEV can be considered a business unit. According to the strategic plan of PEV the general business level strategy of PEV is the same as that of the worldwide Lighting Division: PEV follows this strategy in doing its business in Vietnam. However, for PEV some specific strategic points have been developed. These are shown in detail in appendix 2.

4.2.1 Strategy

The general strategy of PEV is described in three key points: ambition, strategic challenges and key business drivers.

Ambition

The ambition of PEV lies in profitable growth: above market growth while maintaining the profit levels.

Strategic challenges

For the TR-channel two points of interest are described in the general strategy: drive the energy-saving segment, and increase the reach and range (especially in innovative products) in the TR channel.

Key business drivers

In achieving the goals and strategic challenges, two key business drivers have to be achieved: increased customer intimacy through a superior distribution network and customer service; and marketing excellence (creating demand for both existing and a new range of products). This is based on committed and competent people, a learning and developing organization, and control of costs and assets (industrial optimization, outsourcing, selling expenses).

4.2.2 Business Balanced Score Card (BBSC)

The goals as described in the strategy are put into measurable targets with the use of a BBSC. Both for the commercial center as for the factory a BBSC have been made. These are shown in appendix 3a and 3b.

Both BBSC's consist of four categories: financial, customers, processes and learning. In each category a number of strategic success factors are defined, each with a performance measure. This performance measure is translated into Key Performance Indicators (KPI's) that have to be met at the end of the year. These KPI's are set up for a period of three years in the future, and are adjusted at the end of each year. The difference between the BBSC of the commercial center and that of the factory are the definitions of the goals and their KPI's. Also, the BBSC for the factory is made only for the year 2007.

4.2.3 Quality- and environmental policy

Besides the general strategy, the factory manager of PEV also has defined a number of rules to which the management and employees of the factory have to commit. These rules are shown in appendix 2 and describe a number of points which are meant to guarantee the high quality of Philips products, assure that everything complies with legal and environmental rules (for example ISO-standards), and ensure that the sustainability policy of Philips is maintained. The guideline for these commitments as described in the policy is: 'Bulbs that really last'.

4.2.4 Strategy classification

Besides the strategy as PEV describes itself (based on the documents of PEV and the interviews taken), the strategy of PEV also has been analyzed according to the Competitive Strategies model of Porter (1985). Therefore the products and strategy of PEV have been analyzed in comparison to that of the competitors (the products of PEV and that of the competitors will be further discussed in the company analysis and the competitor analysis).

This comparison shows that PEV uses a differentiation strategy: as PEV describes it, it has a higher priced, high quality premium product in comparison to that of its main competitors in the Vietnamese market (Dien Quang and Rang Dong), and distinguishes itself with this from its main competitors.

4.3Trade Retail channel

Since the TR-channel is a component of PEV, the strategy of this channel can be seen as an operational strategy: as described in chapter 4, this level of strategy is concerned with how the component parts of an organization deliver effectively the corporate- and business-level strategies in terms of resources, processes and people.

In 2005 a strategic plan has been developed for each of the four sales channel of PEV, and therefore also for the TR-channel. According to this strategy the TR-channel also focuses on professional users, besides consumers. In this study the professional users are not taken into account, since the assignment focuses on the consumer market.

4.3.1 Mission and vision

In the strategic plan the mission, vision and strategy of the TR-channel are described. The mission and vision are a reflection of the mission and vision of the Lighting Division and PEV in general: the TR-channel follows this.

4.3.2 Strategy

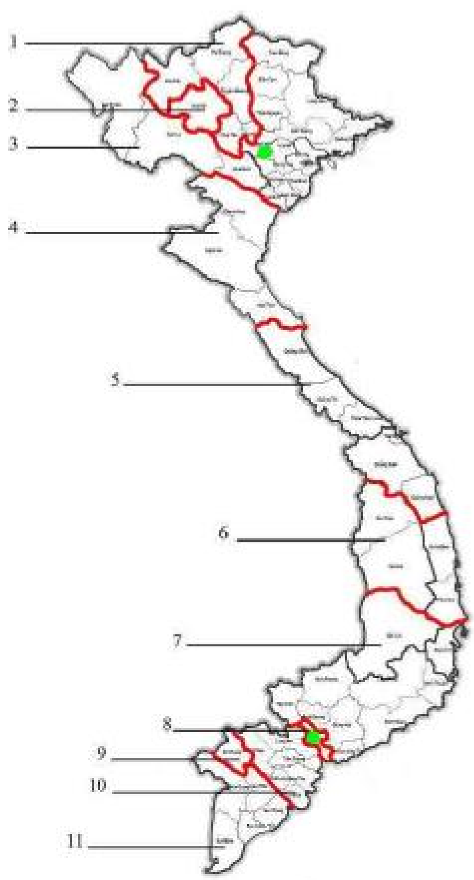
The objective of the strategy is 'to become the market leader in the urban areas by 2008'. The strategy described in the strategic plan consists of six points, based on the marketing mix:

- Positioning: We position ourselves as 'The simplest partner to do business with that provides lighting products that are "longer lasting, more saving".'
- Place (Distribution): Increase the retailers support in the city and improve the coverage in the sub-urban and rural areas.
- Product: Increase the product range with customer requested products and keep the focus on the products made in Vietnam.
- Promotion: Focus on retail push and customer pull (for consumer) and wholesaler support (for professional) and increase the overall awareness of Philips lighting.
- Pricing: Keep strict and stable price waterfalls with well-considered benefits for each player in the channel.
- People: Each partner will have one account manager, which is supervised by the TR manager.

This strategy also mentions some points for professional users (for example under the point 'Promotion'): these are not taken into account for this study.

4.3.3 Territory policy

The territory policy means that the distribution of the TR channel is divided based on territories. PEV has divided Vietnam into eleven territories, as shown in figure 4.2.



These territories are, from north to south:

1. North 1
2. North 2
3. North 3
4. North 4
5. Central 1
6. Central 2
7. East
8. Ho Chi Minh City
9. West 1
10. West 2
11. West 3

Figure 4.2 – Distribution territories

A strategic point is the importance of these areas. The most important areas for PEV are first Ho Chi Minh City (territory 8: HCMC is indicated with the green dot), followed by the area in which Hanoi is situated (area 3: here Hanoi is indicated with the green dot), and as a third important area the area east of Ho Chi Minh City (area 7). The rest of the areas are equally important to PEV. This shows that PEV mainly focuses on the urban areas of Vietnam.

How the distribution takes place is discussed in the company analysis of PEV.

4.4 Conclusion

The goal of the strategic analysis of the strategic frameworks as discussed in this chapter was to form a starting point for developing the marketing strategy. Therefore the current strategies of the four levels have been compared with each other, to analyze whether they comply with each other: do the lower level strategies follow and support the higher level strategies?

In general it can be said that the four levels of strategy comply with each other: each lower level strategy follows the strategy of the higher levels. In this PEV has developed its own strategic points, which are based on the higher level goals.

PEV follows a differentiation strategy, by offering higher quality products than the competition at a somewhat higher price. Whether this is the right strategy to follow in order to become market leader is discussed in the conclusion of this report.

5. Macro-environment

In the previous chapter the first step in the analysis has been discussed: the analysis of the different strategic levels of Philips: corporate level, the Lighting Division, PEV and the TR-channel. In this chapter this is followed by an analysis of the macro-environmental factors that influence PEV and the TR-channel. This is divided into five sections, classified into the forces mentioned in the PEST-model and the conclusions drawn from these analyses:

- 5.1: Political and Legal factors
- 5.2: Economic and Demographic forces
- 5.3: Social and Cultural forces
- 5.4: Technological and Physical forces
- 5.5: Conclusion

The factors that have been analyzed in these four sections are based on the factors mentioned in table 4.1 As mentioned in chapter 4, the factors described in this chapter are forces that might influence the business of PEV in Vietnam, but cannot be changed. Therefore this analysis is only used in order to analyze how these forces influence PEV and its business in Vietnam, and how they might influence the development of the marketing strategy.

A note has to be made on the analysis of these forces: for each force many factors can be described. However, this chapter focuses on the factors that influence PEV only. Factors that are not important for PEV are therefore not discussed.

5.1 Political and Legal forces

Marketing decisions are strongly affected by developments in the political and legal environment (Kotler, 2003). The most important factor for PEV is the influence that the government of Vietnam has on companies, and how this results in laws and regulations that influence the business of PEV.

5.1.1 Government form and interference with business

Vietnam is officially named the Socialist Republic of Vietnam[2]. The political party in charge is the Communist Party of Vietnam. The government type can therefore be described as a communist state. The fact that Vietnam is a communist state has largely influenced business: the government in the past has interfered in every aspect of business, and still does for a large part. In 2006 the state still owned half of the Vietnamese companies (as shown in figure 5.1), and it has imposed strict regulations on foreign companies that wanted to enter the Vietnamese market.

[2] https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html

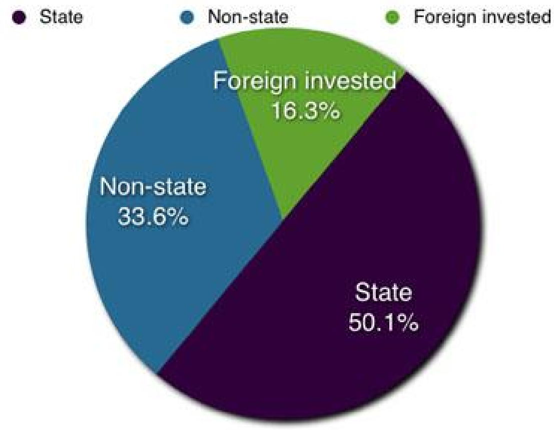


Figure 5.1 – State-owned versus non-state owned companies (2006) [3]

Since 2001, however, the situation is improving[4]. The government has started to move more towards a market-driven economy with international integration. Since 2001 Vietnam is a member of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Free Trade Area (AFTA), and the US-Vietnam Bilateral Trade Agreement in December 2001 has led to even more rapid changes in Vietnam's trade and economic regime. Nowadays the Vietnamese government is stimulating foreign direct investment of foreign companies in Vietnam.

More recently Vietnam joined the World Trade Organization (WTO) in January 2007. The WTO is a worldwide organization for liberalizing trade and making negotiations between governments. If the Vietnamese government conforms to regulations of the WTO, this should open opportunities for foreign investors in Vietnam and stimulate the continuation of liberalizing reforms.

Also, in May 2007 ASEAN has recognized the full market economy status of Vietnam. According to the website of the Vietnamese Ministry of Trade[5] ASEAN's recognition of Vietnam full market economy status is to affirm great achievements gained by Vietnam in its renovation cause and economic globalization.

In general for PEV this liberalization of the government policy, the membership of ASEAN and the membership of the WTO therefore could open opportunities. Although there are still strict regulations, in the future it might be possible to extend the business easier than it has been before: this is where the opportunities for PEV are.

5.1.2 Taxation and trade regulations

A subject of specific interest for PEV is the Vietnamese government policy on taxation and trade regulations. For Philips one of the main reasons to start a factory in Vietnam was the limitations that the Vietnamese government imposed on Philips when importing products. An important factor in this was the taxation policy. Nowadays PEV still has to pay high taxes on products that are not produced in the Vietnamese factory. The goal of these taxes imposed by the government is the

[3] http://www.business-in-asia.com/countries/vietnam1.html
[4] https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html#Econ

protection of local companies, which means that the local competitors, Dien Quang and Rang Dong, are largely protected by this regulation. Also, the Vietnamese government has lowered the import duties for lamps from China, varying from an import duty of 0% for HID lamps, to 40% for compact lamps. Duties on lamps from ASEAN countries were reduced to 5%. This means that Philips (since it cannot benefit from these regulations, and therefore has to pay higher taxes on import) has a relatively weak position in the areas where lamps have to be imported, compared to mainly the ASEAN countries.

This taxation policy is also the case for the import of luminaires. Although Philips has not yet entered the market for luminaires in the household segment, also for these products the import duties range from 40% (China made) to 5% (ASEAN countries). So if Philips wants to enter the household luminaire segment, this regulation will also form a threat for the business of PEV.

Besides the height of the taxes, there are also quotas on the imports of Philips in Vietnam. This means that Philips is not allowed to import more than a specific amount per year, which makes the company less competitive in comparison to its competitors.

The points mentioned before are all threats to the business of PEV. However, also in this case, the recent membership to the WTO might change these regulations over time. The WTO argues that trade should not discriminate between local and foreign investors, so this would mean that Dien Quang and Rang Dong should not be put in favor by the Vietnamese government. However, the WTO also argues that opening markets should be done gradually and by negotiations. Therefore it might take some time before PEV can really benefit from the WTO membership of Vietnam concerning these regulations.

5.1.3 Lighting industry

For PEV especially the influence of the government on the lighting industry is important. The government has an important policy: it stimulates the use of energy-saving lighting products. This is an opportunity for PEV: as described in both the strategy of the worldwide Lighting Division, as the general strategy of PEV, they want to drive the energy-saving segment. According to PEV and the retailers the products of Philips are more energy-efficient than the products of its competitors: this is where Philips has an advantage.

5.2Economic and Demographic forces

The second macro-economic forces discussed are the economic and demographic forces that influence PEV. Demographics are important because people make up the market: therefore it is interesting for a company to understand what the demographics of the potential target market are (Kotler, 2003). Also the economic forces that drive a country are very important, because for example the sales of a company are dependent on purchasing power of the people. Therefore data on the country's economic forces are also important for developing a marketing strategy. The data are given in appendix 4a (economic indicators), 4b (demographic indicators) and 4c (educational indicators). In this chapter only the analysis of this data is discussed.

5.2.1 Economic indicators

According to the World Bank, Vietnam is one of the best-performing developing economies in the world. In appendix 4a some figures are given to illustrate the growth of the Vietnamese economy and improvement of the society in the last 22 years.

These figures show that the Vietnamese economy has grown strongly from 1990 till 2000. This is shown by for example the growing Gross National Income (GNI) per capita and the reduction in external debt. Also in the last 6 (2000 till 2006) years there has been considerable growth (shown by for example the Gross Domestic Product (GDP) growth). Important in this is the GNI: the income of Vietnamese people is increasing, which might mean they can spend more money on products (increasing purchasing power). This is confirmed by data from the international marketing agency Euromonitor [6]: according to their data the consumer expenditure of Vietnamese people has increased from 26 million US dollar in 2003 to almost 38 million US dollar in 2007. This is a very strong growth. This can have a positive effect on the sale of PEV's products.

Another interesting fact is that the growth of the trade (both in total as export and import) in 2006 is very high. This is the largest growth of all ASEAN member countries (ASEAN, 2006). In comparison: for example Thailand has a total trade growth of 7.7 %, Singapore of 18.6% and Indonesia of 12.9 %.

Besides these figures, the real income has grown with 7.3% over the last ten years, and the poverty rate has fallen from 58% in 1993 to less than 20% in 2004 (World Bank, 2005). This also can have a positive effect on the sales of PEV's products.

5.2.2 Demographic indicators

The demographic figures show some interesting points for PEV. First, the population of Vietnam is still increasing, so the potential market for PEV is also growing. Second, it is clear that the main age group is that of 15 to 64 years (2007 estimate of 67.9 %). This group has been growing over the last years. According to the General Statistics Office of Vietnam, the median age of the entire population is 26.4 years, which is quite young. This is important information for determining the target group of the products of PEV. A third point of interest is that the majority of the population lives in rural areas (although the urban population is growing in comparison to the rural population). However, PEV still mainly focuses on the urban areas for their sales, and mainly the two largest cities: HCMC and Hanoi, with a population of 5.7 million (HCMC) and 3.1 million (Hanoi) in 2006.

5.3Social and Cultural forces

The third forces are the social and cultural forces of the Vietnamese people. It is important to look at these forces because they shape the way in which people see themselves, others and also companies (Kotler, 2003). The analysis showed that for PEV there is one important point in the social and cultural forces: education.

[6] http://www.euromonitor.com//factfile.aspx?country=VN

5.3.1 Education

An interesting factor is the level of education of the Vietnamese people. Data on this is given in appendix 4c. These figures show that the Vietnamese people are getting more education: the number of people entering into secondary and tertiary school is increasing. A higher level of education could be in the advantage of PEV: it might also lead to a higher skilled labor force: PEV could attract more highly skilled personnel from the Vietnamese population.

5.4Technological and Physical forces

The last forces analyzed in this chapter are the technological and physical forces. In these forces for example the developments in technological developments and the diffusion of these developments are important. Factors that play a role for PEV are mainly the country's infrastructure, the use of computers and internet and the energy usage of the Vietnamese population.

5.4.1 Infrastructure

Important for the spreading of the products of PEV over Vietnam is the infrastructure in Vietnam. According to the World Bank, over the last few years Vietnam has invested 9 to 10 % of the GDP in improving the infrastructure: transport, energy, telecommunications, water, and sanitation. For PEV the most important factors here are the transport and telecommunications.

However, according to PEV the infrastructure of Vietnam is still a weak point. This is mainly shown in the lack of efficient transport and telecommunications. This forms a threat to the business of PEV, mainly in the distribution of products.

5.4.2 Computer and internet

The use of computers and internet has grown strongly over the last few years. In 2006 Vietnam already had 14.7 million internet users. This is also shown in the street image of the larger cities: on every street corner you can find an internet café.

This development can have its advantages for PEV, for example in the field of electronic advertising: the use of internet is a way of reaching people.

5.4.3 Energy use

A major problem in Vietnam is the use of energy. Vietnam is suffering with power shortages: the country does not produce enough power for its users. This is mainly a problem in the rural areas: the power shortage leads to power fluctuations, which leads to Philips lamps not functioning well. This forms a problem for PEV, since their products might get the image of functioning badly.

However, the power shortage can also form an advantage for PEV. As mentioned before, the Vietnamese government promotes the use of energy-saving products because of the problems mentioned above. Since the Philips lamps are more energy-saving than that of its competitors, this is an advantage for PEV.

5.5Conclusion

The PEST-analysis that has been executed is concluded in this section. The factors discussed in the previous sections are shown in table 6.5, which gives an overview of the threats and possibilities of the macro-economic factors for PEV in the different environmental forces.

As mentioned in the introduction to this chapter, not all macro-economic factors are important for the business of PEV. The threats and opportunities mentioned in this chapter and table 5.1 are therefore based on the interpretations of the researcher what could be important for PEV, and on discussion with the managers at PEV.

Table 5.1 – Overview macro-economic forces

Forces	*Threats and Opportunities*
Political/legal	Threats: - High taxation on imports - Low taxation for ASEAN countries - Quota on imports - Protection of local companies Opportunities: - Membership of AFTA and WTO - Promotion of energy-saving products by government
Economic / Demographic	Threats: - Local companies can profit from economic growth and industry growth Opportunities - Strong economic growth - Growing industry and services sectors - Higher purchasing power of consumers - Growing population
Social / Cultural	Opportunities: - Improving level of education
Technological / Physical	Threats: - Weak infrastructure - Energy shortages Opportunities: - Investments in infrastructure by government - Increasing use of computers and internet - Promotion of energy-saving products

6. Meso- and micro environment

The previous chapter dealt with the external forces of the macro-environment, and how they influence the business of PEV and the formation of the marketing strategy. The next step in the analysis is the analysis of the meso- and micro-environment, which is discussed in this chapter. This is divided into four parts:

- 6.1: Company analysis
- 6.2: Consumer analysis
- 6.3: Competitor analysis
- 6.4: Market analysis

6.1Company analysis

The goal of this internal company analysis is to figure out what the strong and weak points of PEV are, where PEV gets its competitive advantage, and how this can be used in developing a marketing strategy. These analyses have been done based on two things: first, the descriptions of the different subjects analysed from internal sources of PEV, and second on the results of the interviews that have been held with the retailers of Philips products in both HCMC as Hanoi.

6.1.1 Product description

Types of products

The products of the TR-channel are the products that are meant for the consumer market. This can be divided into two types of products: locally assembled and imported products. As for the locally produced products, this is a very limited number of products: TLD lamps and CFL-i lamps. These two products together are good for between 90 and 95 % of the sales of the TR-channel. These are also the only products of the TR-channel that are produced in the factory in Vietnam.

The other products that are part of the sales of the TR-channel are other types of lamps (for example downlights and halogen lights), luminaires (mainly battens), and LE (starters and ballasts). However, these products all have to be imported, and therefore the cost of these products is (because of import taxes) higher compared to similar products of the competitors: according to the retailers sometimes up to two or three times the price. This is therefore not a large part of the TR-channel's market.

An important point in this was mentioned by almost every retailer that has been interviewed, both in HCMC as in Hanoi: they pointed out that one of the weakest points of Philips is that it has a very limited locally produced product range. This has two main disadvantages. First, the number of Philips products that is sold in the stores is very limited, since the focus of PEV is now mainly on TLD and CFL. Other products are not sold in large numbers. Second, the only products which are in stock at the retailers stores are usually TLD and CFL: since the other products have to be imported, which is a time consuming process (this is further elaborated in the value chain analysis in this chapter), there is not enough stock available for these products. This means that often the retailers have to say no to consumers who want to buy these products.

Product characteristis

An interesting point is the characteristics of the lamps, to see how they compare to the lamps of the competitors. This can form either a strong or a weak point of the products of the TR-channel.

For TLD lamps there are three characteristics that are important for Philips: design, energy use and quality. In design an important characteristic is that Philips only produces T8 lamps, where the competition mainly produces T10 lamps (T8 is a smaller diameter). Philips lamps are therefore slimmer and better looking. The second characteristic is that T8 lamps consume less energy than T10 lamps: therefore they are more energy saving. A third characteristic is quality: according to the quality assurance manager of PEV (Mr. Vuong) Philips has a very low number of malfunctioning lamps: only 0.2% of the lamps gets returned. This means that only 2 out of every 1000 lamps have a malfunction.

For CFL lamps, again the energy use and quality are strong points of the Philips lamps. Again, the energy consumption of Philips lamps is lower than that of the competition; and also the rate of defective lamps is just as low as with the TLD-lamps.

These points are all confirmed by the retailers. Mainly the points of lower energy use and a very low return rate are mentioned as a strong point of Philips lamps by several retailers. The retailers pointed out that especially with CFL the quality of Philips lamps is much higher than that of the competition; with TLD there is less quality difference, but still Philips lamps are of better quality. According to the retailers design is not of major importance.

Price

A last and important point in the products of PEV is its price. To analyze this, the retailers have been asked to point out what they think of the prices of Philips products in comparison to the prices of the products of competitors.

Considering the prices of TLD, almost all retailers (both in HCMC and Hanoi) think this price is good: although it is a little higher than the prices of the competing brands, the retailers think you get good value for money, so the price is not too high. However, this is different for the prices of CFL. A number of retailers in HCMC think this price is too high; and every retailer that has been interviewed in Hanoi thinks the price of CFL is far too high to compete with the other brands. According to the retailers the price of CFL must therefore be lowered, according to some retailers even with 30%, in order to compete in the CFL market.

A last point mentioned by some retailers is the price of battens: since these have to be imported, this price is also high compared to the prices of competing brands. According to the retailers, this price is too high, and should also be lowered. This is mainly mentioned by the retailers in Hanoi.

6.1.2 Organization structure of PEV

As a second step in the internal analysis the organization structure of PEV is described. The goal of this description is to give understanding on how the different parts of the company work together, and see if there are any strengths or weaknesses in the organization structure. Although the main part of this assignment focuses on the commercial center, also the organization structure of the factory is given: this gives a more complete picture of the organization of PEV.

At the highest level PEV is divided into two main parts: the commercial center and the factory. The general manager of PEV is manager of both the commercial center as the factory. He is also head of the commercial center (called the commercial manager). Apart from this, there is a head of the factory, called the factory manager.

A second distinction is that in management teams. Within PEV there is a division in three management teams: the supporting team (management of supporting functions), the commercial team (management of the commercial center), and the industrial team (management of the factory). The industrial and commercial teams have a separate meeting once a week; the two teams have a common meeting (the total company meeting) every first monday of the month. The managers of the supporting team are divided in location between the commercial center and the factory. The three teams are shortly described below.

Supporting team

The supporting managers are the Finance and Accouting (F&A) controller, the Planning & Procurement head, the Commercial Human Resource (HR) manager, and the Factory HR manager. For some of these functions there are a number of supporting executives. This is shown in appendix 5a.

Commercial team

The main division in the commercial team consists of the four sales channels. As mentioned in chapter 1, the commercial center of PEV has four sales channels: TR, TP, OEM, and PEU-R. These four channels are run by three managers: TR and OEM each have a sepearat manager; PEU-R and PD are both run by one manager. Besides the managers of these four channels there is a marketing manager who is in charge of the marketing for all four channels. Each of the four channels and the marketing department has a number of supporting members, for example sales executives, sales support executives and project executives. The entire commercial team is shown in appendix 5b.

Industrial team

The factory is subdivided into four managers, who each run their own team: the Maintenance team, the Production team, the Quality Assurance team, and Logistic and Warehousing team. This is shown in appendix 5c.

The functions and teams as described above show how PEV is divided into separate teams and how these teams are managed. When looking at the strengths and weaknesses of the structure of PEV, on the positive side this structure makes sure there is a clear division in PEV between the different channels and the people responsible for these channels. According to the management the only weakness is that the commercial center and the factory are divided: when managers have to talk to each other, this cannot be done face to face. However, because of the weekly meetings of the management this is not a big problem.

6.1.3 Value chain analysis

The third point in the internal analysis is the value chain analysis. As described in chapter 4, a value chain analysis has two goals: to see what the strong and weak points of the company are, and to see what point managers should focus on in relation to strategy. In a differentiation strategy, as PEV currently has, the activities in the parts of the value chain that are important should be performed better than the competitors (Porter, 1985).

It would take too far, however, to analyze all the activities of PEV: in this study there has been no time for this, and not all activities directly influence the business of the TR-channel. Therefore first an analysis has been done on the second goal of the value chain analysis: on what points should be focused, and how does this influence the development of the marketing strategy? After this has been analyzed, the most important activities have been analyzed in the first point of the value chain analysis: a description of the activities, and the strong and weak points of these activities.

Importance of parts of the value chain

This study focuses on the commercial department and in specific the TR-channel. This has lead to an analysis considering two factors: the influence that a part of the value chain has on the business of the TR-channel, and the control that the commercial department has over a part of the value chain. These two factors have been analyzed for every part of the value chain of PEV. The results of this analysis are shown in table 6.1: this table shows an indication of what parts of the value chain of PEV are placed in what category.

Table 6.1 – Value chain analysis

	Controlled by commercial center	*Not controlled by commercial center*
Large influence on TR-business	- Marketing and Sales - Service	- Outbound logistics
Small or no influence on TR-business	- HR-management	- Technology development - Infrastructure - Inbound logistics - Operations - Procurement

Most important for the business of the TR-channel and the development of a strategy are the factors that 1) have a large influence on the TR-business, and 2) are controlled by the commercial center. These are the points where the TR-channel can gain most competitive advantage, and which can be influenced by a marketing strategy. As shown in table 7.1 these are two points: Marketing and Sales, and Service. Also the outbound logistics (in this case focused on the process of ordering and delivery) have been analyzed: although this cannot be entirely controlled by the commercial center, it is considered important for the TR-channel. For example: a long delivery time for certain products can have a negative influence on business, since the distributor, wholesaler and retailer do not have the required products in time. The products therefore cannot be sold, so sales will go down.

Description of value chain parts

For the functions described above an analysis has been done on how these are performed in PEV and in specific the TR-channel, and what the strong and weak points of both are.

Sales and marketing

A first important part of the value chain is Sales and marketing. In PEV there are four different sales channels and a marketing department that supports all sales channels. These are all located at the commercial center.

For each year a target is set (which is put into financial targets in the BBSC) for each sales channel. These targets are then converted into monthly targets, and monthly targets into weekly targets. Each sales channel has its own targets, and is supported in this by the marketing department. The marketing department itself also has yearly targets, which are (like the sales channels) converted into monthly and weekly targets. The setting of the targets and marketing actions is done in discussion and brainstorming sessions with the managers of the specific channels and the general manager. For the weekly targets this is for example done in the weekly meeting of the commercial team, and in conversations between the marketing manager and the manager of each sales channel. The yearly and monthly targets are made at the end of a year. At the time of this internal study (ranging from September to December 2007) PEV is already working on the targets for 2008.

When applied to the TR-channel, the sales targets are set for each distributor of the eleven regions as described in chapter 5. Each of the distributors gets their targets imposed from the commercial center, and is required to reach them. If they reach their targets (or achieve even more sales) this is for example rewarded by incentives for the retailers.

Some retailers mentioned one problem in this: in HCMC there are two distributors, who each make their own price for Philips lamps. Because of this, the prices of Philips lamps can fluctuate at different retailers: some offer Philips lamps for a dump price, other for a high price. This is not good for the sales of Philips lamps in certain stores, because their price can be relatively high compared to other stores. Also some retailers in Hanoi mentioned this problem of more than one distributor. A solution to this problem could be the strict appointment of a certain sales region to only one distributor.

Service

The second important point of the value chain is Service. In the case of the TR-channel, this is concerned with the service towards the distributors, wholesalers, retailers, and (most important for this study), the end-users: the buyers of Philips products.

For this PEV has a warranty policy: in case of defective products within the warranty period, consumers can claim a new product either directly at PEV or in the store (the retailer). In the first case, consumers can contact PEV and if they are entitled to a new product, this will be settled within 10 days. In the second case consumers can go to the retailer and receive a new lamp. However, the second case (return to the retailer) is more complicated for the retailer: the retailer then has to send the product back to the distributor; the distributor sends it back to PEV together with a ‘Warranty Request Form’. PEV will then settle this within 10 days. However, this process takes a long time because of the steps that have to be taken.

In the interviews with the retailers this point was also mentioned a number of times: more than half of the retailers that have been interviewed mentioned the after-sales service and warranty regulations as one of the weak points of Philips. The main problem for them is the complexity of the system, and the fact that they cannot directly return a lamp that doesn’t work.

Outbound logistics

The third and last important part of the value chain is the outbound logistics. In this case the most important part for the TR-channel is the order process. This is quite a complicated process, as is shown in figure 6.1.

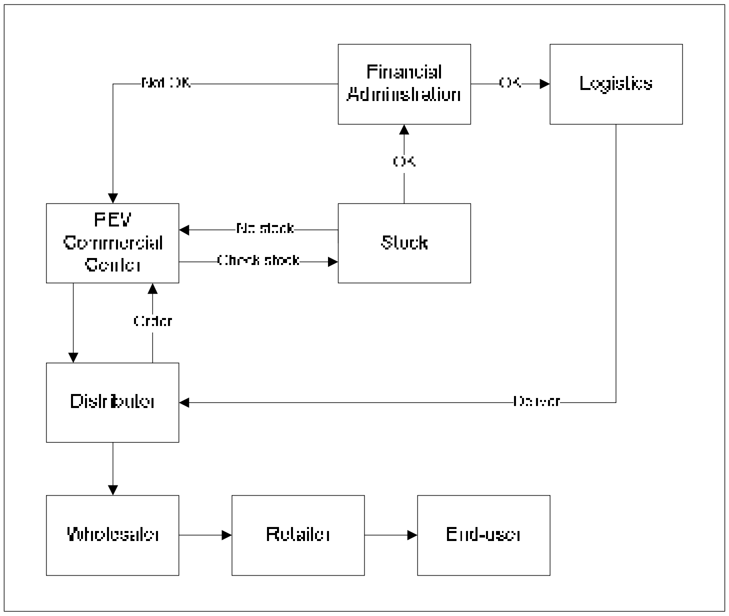


Figure 6.1 – Order process of PEV

The first step in the order process is an order from the distributor. This order arrives at the commercial center of PEV. The second step is a check if there is enough stock available to fulfill the order. This is done with the use of a database management system, and can be done at the commercial center. If there is enough stock, the order goes to the Financial Administration (FA), who has to approve the order. If FA approves, the order goes to logistics, who delivers the order to the distributor. The distributor then delivers to the wholesaler, the wholesaler to the retailer and the retailer to the end-user. If this all goes well, the process is quite smoothly and the distributor does not have to wait long for his order.

However, there is a problem when there is not enough stock available: then the distributor has to decide whether he wants to wait for the delivery of his order. If this is the case, an order has to be placed by the commercial department at the purchasing department of PEV. The purchasing department then has to order the parts necessary from abroad. This may involve a difficult process of ordering different parts from different countries: this may for example be in China, Indonesia or even Europe. On average this process takes up from six to eight weeks. This is a long time: the distributor has to wait six to eight weeks before he gets his order delivered. This might very well influence the business of the distributor of Philips products. The internal order process of Philips (which involves importing from abroad) can therefore be considered a weak point in the value chain.

The interviews with the retailers showed that for the locally produced products (CFL and TLD) there are almost no problems: these products are always in stock. However, the retailers mentioned problems considering the products which have to be imported: this has to go through the process as described above. Because of this time-consuming process, the retailers do not have enough stock of these products.

6.1.4 Conclusion company analysis

In this conclusion the main results from the internal analysis are summarized in table 6.2 (see next page). This table shows the strengths and weaknesses of PEV, flowing from this analysis described in this chapter.

The same goes for this table as for table 5.1 (the conclusion of the macro-environmental analysis): only the most important factors are mentioned here, which is based on the own interpretations of the researcher, and on discussion with the managers of PEV.

Table 6.2 – Overview company analysis

Part of analysis	*Strenghts and weaknesses*
Products	Strenghts - Good quality - Long durability - Low return rate of defective lamps Weaknesses - Limited product range of locally produced products - Other products have to be imported, which leads to limited availability and limited stock for retailers
Organization structure	Strengths - Clear organization structure - Clear division in different channels and responsible managers
Value chain – sales and marketing	Strengths - Clear setting of targets, both internal as for distributors and retailers Weaknesses - Problems with distributors overlap in one area can cause price fluctuations, which leads to variation in prices of Philips lamps in different retailer stores
Value chain – outbound logistics	Strengths - Coverage of Vietnam in 11 sales regions Weaknesses - Time-consuming internal order process if no stock is available - No or little stock for imported products - Overlap in some parts of HCMC and Hanoi for distributors
Value chain – service	Strenghts - All complaints handled in the given time Weaknesses - Complicated warranty regulations, which is difficult for both retailers and consumers

6.2Consumer analysis

The second part of the meso- and micro-environmental analysis is the consumer analysis. In this study the main focus is on consumer buying behavior, which is described in the CS-report. Therefore this chapter only describes the outcomes from a number of questions in the end-user questionnaires that are intended for the consumer analysis of the BA-study.

The BA-study on consumers concerns the following subjects: the lamp characteristics that are important for consumers in buying lamps, some questions on Philips lamps and other products, and the place where the end-users buy the lamps. These subjects are all described according to the results of the end-user questionnaires.

All scores mentioned in this chapter are measured on a 5 point Likert scale. The mean score on this scale is 3: this is the middle of the scale. All scores higher than 3 are therefore regarded positive, and all scores lower than 3 are regarded negative.

6.2.1 Lamp characteristics

The respondents have been asked how important the characteristics of lamps are that might influence their buying decision. These results are shown in table 6.3.

Table 6.3 – Scores on buying factors

Characteristic	*Mean score (M)*	*Standard Deviation (SD)*
Energy use	4.6	0.6
Durability	4.5	0.6
Quality	4.4	0.6
Warranty period	3.7	1.1
Design	3.6	1.0
Foreign brand	3.4	1.0
Price	3.3	1.2
Packaging	3.1	1.0

Table 8.1 shows some interesting results. First, all scores are above the mean of the 5-point scale. This means that all factors mentioned are somewhat important to the end-users. However, the results also show that some factors are more important than others. The most important factors are energy use (M = 4.6), durability (M = 4.5) and quality (M = 4.4). Also, all these factors have a low SD (all three SD's are 0.6) compared to the other factors, of which the SD is all 1.0 or higher. This means these scores are more consistent around the mean score.

The least important are packaging (M = 3.1), price (M = 3.3) and foreign brand (M = 3.4). Especially the low score of the price characteristic was surprising, since this was not expected: according to the retailers the price of the lamps would be important to the consumers. The reason for this low score might be that the respondents have given socially desirable answers: since they knew the questionnaire was conducted by Philips, and they might know that Philips lamps are more expensive, they probably give the answer that price is not really important

6.2.2 Philips products

The respondents have been asked a number of questions on Philips lamps and other products. The results to these questions are described in this section.

Knowledge of Philips as a lighting brand

As a starting question on Philips products, the respondents were first asked if they had heard of Philips as a lighting brand before this questionnaire. 302 respondents answered this question, and of these respondents 44 (14.6%) answered they had not heard of Philips as a lighting brand before this questionnaire.

Characteristics of Philips lamps

Besides a general description of what characteristics of lamps the respondents consider important in buying lamps (section 8.1), they have also been asked if they have bought a Philips lamp in the past year, and if yes, how they rate the characteristics of these lamps. Of the 303 respondents, 302 have answered this question, and 183 respondents (60.6%) indicated that they had bought a Philips lamp in the past year. The results of how they rate the characteristics of Philips lamps are shown in table 6.4.

Table 6.4 – Rating of Philips lamps characteristics

Characteristic	*Mean score (M)*	*Standard Deviation (SD)*
Price	3.4	0.7
Quality	4.1	0.5
Packaging	3.6	0.6
Design	3.7	0.6
Durability	4.2	0.6
Energy use	4.3	0.6
Foreign brand	3.7	0.8
Warranty period	3.7	0.9

These results show that all characteristics of Philips lamps are rated positive by the users, since all scores are above the average of a 5 point scale. The best scoring characteristics are energy use (M=4.3), durability (M=4.2) and quality (M=4.1). These are also the factors that are considered most important by the end-users, as shown in the results of section 8.1.

The lowest scoring factor is the price (M=3.4). This is not a surprising result, since the interviews with the retailers also showed that the price of Philips lamps is relatively high. However, it must be noted that the score is positive, so the price is not considered too high by the respondents. It must also be noted that this score is on Philips lamps in general, so not split up into TLD and CFL.

Product range

An important point according to the retailers is that they think the product range of Philips products is too limited. They mentioned that more different types of lamps, more different wattages and more different lamp colors should be produced. The end-users have also been asked if they think the product range is too limited. 300 respondents answered this question, of which 209 respondents (69,7 %) answered they thought there were enough different types, colors and wattages available.

This therefore does not strongly support the point made by the retailers, but on the other hand, there still is quite a large number of respondents who do think the product range is too limited.

The respondents were also asked to indicate if Philips should expand in the different types, colors and wattages separately. The results to these questions are shown in table 6.5.

Table 6.5 – Scores on product range

Question	*Number (N)**	*Percentage (in %)*
More different types?	121	40.3
More different colors?	77	26.4
More different wattages?	109	36.0

*: number of respondents that said 'yes' to the question if Philips should expand in this category

The results from table 6.5 show that amongst the respondents there is not a very strong demand for expanding the product range, mainly in the lamp colors: this is only about a quarter of all respondents. However, still quite a large number of respondents think the product range should be expanded, which supports the point made by the retailers.

Other Philips products

As a last point concerning the Philips products, the respondents have been asked to indicate for four different Philips products to what extent they think these products could be a success in the Vietnamese consumer lighting market. This could give an indication of how large the demand is for these products. The results are shown in table 6.6.

Table 6.6 – Scores on demand for other Philips products

Products	*Mean score* (M)*	*Standard Deviation (SD)*
Electronic ballasts	3.7	0.9
Lamp fittings	3.8	0.9
Starters	3.8	0.9
Complete lighting sets	4.2	0.9

As shown in table 6.6, all products mentioned score somewhat positive, of which the complete lighting sets (4.2) score the highest. This could mean that for all Philips products mentioned there could be demand on the Vietnamese market. This also supports the point made by the retailers, who also think Philips should produce more different products (besides the point described in the previous section, which considers expanding the current product range) and put them on the Vietnamese market.

A last question in this subject is the question whether the respondents are willing to pay a higher price for an electronic ballast (instead of an electromagnetic ballast) if this means they save money in the long run (because an electronic ballast is more energy-saving). As expected, most respondents answered this question with 'yes' (N=264, 87.7%). This supports the viewpoint of PEV that they should focus on electronic ballasts instead of electromagnetic ballasts.

6.2.3 Place of buying

A third point of interest of the consumer research for the BA-part is the place where the end-users buy their lamps. For this the respondents have been asked where they usually buy the lamps. Since PEV is interested in selling more lamps in supermarkets, a question has been added if they did not answer 'supermarket' to this question: then they were asked why they do not buy the lamps in the supermarket. 300 respondents have answered the question where they buy their lamps. The results are shown in table 6.7.

Table 6.7 – Place of buying

Place of buying	*Number (N)*	*Percentage (in %)*
Supermarket	48	15.8
Electric shop	199	65.7
Mama Papa shop*	51	17.0
Manufacturer shop	1	0.3
Somewhere else	1	0.3

**: a 'mama papa shop' is the free translation of a Vietnamese term for a small shop that sells a number of different products, including lamps.*

The results from table 6.7 show that almost two third of the respondents buys their lamps in an electric shop, followed by the mama papa shop and the supermarket.

The reasons given by respondents why they do not buy their lamps in a supermarket are shown in table 6.8.

Table 6.8 – Reasons for not buying lamps in supermarket

Place of buying	*Number (N)*	*Percentage (in %)*
Too expensive	33	10.9
Inconvenient	179	71.0
Don't have the lamp I want	17	6.7
Other reasons	23	9.1

These results from table 6.8 show that the main reason for not buying the lamps in the supermarket is inconvenience: for example, the end-users don't want to go too far away from their house and prefer to buy the lamp close by.

A last point in the place of buying is the place where the end-user intends to buy the lamp the next time. This question was answered by 301 respondents, and the results are shown in table 6.9.

Table 6.9 – Future place of buying

Place of buying	*Number (N)*	*Percentage (in %)*
Supermarket	36	11.9
Electric shop	232	77.1
Mama Papa shop	28	9.3
Manufacturer shop	4	1.3
Somewhere else	1	0.3

The main point the results from table 6.9 show is is that even more respondents intend to buy their next lamp in an electric shop. The number of respondents that wants to buy their next lamp in a supermarket or a mama papa shop has gone down.

6.2.4 Conclusion

As a conclusion for the consumer analysis, in table 6.10 an overview is given of the most important points from this analysis.

Table 6.10 – Overview consumer analysis

Subject	*Opportunities / threats*	*Factors*
Lamp characteristics in general	Opportunities Threats	Energy use, durability and quality Packaging, price and foreign brand
Philips lamps characteristics	Opportunities Threats	Energy use, durability and quality Price
Expanding product range (more types, wattages and colors)	Opportunities	Quite large number thinks product range should be expanded
	Threats	Number not as high as expected according to retailer interviews
Expanding product range (other products)	Opportunities	All possible products could be a success in Vietnam, especially complete lighting sets
	Threats	Scores only slightly above average, so no hard evidence
Place of buying	Opportunities	Part of respondents buys lamps in supermarket
	Threats	Most respondents prefer electric shop over supermarket

6.3 Competitor analysis

The third step in the analysis of the meso- and micro-environment is the competitor analysis. As described in chapter 2, this is divided into two analyses: first, the industry analysis, based on the industry analysis framework for developing countries of Austin (1990), and second a market analysis, based on a customer- and a competition based approach.

6.3.1 Industry-based analysis of competition

This part of the competitor analysis merely forms a general description of the competitive climate in Vietnam considering the consumer lighting market: the competitors itself are described in section 9.2.

In the industry analysis the 6 forces of Austin's model have been analyzed. Central in this model is the industry competitor's rivalry. The influence of the four other powers and the role of the government influence this rivalry. The goals of these analyses are to see how this influences the competitive rivalry on the Vietnamese consumer lighting market, how this influences PEV, and how this can influence the formulation of a marketing strategy.

Potential new entrants

At this moment the threat of potential new entrants to the Vietnamese market is low. As described in the macro-environmental analysis, the current policy of the government in Vietnam makes it very difficult for foreign countries to enter the Vietnamese market and start importing products. This means that there is little threat of new entrants to the market. However, this may change in the future because of the membership of Vietnam to the WTO: this should make it easier for foreign countries to do trade in Vietnam.

Bargaining power of buyres

The bargaining power of buyers is increasing. Vietnamese consumers are more and more aware of the different options they have in buying lighting products. This means that they have more choice in different products, which increases their influence over a company. For PEV this means that they have to take into account that buyers are more informed, and will be aware of the different brands of lamps they can buy. An important point in this was mentioned by the retailers: they think PEV should educate the buyers. According to them, Philips is a better quality product than the competition, but buyers need to know this: and since buyers are getting better informed about different products, this education of buyers is an important point.

A second important point in the bargaining power of buyers is the target group of the business. If a company relies on one or two large customer groups for its sales, the bargaining power of buyers is higher (Kotler, 2003). At the moment this is the case for PEV: because of the high quality product with higher price, Philips aims at target group with higher purchasing power.

Bargaining power of suppliers

This forms no threat for PEV: the supply of the subcomponents needed for the fabrication of the products is all coming from Philips factories in other countries (for example Indonesia and China). Assuming that no problems arise in the Philips factories in the supplying countries, no problems will arise for PEV in the supply of parts. The same goes for the imported products: these are also coming from Philips factories in other countries.

Threat of substitute products

The threat of products that can form a substitute for Philips products is high and becomes even higher. At the moment Philips distinguishes itself from the competition with high quality products. However, according to the website of Dien Quang, this company (who is a large competitor for Philips) is also aiming at high class, energy saving products (this is described in more detail in the next sections). This means that the products of Dien Quang can be a substitute product for Philips' products. Also in the energy-saving segment this is a threat: Philips will no longer be the only brand that can promote itself as the energy-saving brand.

Government

The last force is the regulating and resource control of the government. This is already described in the macro-environmental analysis, so it suffices to say here that there is a large influence of the government on the competitive rivalry. The main point here is that the main competitors, Rang Dong and Dien Quang, are state-owned companies that have large protection of the government. This is strengthened by the fact that Philips has to import products other than TLD and CFL (while the competitors produce these products locally), which only weakens PEV's position in the rivalry with the competition.

Industry competitor's rivalry

Austin's framework describes the industry competitor's rivalry according to the previously discussed 5 forces. These forces show that at the moment the competitive rivalry is high, and with the development of the main competitors this might even become stronger. This is something to take into account when developing the marketing strategy for the TR-channel.

6.3.2 Market-based analysis of competition

In the previous section a description is given of the general competitive climate in Vietnam considering the consumer lighting market. In the second part of the competitor analysis the main competitors are identified in the market analysis of competition. Two methods are used here: the customer-based orientation, and the competition-based orientation. The goal of this method is to identify the competitors and their characteristics: their strategies, objectives, strengths & weaknesses, and reaction patterns or future strategies.

This analysis is based on the interviews with the retailers, and on the end-user questionnaires of the CS-study. The retailers of Philips products have been asked what they consider the most important competitors of PEV. Besides this, they have been asked about the strong and weak points of the most important competitors in comparison to PEV. This has been done both with retailers in HCMC, as with retailers in Hanoi. Data from the end-user questionnaires of the CS-research gives information on what other brands the end-users consider in buying, or which brands they buy instead of Philips.

Customer-based orientation

The first point in the customer-based analysis of the competitors is the viewpoint of the retailers. The results from the interviews showed that there are is a rather large number of possible competitors: there are many brands of lamps on the Vietnamese lighting market. However, in fact the retailers consider only two brands serious competition for Philips, and these are (as expected) Dien Quang and Rang Dong. The retailers in HCMC mention mainly Dien Quang; the retailers in Hanoi mention mainly Rang Dong.

Interesting is that in HCMC according to the retailers Philips is the third brand, after Dien Quang (market leader) and Rang Dong (second). However, according to retailers in the north Philips is growing strongly, and has taken the second position in the market, after the market leader Rang Dong.

To confirm this, in the end-user questionnaires the respondents have been asked which brands they normally buy. These results are shown in table 6.11.

Table 6.11 – Brand normally bought versus city

Brand normally bought	*HCMC*	*Hanoi*
Philips	32	59
Dien Quang	71	32
Rang Dong	33	51
Toshiba	5	7
Osram	1	3
Other	4	1
Don't know	1	0

Total number of respondents: 300

The results shown in table 6.11 partly confirm the opinion of the retailers. In HCMC, Dien Quang is bought most, followed by Rang Dong and Philips . However, according to these numbers in Hanoi Philips is bought most, closely followed by Rang Dong and at some distance Dien Quang, which is different from what the retailers said. It must be noted that it is possible that the respondents gave these answers because they knew the questionnaire was being held by Philips, and gave socially desirable answers: this might have caused them to say they buy Philips lamps when this is not the case. This must be held in account when analyzing the results.

Competition-based orientation

After identifying the competitors in the customer-based orientation, in the competition-based approach a distinction has been made of the competitors in strategic groups. In Vietnam the most important differentiation into groups is a simple one: the two stronger competitors (Dien Quang and Rang Dong), a number of weaker competitors (who have a smaller market share than Philips). Added to this is a third group: the Chinese-made fake Philips products. This third group is also mentioned by several retailers. They mentioned the fact that there are fake Philips products on the Vietnamese market, which are produced in China. This is a serious threat, because these products carry the Philips logo and name, but are of inferior quality. This might damage the high quality image of Philips products.

The identification of the competitors in these groups is shown in table 6.12.

Table 6.12 – Strategic groups of competitors

Group 1: Stronger competitors	Group 2: Weaker competitors	Group 3: Chinese substitutes
Rang Dong	General Electronics	Fake Philips lamps
Dien Quang	Osram	
	Toshiba	
	Paragon	
	Duhal	
	Megaman	

The names of these competitors are mentioned by the retailers: these are the other brands that the retailers sell. An exception to this is the Chinese fake lamps: these are not sold by the retailers. However, the interviews with the retailers showed that in fact there are only two main competitors for PEV: Dien Quang and Rang Dong. These are the two largest players in the consumer lighting market at the moment. The other companies (group 2) only take a minor part of the market, and are at the moment no direct threat to PEV. According to the retailers, in the future they most of these brand will form no threat to Philips, with a possible exception of Toshiba: according to some retailers in Hanoi this brand is also growing strongly.

Considering these results, the focus in the competitor analysis is on Dien Quang and Rang Dong. The main characteristics of these two companies are described below.

Dien Quang
The full name of Dien Quang is Dien Quang Joint Lamp Stock Company. It was established in 1975 and is a state-owned company under the management of the Ministry of Industry. In 2004 Dien Quang became a joint-stock company, which means that 51% of the shares is owned by the government, and the other 49% is owned by shareholders.Table 6.13 shows the main characteristics of Dien Quang. These points are based on the interviews with the retailers and wholesalers: they were asked to indicate what they thought were the strong and weak points of the competing brands. Besides this, the graduation report of Casper Arnolds has confirmed some of these factors and added some extra information.

Table 6.13 – Characteristics of Dien Quang

Dien Quang	
Brand positioning	
Slogan	‘Wherever electricity goes, Dien Quang will be right there’
Motto	High quality for a reasonable price
Strategy	
Current strategy	Selling in large numbers Investment in technology and improving products Investment in power-saving segment Expand to the north
Future strategy	More investment in new technology and power saving segment Expand to the north
Strong points	*Description*
Reach	Nationwide reach because of large distribution network
Distribution network	Strong network because of own transports
Market share	Very high market share (about 90%) in the south, especially in HCMC Market share in the north lower, behind Rang Dong and Philips
Brand awareness and image	Very well known and good image in Vietnam – Dien Quang is ‘in the heart of the consumers’
Price	Lower price compared to Philips, higher than Rang Dong
Large product range	More different products than Philips
Weak points	*Description*
Quality	Lower quality than Philips, especially in CFL
Quality compared to price	Price is relatively high compared to the quality of the products
Market share	In the northern provinces (Hanoi) the market share is lower
Margin and profit	Because of the lower prices the margins and profits on lamps are lower
Lamp life	Shorter than Philips lamps
Energy consumption	Higher wattage than Philips lamps

Most important in the comparison with Philips are the strong points of higher brand awareness and lower price; weaknesses are the the lower quality, shorter lamp life and higher energy consumption.

Dien Quang positions itself in the market as a company that produces good quality products for a good price, with products that are largely available throughout the country.

According to the wholesalers and retailers the strategy of Dien Quang is largely focused on selling lamps in large numbers, with a relatively low profit margin. Dien Quang is expected to maintain this strategy in the next few years. Dien Quang itself states on their website that they focus largely on the continuous improvement of their technology, in order to gain competitive advantage. Because of the low market position in the north, it is assumed that their strategy will focus on expanding to the north. A last (and for PEV very important) issue is the focus of Dien Quang on the power saving segment. Because of the government policy, Dien Quang is also focusing on producing more power-saving products (CFL and TLD T8 lamps). This could form a serious threat for PEV in this segment, especially because the prices of Dien Quang are lower than that of Philips lamps.

Rang Dong

Rang Dong, like Dien Quang, also is a state-owned company, and was established in 1965. The full name is Rang Dong Light Source and Vacuum Flask Joint Stock Company: this indicates that it is (like Dien Quang) also a joint stock company. Compared to Dien Quang, Rang Dong is very strong in the north of the country, especially Hanoi. In table 6.14 the characteristics of Rang Dong are given.

Table 6.14 – Characteristics of Rang Dong

Rang Dong	
Positioning	
Motto	High quality, high efficiency, energy saving
Strategy	
Current strategy	High volume with low prices Discounts for both retailers as end-users Sales promotions Expanding production capacity
Future strategy	Keep focus on low price and high sales volumes Focus on energy-saving products Expand to the south
Strong points	*Description*
Reach in the north	Nearly 100% of the shops in the north of Vietnam sell Rang Dong products
Market share	In the north (mainly Hanoi) very high marketshare In the south (mainly HCMC) lower marketshare, but still above Philips
Price	Low price compared to the competitors (Dien Quang and Philips)
Distribution	9 distributors over all of Vietnam. Mainly in the north (5 distributors) Rang Dong is widely distributed
Weak points	*Description*
Reach in the south	In the south Rang Dong is less widely available in shops than for example Dien Quang
Quality	Rang Dong lamps have lower quality than Philips lamps
Energy consumption	Higher wattage than Philips lamps
Lamp life	Shorter than Philips lamps

The strongest point of Rang Dong is its low price; the weakest points are the lower quality, high energy consumption and lower lamp life.

When looking at the positioning and strategy, Rang Dong has a low-price strategy. They offer cheap products and focus on discounts and low prices. The assumption is that in the future they will keep this strategy to gain market share, especially in the south. Rang Dong is likely to want to expand to the south because of their lower market share in these regions. According to their website they are still expanding their production: in 2006 Rang Dong has opened as second production facility in Bac Ninh.

Comparison with Philips
There are some threats and some opportunities when comparing Dien Quang and Rang Dong with PEV. The main threats for PEV are the high brand awareness, lower prices, larger availability and larger product range of the competition. However, the advantages for PEV are the higher quality, larger lamp life and lower energy consumption of Philips lamps: in these fields Philips clearly has better products, and this is where the opportunities are. It must be noted, however, that these opportunities might become smaller because of the investment of mainly Dien Quang in higher quality products, and of both Dien Quang and Rang Dong in energy-saving lamps with lower energy consumption.

6.3.3 Conclusion

A first important conclusion is that the competitive climate, analyzed according to Austin's model, is strong: there are two strong competitors, and with the developments of these competitors their competitive position might become even stronger.

A second important conclusion is that there are two main competitors: Dien Quang (mainly in the south) and Rang Dong (mainly in the north). These are strong competitors who at the moment are stronger than Philips, and are still developing their products. Possibilities for PEV lie in the fact that Philips lamps are of higher quality and are more energy-saving than that of the competition. However, the competition is improving their products, and also has higher brand awareness and a larger national coverage than PEV, which form a few serious threats to PEV.

6.4 Market analysis

The last step in the meso- and micro environmental analysis is the analysis of the market. In this part the general characteristics of the consumer lighting market have been researched. As described in chapter 4, the market has been analyzed according to two characteristics of the market: market size and market growth. Since this assignment focuses on the consumer market, the focus is on consumer (or household) lighting only, and not on professional lighting.

A second distinction has been made between three products groups of the consumer market: lamps, luminaires and LE. At the moment the main focus of PEV is on lamps, so this has been the main focus of the market analysis.

6.4.1 Market size

Market size can be described according to two factors: actual market size and potential market size (Alsem, 1993). In the actual market size is looked at the figures of 2006 for the Vietnamese consumer lighting market; in the potential market size is looked at what the future prospects of the Vietnamese consumer market are according to retailers.

Actual market size
When looking at the actual market size, this is divided into two components: the market for lamps, and the market for luminaires. No data were available for the market in lighting electronics, which is the third category of Philips products.

The market size of the Vietnamese consumer market in 2006 for different kinds of lamps is shown in 6.15. These are both lamps for replacement as for new usage.

Table 6.15 – Market size for consumer lamps in 2006

Type of lamp	*Number (x1000)*	*Value (x1000 US $)*	*Percentage (in numbers)*
GLS	78,263	13,314	72.9
TLD	22,927	13,356	21.4
TLE	349	445	0.3
CFL-i	4,911	6,683	4.6
CFL-ni	183	465	0.2
Halogen / Reflector	681	242	0.6

Source: Synovative Marketing Sizing, 2006

The first conclusion is that in numbers the largest part of the market in 2006 consisted of GLS (General Lighting Service: normal light bulbs) (72.9%): a market in which PEV has chosen not to participate. The TLD and CFL-i market (in which PEV does participate) are respectively the second and third products in the market. The other three product types (TLE, CFL-ni and Halogen/Reflector) only make up a small part of the market.

A second interesting point is that, although the market for TLD is only 21.4 % (compared to 72.9% for GLS), the value in US dollars of TLD is even a little higher. The value of the CFL-I market is about 50% of that of the market for TLD. Still, GLS is almost as large as the market for TLD, so PEV misses a large part of the market by choosing not to participate in the GLS market.

The second part of the actual market size is the market in luminaires. This is shown in table 6.16.

Table 6.16 – Market size for consumer luminaires in 2006

Type of lamp	*Number (x1000)*	*Value (x1000 US $)*	*Percentage*
Battens	15,371	67,038	79.5
Ceiling luminaires (plastic)	299	1,816	1.5
Ceiling luminaires (glass)	103	1,280	0.5
Chandelier	706	43,677	3.7
Wall	1,679	20,778	8.7
Downlights	297	685	1.5
Floor luminaires	142	8,258	0.7
Table/clip luminaires	652	8,068	3.4
Decorative table luminaires	11	248,8	0.1
Track & spot	2	82	0.0
Others	65	-	0.3

Source: Synovative Marketing Sizing, 2006
- = no data available

Table 6.16 shows that in luminaires the largest part of the market consists of battens (79.5%). The second largest part of the market is wall luminaires, followed by chandeliers and table/clip luminaires. The other luminaires together take up the rest of the market with an accumulated 4.3% in total.

Again, the value in USD also shows some interesting points. The figures show that in total value the market battens is the largest, and second in value is the market for chandeliers, followed by wall luminaires.

Potential market size

The analysis of the potential market size is based on the interviews with retailers and the end-user questionnaires. They have been asked to point out which lighting products they thought would be successful in the next few years in the Vietnamese consumer market. To this question most retailers answered that the market for CFL was strongly growing at the moment, and they expected it to grow further in the future. The main reason for this is the energy-saving policy of the government: this promotes the use of CFL. Also the retailers thought that the market for energy-saving TLD (mainly T8, because these are more energy-saving than T10 lamps) would grow in the next few years.

Besides this, the retailers were asked to indicate which of the products that PEV currently imports (battens, starters and ballasts), as well as complete lighting sets they thought would be a success in Vietnam. Also they were asked to indicate what other products Philips should sell. The answers to these questions are shown in table 6.17.

Table 6.17 – Potential market for Philips products according to retailers

Products	Number of times mentioned	Currently produced / imported
Current products		
Battens	2	Imported
Starters	3	Imported
Ballasts	4	Imported
Complete lighting sets	6	Imported
Other products		
Desk lamps	1	Imported
TLD with other colours	1	Imported
Recessed downlight	3	Imported
CFl with other wattages	1	Imported
Battens of all kinds	1	Imported

As shown in table 6.17, there could be demand for a number of imported Philips products, as well as complete lighting sets. Of other products only recessed downlights are mentioned more than one time; the other products are only mentioned by one retailer each. All products mentioned can be imported by PEV, but are not currently produced in Vietnam.

This is for a part confirmed by the results from the end-user questionnaires: they also mention complete lighting sets most when it comes to expanding the product range, but also battens, starters and ballasts could be a success on the Vietnamese market according to a large number of respondents.

6.4.2 Market growth

Next to the actual and potential market, the market growth has been analyzed. According to Synovate Market Sizing, for the Vietnamese total lighting market (professional + consumer lighting) in 2007 the market growth was about 15%. Since the consumer market is mainly aimed at lighting in consumer households, an interesting point in the market growth is the growth in the number of households. This is shown in table 6.18.

Table 6.18 – Number of Vietnamese households

Type of household	*1999*	*2004*	*2005*	*2006*
Total nr. of households	12.875.236	18.769.938	20.854.995	23.388.937
Small household (<36 m2)	4.905.218	4.495.986	4.517.852	4.576.492
Medium household (37 – 59 m2)	4.783.915	6.356.870	6.756.225	7.190.454
Large household (>60 m2)	3.162.561	7.914.712	9.579.070	11.620.521
Urban household	3.588.740	4.924.738	5.355.935	5.862.086
Rural household	9.286.496	13.845.200	15.499.060	17.526.851

Source: General Statistics Office of Vietnam; Synovate Market Sizing

These numbers show that over the last eight years there has been a strong growth in the total number of Vietnamese households: from 1999 to 2006 it has almost doubled. This growth is especially strong in the large households. Besides this, also there is a large difference between the number of urban households and rural households: the total number of rural households is more than three times as big as the number of urban households, and is also growing stronger than the number of urban households.

6.4.3 Conclusion

Considering market size, the conclusions are that for lamps the market for GLS is the largest. However, in total value, the market for TLD is even bigger than that of GLS, and the total value of CFL is about 50% of that of TLD. For luminaires, the largest part of the Vietnamese market consists of battens, both in numbers as in total value. For PEV this means that they should focus on TLD and CFL (which they already do), and could expand in producing battens.

For the potential market size, according to both the retailers as the end-users, there could be more demand for a number of Philips products that are currently imported. Most mentioned are complete lighting sets, but also for example recessed downlights are mentioned several times. These are products PEV could expand its products range with.

The analysis on market growth is based on the growth of number of households. The results show that over the last eight years there has been a strong growth in the total number of Vietnamese households: from 1999 to 2006 it has almost doubled. Also, the number of rural households is more than three times as big as the number of urban households, and is also growing stronger than the number of urban households. Opportunities are mainly in the total growing number of households. When looking at the stronger growth in rural households, this could form a opportunity in the future, if PEV can put more focus on this market.

7. Analysis and strategy development

After conducting the macro-environmental analysis (chapter 5) and the micro- and meso-environmental analysis (chapter 6), in this chapter the results of these analysis are combined in a strategic analysis. This results in a number of possible strategies for the consumer market for PEV.

The first part of this chapter deals with the SWOT-analyses that have been performed. The second part of this chapter describes the goals that have been set, and in the third part of this chapter a choice is made for which strategies are suitable for achieving these goals.

7.1 SWOT-analyses

In this study three SWOT-analyses that have been performed: one based on desk research, one based on the interviews with the retailers, and finally a SWOT-analysis that combines these two analyses, from which a number of possible strategies can be derived according to the model of Alsem (1993).

In order to analyze which factors are more important than other, the different factors each have been weighted. The number 3 means a point is very important, 2 means it is normally important, and 1 means it is not very important. These scores are based on interpretation by the researcher, discussion with the managers of PEV, and points on which PEV focuses in its strategy.

7.1.1 Desk research

The first SWOT-analysis deals with the results from the desk-research, in which the macro-environment and the meso- and micro-environment have been analyzed.

The results from both the macro-environmental analysis and the meso- and micro-environmental analysis have been put into a SWOT-matrix, in which the internal and external factors are put against each other in positive and negative points. This results in the SWOT-factors: Strenghts, Weaknesses, Opportunities and Threats. This SWOT-matrix is shown in table 7.1

Table 7.1 – SWOT-matrix based on desk-research.

	Positive		*Negative*	
Internal	Strenghts		Weaknesses	
	- Higher quality product than main competition	3	- Limited product portfolio of locally assembled products	3
	- Clear setting of yearly and monthly targets	1	- Other products have to be imported	3
	- Low level of returned defective products	2	- Complicated, time-consuming process in customer service	3
	- Division into sales regions across the entire country à large national coverage	1	- Complicated order process	1
External	Opportunities		Threats	
	- Vietnam is AFTA-member since 2001	1	- Strong government interference with business	3
	- Vietnam is WTO-member since January 2007	3	- Protection of local companies by government	3
	- Promotion of energy-saving products by government	3	- Import taxes and import quota for Philips products	3
	- Strong economic growth	3	- Low taxes for products from ASEAN-countries	2
	- Increasing purchasing power of consumers	3	- Local companies can profit from economic growth	1
	- Increasing population	1	- Weak infrastructure	1
	- Improving level of education	1	- Power shortages (mainly rural areas)	1
	- Increasing use of computers and internet	1		
	- Investments in infrastructure by government	1		

7.1.2 Interviews with retailers

The second SWOT-analysis that has been done is based on the interviews with the retailers. Their opinion on the SWOT-factors considering PEV is shown in the SWOT-matrix in table 7.2.

Table 7.2 – SWOT-matrix based on retailer interviews

	Positive		*Negative*	
Internal	Strenghts		Weaknesses	
	- High quality	3	- High price, especially of CFL***	3
	- Strong brand image (foreign brand)	2	- Price fluctuations	3
	- Low rate of defective lamps	2	- Limited product range	3
	- Good design (slim lamps: T8)	2	o Long delivery time of imported products	
	- Energy-saving	2	o Few colors	
	- Price-quality comparison is good	3 3	o Few different types of lamps	2
	- Good after sale service*		o Few wattages	1
			- Low brand awareness in lighting	2
			- Complicated warranty regulations	
			- Bad after sale service*	
External	Opportunities		Threats	
	- Philips has a better product than DQ &RD (especially CFL)	3	- Price of DQ & RD is lower	3
	- Energy-saving policy of government	2	- DQ & RD are also investing in higher quality	2
	- Market for CFL is growing	2	- DQ &RD are also investing in energy-saving products	2
	- Better guarantuee (RD)**	2	- DQ & RD also make TLD-T8	2
			- DQ &RD are state-owned enterprises, and therefore strong	3
			- Better guarantee (DQ)**	2
			- Counterfeit products from China	1

* = different retailers say different things: according to some, the after sale service of Philips is good; according to others, it is bad.
**= Philips has a 1 year guarantee from the moment the lamp leaves the factory: this includes the time it is in the store. RD on average has lower guarantee: only 4 or 5 months from moment of sale. DQ has higher guarantee: 1 year from moment of sale, up to a maximum of 18 months from the moment the lamp leaves the factory.
***= all retailers interviewed think the prices of Philips products are high. However, the high price of CFL is a point that is specifically mentioned by retailers in Hanoi.

Important are the factors that are both shown from the desk-research as from the interviews with the retailers. These factors, together with the factors that are regarded most important (marked with a 3) are taken to the combined SWOT-analysis, which is described in the next section.

7.1.3 Combined SWOT-analysis

The most important points from the previous two SWOT-analyses are taken together into the final SWOT-analysis. In this the strengths, weaknesses, opportunities and threats that are considered most important are set out against each other, which results in several possible strategies. These strategies are based on the possible strategies given by Alsem (1993) as described in chapter 3: grow, improve, defend or run. The results of this analysis are shown in table 7.3.

Table 7.3 – Combined SWOT-matrix and possible strategies

	Strengths: - High quality - Strong brand image of Philips in general - Energy-saving - Design	Weaknesses: - Limited product range - High price - Warranty - After-sale service - Weak image of Philips in Vietnam
Opportunities: - Energy-saving policy of government - Better product than competitors - Improving demographic factors* - WTO-membership	*Possible strategy: grow* - Expand energy-saving segment - Educate customers - Focus on improving lifestyle - Make use of WTO-regulations	*Possible strategy: improve* - Expand product range - Improve warranty - Improve after-sale service - Focus on higher income level customers
Threats: - Import taxes - Import quota - Prices of competition - Investment of competition in energy-saving products and higher quality	*Possible strategy: defend* - Adapt to competition prices - Focus on image in energy saving segment - Focus on locally produced products	*Possible strategy: run* - No suitable strategies**

*= for example improving living conditions, higher income, increasing internet use.
**= there are strategies possible here (for example stopping production of certain products), but these will be of no use for achieving the goals of the research: therefore these are not considered suitable.

7.1Goal setting

As discussed in chapter 3 strategy formulation consists of two steps: first, the setting of goals, and second, the formulation of strategies to achieve these goals. This means that first the goals have to be set before a choice can be made for which strategies should be followed. This study in fact only has one main goal, as described in chapter 1: for PEV to become the market leader in the consumer lighting market by the end of 2010.

As described in chapter 3, a goal has to fulfill four demands: it has to be specific, measurable, challenging and realistic. This goal at least fulfills three of the four demands as described above: it is specific (the time to achieve the goal is given), measurable (it can be measured whether PEV indeed is the number one brand, or in other words, the market leader), and it is challenging (it will definitely take a lot of effort to achieve this goal, given the fact that Philips currently is the number three brand on the Vietnamese consumer market).

Whether the goal is also realistic is harder to say: this will for a large part depend on the execution of the strategies that are described in the next section, and also on a number of other factors (for example the development of the economy, the development of competitors and the possibilities that the government of Vietnam allows PEV).

In the next sections the different strategies coming forth from the strategic analysis are described into more detail.

7.2Potential strategies

The third SWOT-analysis resulted in a number of possible strategies, which are described in this section. This is divided into the four categories of strategies by Alsem (1993): grow, improve, defend, and run.

7.2.1 Grow

The first category of possible strategies is based on the strengths of Philips and the opportunities that are available. These strategies are:

- Expand in the energy-saving segment. Philips is both according to internal documents as on the interviews with the retailers, at the moment the strongest brand in the energy-saving segment, and has an advantage in this to its competitors. The image of Philips is also that it is an energy-saving brand. Focusing on this image could be a strategy to grow further in the energy-saving segment. It can be done by for example expanding the range of energy-saving products. This goes together with the energy-saving focus of the Vietnamese government: this promotes the use of energy-saving products.
  This is also in line with both the global lighting strategy of the worldwide lighting division, and with the current strategy of PEV and the TR-channel.
- Educate customers. A point mentioned by several retailers is that Philips produces better products than its competitors, and that in the long run you save money with Philips lamps. However, the main problem is that the end-users don't know this. Therefore a strategy could be to educate the end-users on this: make sure that they understand that Philips lamps are better than their competitors, and that in the long run they save money by using Philips lamps.
- Focus on improving lifestyle. Vietnam is growing strongly, and the lifestyle of many end-users is also getting better. A high quality product like Philips lamps could fit into this. Therefore a possible strategy is to focus on the lifestyle and the role Philips lamps can play in this.
- Make use of WTO-regulations. The membership of Vietnam to the WTO in January of 2007 is possibly not directly affecting the business of PEV, but in the future this might open op opportunities for PEV, for example in importing more products to Vietnam. It is therefore advisable to pay close attention to the regulations and respond to this when opportunities open up.

7.2.2 Improve

The second category of possible strategies is based on the current weaknesses of PEV and the opportunities. In this PEV can improve, which is shown in several possible strategies.

- Expand product range. The most important point is mentioned by almost every retailer, and has to do with the current limited product range. PEV is losing business because their product range is more limited than that of its competitors. It is therefore important to expand the product range. This can be done by expanding the current product ragen with more different models, lamp colours and wattages, but also by introducing and locally producing other products, like for example desk lamps and downlights.
- Improve warranty. PEV has a more limited warranty than its main competitior, Dien Quang. Improving this, for example by giving longer guarantee, could be a possible strategy in improving this weak point.
- After-sale service. Also an important point mentioned by several retailers: the after-sale service of PEV is a point that could be improved. Mainly the fact that it is a complicated, time-consuming process is something that is a problem. Simplifying this process could largely improve the after-sales service, both towards the retailers as towards the consumers.
  This is in line with the strategy of Philips worldwide: the focus on customers, for example shown in the customer touch points. Also, simplifying the after-sales service is in line with the Philips slogan: Sense and Simplicity.
- Focus on higher-income customers. A combination of the higher price of Philips products and the improving lifestyle of Vietnamese consumers could result in a strategy in which Philips focuses on high-income consumers.

7.2.3 Defend

The category of strategies based on the strengths of PEV and the external threats leads to a number of defending strategies. These are:

- Adapt to competition prices. PEV has prices that are high compared to its competitors. In order to defend the market share PEV has, and in order to be able to compete with the competitors, the prices of Philips lamps should be lowered, so that consumers will still buy Philips lamps.
- Focus on good image in energy-saving segment. Since the competitors of PEV are also investing in energy-saving lamps, PEV should defend the good energy-saving image they currently have. In this way they will keep the advantage in the energy-saving segment.
- Focus on locally produced products. At the moment PEV can only compete with the locally produced products. In order to keep and strengthen this competitive position, a possible strategy is to focus on these products mainly and not expand in other directions.

7.2.4 Problems / run

A fourth category of possible strategies would be the run or turnaround strategy, in which for example the focus on a certain product could be taken away. However, for PEV this is no option: none of the current important strategies (as described in the previous chapters) can be taken away in order to improve other parts of PEV. Therefore no possible strategies are described in this category.

7.3Choosing strategies

In order to achieve the goal for this study, the potential strategies are weighted against each other and analyzed to see what possible strategies are best for achieving this. Themost suitable strategies to achieve this goal have been chosen based on three points:

7.3.1 Retailers

The retailer interviews showed that there are a lot of points in which PEV could perform better. The points mentioned by most retailers, and the points that were considered most important by them, have been used to choose strategies.

Four problems were mentioned often or were considered most important: first, the lack of knowledge of Philips products by the customers; second, the height of the prices; third, the after sales service (both towards consumers as towards retailers) is not good enough; and fourth, the product range is too limited.

7.3.2 Consumers

Second, the opinion of the consumers is taken into account. Since these are the end-users of the products, it is also very important to find out what they think should be improved. For this mainly the results from the CS-study have been used. The problems here are the lack of brand knowledge and the limited product range.

7.3.3 PEV

The third point for choosing strategies are discussions with managers at PEV on the points mentioned by the consumers and retailers, and the current strategy of PEV. The managers confirmed all four points mentioned by the retailers and consumers, and added a fifth point to this: the focus on the energy-saving segment, which is also a key point in the current strategy: PEV is trying to put Philips in the market as the energy-saving brand, and wants to maintain this strategy.

7.3.4 Strategies chosen

Based on the retailers, consumers and PEV itself the following strategies have been chosen, in order of importance:

1. Educate the customers
2. Expand product range
3. Improve the after-sale service
4. Adapt prices
5. Focus on energy-saving segment

These strategies are discussed in more detail in the next section.

7.4Strategy development

As discussed in chapter 3, after the goals are set the strategy is a game plan for achieving the goals, which is discussed in this section. After that, some boundary conditions and a conclusion are given.

7.4.1 Educate the customers

A first strategy is to educate the customers. The results from the study show that customers often do not know about Philips, which can be divided into two points: they do not know about Philips as a lighting brand (14.6% of the respondents of the end-user questionnaire did not know about Philips as a lighting brand), and they do not know about (characteristics of) the Philips products. Both should be improved, and some methods to achieve this are discussed here.

Improve brand knowledge

Many retailers and end-users know of Philips, and recognize Philips as a famous, worldwide brand. However, this is mainly in the field of other products than lighting, like for example irons and blenders. Philips is not well known as a lighting brand: this is a lack of brand awareness. This point is confirmed by the conclusions from the CS-study: this shows that both in HCMC as in Hanoi, Philips is not the best known brand. Besides this lack of brand awareness, also the fact that Philips is a high-quality brand (which refers to the brand image) should be educated to the customers. The solution to improving knowledge of Philips as a lighting brand can be done by improving the brand knowledge of Philips, and then mainly the brand awareness. There are several methods to achieve this:

- Using advertisements in for example magazines, news papers and on television. By using advertisements, customers are made aware of the fact that Philips is a lighting brand. Also, in these advertisements the strong points of Philips can be pointed out. Another option lies in the increasing use of internet: more and more people in Vietnam use the internet, so this is also a good option for advertising.
- Using billboards. Mainly in the large cities of Vietnam, many brands use (large) billboards to promote their brand. By using billboards that specifically focus on lighting, people are also made aware of the fact that Philips is a lighting brand.
- Mouth-to-mouth advertisement. According to the retailers what works best for Vietnamese people is spreading the word that Philips is a lighting brand, and that it stands for high quality. This is what retailers themselves can do best: tell the customers about Philips, and the fact that Philips is a high quality brand. Once customers know this and are convinced of this, they can tell this to family and friends: the word will spread.
- Make use of the internet. Dien Quang and Rang Dong have their own website: PEV does not. It is advisable to create a website of PEV (for example as a part of the Philips global website) where the product characteristics and strong points of Philips are pointed out. In advertisements and on billboards can be referred to the website.

Improve knowledge on product characteristics

The second point in educating the customers is educating them on the product characteristics. According to the retailers, customers often are not aware of the characteristics of the products, like for example the difference between T10 and T8 and the fact that you save energy with electromagnetic ballasts. This can be improved by two methods:

- The retailers should inform the customers about the product characteristics. For this it is important that the retailers themselves know all about the different products, and that they know how to tell this to consumers.
- Some retailers complained that they do not have enough promotional material of Philips products (for example flyers with promotional actions of Philips or brochures with a description

of Philips products). This has to change: there should be enough promotional material available at the retailers with information on Philips products (for example brochures), so the customers can read this material and will know everything they need to know. In this a pro-active role of the retailers is required: they have to inform the customers and give them the Philips brochures.

7.4.2 Expand product range

The problem mentioned most by the retailers is the fact that the product range of Philips products is too limited. This is also confirmed by the results of the end-user questionnaires. This has been discussed in the previous chapters, and can be divided into three parts: expanding the current product range of lamps, expanding the current product range of lamps with other types, and expanding the product range of PEV with other lighting products.

Expand current product range

The current product range of lamps of TLD and CFL can be expanded. Based on the results of this study there is demand for:

- More different wattages of both TLD and CFL
- More different lamp colors of both TLD and CFL
- More different types of CFL (for example the Tornado type, which is currently not produced in Vietnam)

This might be achieved by expanding the product range in the factory in HCMC. However, it should be studied how this exactly can be achieve, and what the best options are.

Expand with more different lamps

A second point is the introduction of more different lamps than only TLD and CFL. Based on the interviews with the retailers and the end-users, there is demand for recessed downlights, halogen lamps, and HID lamps.

However, there is not enough stock available for these products, because they have to be imported. This means that these products should be produced in Vietnam. Again, it should be researched what the options are for this: maybe the current production facility can be expanded, or a new production facility can be started.

Produce other products

Again according to the retailers, in Vietnam there could also be more demand for other Philips products, in the field of LE and luminaires. There could be demand for four kinds of products: battens, starters, ballasts and desk lamps.

At the moment these products have to be imported, which has two large drawbacks: they are expensive, and there is little stock available. Local assembly of these products would solve these problems. Again, local production of these products requires expanding the current production facility, or starting a new production facility, since at the moment these products are only imported.

A last point is that according to the retailers there could also be demand for complete lighting sets. This might also be achieved with expanding the production facilities: if all products as described above are produced in the factory in Vietnam, complete lighting sets can be assembled with these products.

7.4.3 Improve after-sale service

The problems of the after-sale service are mainly reflected in the difficult process of replacing defective lamps, and the warranty period. This is a problem both towards the retailers as towards the customers. The importance of service quality is also something that comes from the CS-study: the conclusions from this study show that service quality can also have quite a large influence on the corporate image. By improving the service quality, also the corporate image can be improved.

Replacing lamps

This is both for the customers as for the retailers a difficult process. In short, the strategy on this point is that this should be improved: it must be made easier. This has two goals:

- For customers it must be able to directly receive a new lamp when returning to the store with a defective lamp.
- For retailers the process of reclaiming a new lamp at Philips must be made easier.

This can be achieved by simplifying the guarantee process. An important point is that PEV should get rid of the difficult reclaiming process for the retailers: it must be able for retailers to directly give a new lamp to the customer, and reclaim a lamp from PEV by exchanging it for the defective lamp. Important is the role of the sales representatives of PEV: they should facilitate this and arrange that someone picks up the defective lamps at the retailer shop (for example once a week) and exchanges it for a new lamp.

Warranty period

At the moment one of the main competitors, Dien Quang, has a longer warranty period. It is advised to extend the warranty period of Philips lamps, so that this will compete with Dien Quang. A point of consideration here is the moment of the start of the warranty period: at the moment this is (according to the retailers) from the moment the lamp leaves the factory. This means that if the lamp is in the retailer store for a long time, the customer will have a shorter warranty period. This should be changed so that the warranty period starts at the moment of sale.

7.4.4 Adapt prices

According to both retailers and end-users, the price of Philips lamps is at the moment on the high side. In order to be more competitive, the prices should be lowered so they can compete with the main competitors: Dien Quang and Rang Dong. According to the retailers this is mainly the case with CFL: these prices are up to 30% more than that of the competitors, and this difference is too big to compete with other brands.

According to the financial manager at PEV the prices already have been lowered over the last year, and they can not be lowered much further in order to maintain profit margins on lamps. However, no data was given on the current prices and profit margins, so this is something that should be studied before being able to say something concrete about how much the prices should and can be lowered.

A point for consideration here is trying to reduce the costs: this might be achieved by localizing production of lighting products: produce lighting products in more than one place in Vietnam This can reduce costs in production and transport. If the production costs are lower, the price can also be lowered without affecting profit margins.

7.4.5 Focus on energy-saving segment

Philips focuses to be known in Vietnam as the energy-saving brand. This is both mentioned by the retailers as by the end-users. However, the competition is also focusing on energy-saving products, which might cause PEV to lose terrain in the energy-saving segment. Therefore it is important to defend the good energy-saving image Philips has at the moment. Also, according to the retailers, Philips still is more energy-saving than the competition, so there still is an advantage.

In order to keep this advantage, the customers must be made aware of the fact that Philips is more energy-saving (for example in the T8 TLD and the electronic ballasts), and that in the long run customers therefore save money when buying Philips products. This is therefore again a matter of educating the customers, which refers to the first strategy.

The main point of improvement here is the role of the retailers: they are the persons who can convince the customers of the advantages of an energy-saving lamp, and who can convince the customers that Philips is the best choice here. This can be supported by providing the right promotional material: for example flyers and brochures that can be given to customers, but also billboards for the shops and posters for in the shops.

7.5Boundary conditions

In the execution of these strategies there are boundary conditions that have to be reckoned with. These conditions can partly be derived from the results of the study, and are also partly dependent on what PEV wants and can do. Some of these boundary conditions can be:

Governmental regulations

As explained in the macro-environmental analysis government regulations are very strict. This is something that will have to be taken into account: it is possible for example that expanding the production facility is something the government will not allow, or it might take a long time to make it happen. However, on this point in the future the WTO-membership can come into play: WTO-regulations might make it easier for PEV to expand their business in Vietnam.

Financial boundaries

The financial situation is something that needs to be researched. It will be clear that for setting up new production facilities a lot of money is needed, and this will have to be available. This is also something that can be influenced by higher levels in Philips, for example in the worldwide Lighting Division.

Strategic planning

As explained in the strategic analysis in chapter 4, the strategic plan for the year 2008 has been made at the time of the study. It is not exactly known what is in this plan, but it might be that there is no room in the strategic plan for the recommendations given in the strategies in this chapter. For example expanding the production facilities or setting up new facilities is a large scale project that will require a lot of time and money. If this is not available, it might have to be postponed or it might not be possible to execute this at all.

7.5.1 Conclusion

In this chapter the possible strategies to obtain the goals of this study have shortly been discussed. A short overview of these strategies is given in table 7.4.

Table 7.4 – Overview of strategies

#	*Strategy*	*Subjects*	*Content*
1	Educate the customers	Improve general brand knowledge	- Use advertisements - Use billboards - Mouth to mouth advertising by retailers - Create PEV website
		Improve brand characteristics knowledge	- Education by retailers - More promotional material
2	Expand product range	Expand current lamp range	- More wattages - More lamp colors - More types
		More lamps	- Downlights - Halogen lamps - HID lamps
		Other lighting products	- Electronic ballasts - Battens - Starters - Complete lighting sets
3	Improve after-sales service	Replacing lamps Warranty period	- Easier process - Lengthen warranty period - Start of warranty at point of sale
4	Adapt prices	Lower price to compete with competitors	- Lower the price of CFL
5	Focus on energy-saving segment	Strengthen Philips image	- Educating customers - Advertisements

As mentioned in chapter 10.4, this order of importance in the strategies is based on the findings from the retailer interviews and discussion with the managers of PEV.

8. Conclusions and recommendations

After the discussion of the strategies in chapter 12, this chapter concludes the study by answering the research questions as described in chapter 1. Each research question is discussed in a separate section, and after this the main research question of the study is answered. Finally, some recommendations based on the conclusions are given.

8.1 Strategic framework

In chapter 4 the strategic framework has been discussed. The research question for this was 'What is the current strategy of PEV concerning the Vietnamese consumer lighting market?', which was split up into the four strategic levels: corporate level, business level of the worldwide Division Lighting, business level of PEV and the operational level of the TR-channel.

The answer to these questions is that on corporate- and business level the strategy of Philips focuses on two points: improving the lives of people by Philips products, and strengthening the position of Philips. This is reflected into the business-level strategy of PEV, and for a large part also in the strategy of the TR-channel. These levels of strategy focus mainly on the second point: strengthening the position of Philips in Vietnam.

In this PEV follows a differentiation strategy by offering high quality products for a higher price than the competition. The analyses that have been conducted confirm that this is partly the right strategy to maintain: Philips should still promote itself as a high quality, energy-saving brand. However, the problem here is that the prices of Philips products are at the moment too high to compete with other brands: this is the point in the differentiation strategy of PEV that should be adapted in order to compete on the consumer lighting market.

8.2 Macro-environment

In chapter 6 the the macro –environmental analysis has been discussed. The research question here was 'What is the role of the macro-environment on the Vietnamese consumer lighting market and the business of PEV?' This was split up into the four forces of a PEST-analysis: Political and Legal forces, Economic and Demographic forces, Social and Cultural forces, and Technological and Physical forces. For each of these forces the main threats and opportunities for PEV have been analyzed.

8.2.1 Political and legal

In the political and legal field the main threats are high import taxes and import quota on imported Philips products, and the protective policy of the Vietnamese government for local companies. The opportunities lie in the membership of Vietnam of the WTO and the AFTA, and the energy-saving policy of the Vietnamese government.

8.2.2 Economic and demographic

In the economic and demographic field the main threats are the fact that local companies can profit from the economic growth; the opportunities lie in the fact that PEV itself can also profit from the economic growth, growing purchasing power of conusmers, and growing population.

8.2.3 Social and cultural

The opportunities for PEV in the social and cultural field are that the Vietnamese consumers are getting better educated: this can result in both better informed customers, as in the possibility to attract more skilled employees for PEV.

8.2.4 Technological and physical

Finally, in the technological and physical field, the threats are the lack of good infrastructure and the existence of power shortages; the opportunities are the improving use of computers and internet, and the promotion of energy-saving products.

8.3 Meso- and micro-environment

From chapter 7 to 10 the meso- and micro environmental analysis for PEV is discussed. The research question of this analysis is 'What is the role of the meso- and micro-environment on the Vietnamese consumer lighting market and on the business of PEV?' This has been split up into an internal analysis (chapter 7), consumer analysis (chapter 8), competitor analysis (chapter 9), and market analysis (chapter 10). In each of these chapters the strengths and weaknesses or opportunities and threats for PEV have been identified.

8.3.1 Internal analysis

In the internal analysis the strengths and weaknesses of PEV have been identified from an internal point of view. The main strong points of PEV are their products (high quality, energy-saving and a low return rate), good national coverage and clear organization structure. The weak points on the other hand are the complicated warranty regulations, after sales service, relatively high price, and the limited product range.

8.3.2 Consumer analysis

According to results of the consumer analysis the strong points of Philips products and PEV are the high quality, and the fact that the price is not too high for TLD. Weak points are the price (although it is not too high) is still high compared to the competition, the supermarket is not the most favorite place of buying lamps, and that the product range is too limited.

A note must be made on the conclusions regarding the price: although the results show that consumers think the price is not too high, it is possible that consumers gave socially desirable answers, especially since the retailers think the price is too high (mainly for CFL). The results of the consumer analysis on the price of Philips products might therefore be less reliable.

8.3.3 Competitor analysis

The competitor analysis is based on the interviews with retailers. According to these retailers there are two main competitors: Dien Quang and Rang Dong. The weak points of these competitors (and therefore opportunities for PEV) are the lower quality (especially in CFL), and their lesser image in the energy-saving segment. The strong points (and therefore threats for PEV) are their lower prices, higher national coverage and availability in shops, investments in higher quality and energy-saving products, higher local production than PEV, and better brand knowledge amongst end-users.

8.3.4 Market analysis

Finally, in the meso- and micro environmental the consumer lighting market has been analyzed, based on market figures and the retailer interviews. These results show that there are opportunities for PEV in the growing number of households, growing market for CFL and the existence of a potential market for other Philips products. Threats lie in the fact that the GLS market (in which PEV does not participate) is still the biggest market, CFL still is a relatively small market, and the rural market (in which PEV is weaker) grows faster than the urban market.

8.4 Main research question

Finally, based on the answers on the separate research questions as discussed before, the main research question can be answered. This question is:

What marketing strategy should Philips adopt to in order to become market leader in the Vietnamese consumer lighting market by the end of 2010?

The answer to this question is that Philips should adopt a number of different strategies that together form a marketing strategy. These strategies are (in order of importance) focused on educating the customers, expanding the product range, improving the after-sales service, adapting the prices, and focusing on the energy-saving segment. These are the fields in which PEV can improve their current position, and on which an advantage can be gained compared to the main competitors.

These strategies should be implemented by PEV itself, but there is an important role for the retailers. Mainly in the field of educating the customers it is very important that retailers assist PEV In achieving this, but also in expanding the product range (by offering more Philips products in their stores) or improving the after-sales service (by offering proper service to customers) the retailers can play an important role. This should be supported where possible by PEV itself, for example by providing the retailers with the proper promotional material.

Although it is difficult to say whether these strategies are sufficient for PEV to become the market leader by the end of 2010, it can be said that based on the findings of this study these strategies can play an important role in achieving this goal.

8.5 Recommendations

The main recommendations of this study are given in the marketing strategies that have been described in the previous chapter. However, also some general recommendations can be given based on the findings of this study. These focus on two points:

8.5.1 Supermarket

PEV wants to focus on selling Philips products more in supermarkets and less in electric shops and mama papa shops. However, based on the findings of the study, the supermarket is not the favourite place for consumers to buy lighting products, and the results also show that in the future this will probably not improve. It is therefore recommended not to focus on supermarkets only, but to keep the main focus on small electric shops and mama papa shops.

8.5.2 GLS-market

The results of the market analysis showed that the market for GLS in numbers still is the biggest on the consumer market in Vietnam, and in dollars almost as big as the market in TLD. However, PEV has chosen not to participate in this market, which means PEV misses out on a large market for consumer lighting. If PEV wants to become market leader in consumer lighting, participating in the GLS market could be a big step in achieving this.

Since this study has not focused on the GLS market, it is recommended that more research should be done on whether it is possible and advisable for PEV to enter the GLS market in Vietnam, and if yes, what steps should be taken to achieve this.

9. Discussion and reflection

In this last chapter is looked back at the study that has been done. No study is perfect, so also on this study some critical notes can be given. Furthermore, some recommendations are given for further research.

This chapter deals with three subjects and recommendations based on these subjects:

- 9.1: Combination of BA and CS
- 9.2: Practical versus scientific
- 9.3: Data
- 9.4: Recommendations

9.1 Combination of BA and CS

One of important points of this study was the combination of the BA-study and the CS-study. This study has been executed at the same time as the CS-study, and the results from the CS-study have been used as input for this study. This way of working has had advantages for this study: mainly in the field of the consumer analysis the CS-study has delivered important input for the BA-study.

This research setup has also worked the other way around: data from the BA-study has deliverd important input for the CS-study, for example in the field of information on the sustainable behavior of PEV.

9.2 Practical versus scientific

Although the study is based on scientific literature, the study itself has been for the largest part practical of nature. Also the conclusions and strategies are for the largest part based on insight by the researcher, discussion with the managers of PEV and the goals and strategies of PEV. This has resulted in a practical study, with less attention to the scientific side of the assignment. However, for this study this is not a big problem: in order to give practical recommendations, this has been the most useful way of working.

9.3 Data

The data collection has been based on primarily two sources, as explained in chapter 3: secondary data (mainly internet sources and internal documents of PEV), and primary data (mainly the retailer interviews, and for a smaller part the end-user questionnaires of the CS-study). The internet sources that have been used reliable and confirmed on several websites. Although it may not always be scientifically based, these sources give a good representation of the situation in Vietnam.

Despite these limitations in the data collection, a lot of useful data has been collected. Therefore it is assumed that the quality and amount of the data is good enough to justify the conclusions made in each part of the results, and also the conclusions from the SWOT-analysis and the strategies based on these analyses. Howeverone note must be made: the data from the retailer interviews is based on two cities only: HCMC and Hanoi. For a thorough comparison it would be useful to compare data from more cities, and also from the rural areas of Vietnam: especially since the rural areas are a large part of the consumer market.

9.4Recommendations

Based on the notes mentioned in the previous sections, a few recommendations can be given for further research.

First, it is recommended to expand this research to more cities in Vietnam and the rural areas: in order to get a more complete picture this could prove very useful.

Second, the final stage of this study is the different strategies that are given in order to develop PEV to be market leader in the consumer lighting market of Vietnam. It should be investigated what is actually feasible in these strategies. For example, this study shows that there is a possible market for different Philips products, but in this study has not been investigated which of these products give most chance of success, or which products are most profitable. It is therefore advisable to investigate this.

Third and last: only a number of general strategies are given. If these are to be executed, it is recommended that these strategies are further developed into a practical marketing plan, which will give more detail to these strategies. A good starting point for this is for example the marketing plan development given by Kotler (2003), which is the next step following from this study. There are also many other options to do this, for example by using existing marketing strategies of PEV and using the recommendations from this study to develop these marketing strategies.

Literature and sources

Scientific literature

- Alsem, K.J., *Strategische Marketingplanning: Theorie, technieken en toepassingen.* Culemborg: Stenfert Kroese, 1993

- Austin, J.E., *Managing in Developing Countries: Strategic Analysis and Operating Techniques*, New York: The Free Press, 1990

- Berkowitz, E.N., Kerin, R.A., Hartley, S.W., Rudelius, W., *Marketing*, 3rd ed. Boston: Irwin, 1992

- Blythe, J., *Principles & Practice of Marketing*, London: Thomson Learning, 2006

- Houben, G., Lenie, K., & Vanhoof, K. (1999). A knowledge-based SWOT-analysis system as an instrument for strategic planning in small- and medium-sized enterprises. *Decision Support Systems,* 26, 125-135

- Jain, Subhash C., *Marketing planning & strategy*, 4th ed. Cincinnati, OH : South-Western Publishing Co., 1993

- Johnson, G., Scholes, K., & Whittington, R., *Exploring Corporate Strategy.*7th ed. Edinborough Gate: Pearson Education Limited, 2006

- Lilien, G.L., Kotler, P.J., & Moorthy, S.K., *Marketing Models,* Englewood Cliffs, NJ: Prentice Hall, 1992

- Kaplan, R.S. & Norton, D.P. (1991). The Balanced Scorecard: Measures That Drive Performance. *Harvard Business Review,* 71-79

- Kaplan, R.S. & Norton, D.P. (1996). Using the Balanced Scorecard as a Strategic Management System. *Harvard Business Review,* 75-85

- Kotler, Philip J., *Marketing management*, 11th ed. Upper Saddle River, NJ : Prentice-Hall, 2003

- Kotler, Philip J & Armstrong, G., *Principles of marketing*, 8th ed. Upper Saddle River, NJ: Prentice Hall, 1999

- Porter, M.E., *Competitive Strategy: Creating and Sustaining Competitive Advantage,* New York: The Free Press, 1985

- Porter, M.E., *Competitive Strategy: Techniques for Analyzing Industries and Competitors,* New York: The Free Press, 1980

- Saunders, M., Lewis, P. & Thornhill, A., *Research Methods for Business Students,* 3rd ed., Edinburgh Gate: Pearson Education, 2003

- Wilson, R.M.S., Gilligigan, C., & Pearson, D.H. *Strategic Marketing Management: Planning, Implementation and Control*, Oxford: Butterworth Heinemann, 1992

- Zikmund, W.G., & d'Amico, M., *Effective Marketing: Creating and Keeping Customers*, St. Paul, MN: West Publishing Company, 1995

Internet sources

All internet sources have been accessed several times in the period from September 2007 to January 2008.

- Philips Corporate: http://www.philips.com

- Philips Lighting: http://www.lightings.philips.com

- Business in Asia: http://www.business-in-asia.com/

- CIA Factbook: https://www.cia.gov/library/publications/the-world-factbook/

- Dien Quang: http://www.dienquang.com

- Rang Dong: http://www.rangdongvn.com

- World Trade Organization: http://www.wto.org

- Vietnamese Ministry of Trade: http://mot.gov.vn

- General Statistics Office of Vietnam: http://www.gso.gov.vn

- Worldbank Data Development Group: http://devdata.worldbank.org

- World Health Organization: http://www.who.int/en/

- Business Anti Corruption portal: http://www.business-anti-corruption.com

- International Atomic Energy Agency: http://www.iaea.org

- Vietnamese Law Consultancy: http://www.vietnamese-law-consultancy.com
- Doing Business: http://www.doingbusiness.org
- Euromonitor: http://www.euromonitor.com

Other sources

- Philips Annual Report 2006
- Channel Policy document of PEV for 2007
- Integrated Lighting Sales & Marketing Plan for 2007
- Quality & Environmental Policy document for 2007
- BBSC of the Commercial Department
- BBSC of the Factory
- Graduation report of Rienk Kentie (2005)
- Graduation report of Casper Arnolds (2006)
- Lighting Business Presentation (February 2006)

Appendices

Appendix 1a: Retailer questionnaire (English)

Lighting Questionnaire

Thank you in advance for participating in this research. This questionnaire is about lighting products of diverse brands. This research is being conducted to get some information on Philips lighting products, and to compare Philips lighting products with that of other brands, in order to improve the Philips products and services.

We would like to ask you to answer the questions on the next pages to your best knowledge. The questionnaire consists of three parts, and will take about 25 to 30 minutes to fill in. At the beginning of each part some instructions are given. Please read these carefully before filling in the answers. All your answers will be kept confidentially, and will not be spread to any other organizations.

If you have any questions or remarks during the questionnaire, please feel free mention them.

Questionnaire number:	

Retailer name:	

Part 1: Open questions

On the following two pages there are a four open questions. Please fill in the answer you think is right in the box below the question. There is no good or wrong answer: it is only your opinion that counts.

1. Names of lighting brands

   a. Can you name three names of brands of lamps?

1.
2.
3.

2. General questions on Philips

   a. What first comes to mind when you think of Philips?

   b. To what extent are you familiar with the Philips logo?

O	I know exactly what the logo looks like
O	I know the logo vaguely
O	I don't know what the logo looks like

   c. Can you mention the Philips slogan? If yes, please write it down in the box below.

   d. What type of products do you think Philips is known best for in Vietnam?

3. Image of Philips

   a. With which key words do you think the image of the brand Philips in general with buyers can be described?

   b. With which key words do you think the image of the brand Philips in lighting products with buyers can be described?

c. With which key words do you think the image of the company Philips with buyers can be described?

4. Corporate responsibility

a. What do you think is important for a company to act responsibly (concerning environmental, social or economic factors) in general?

b. How large do you think the effect of responsible behavior of a company is on the buying behavior of consumers?

O	Very high
O	High
O	Moderate
O	Low
O	Very low

This is the end of the first part. Please turn to the next page for the second part.

Part 2: Closed questions

In this section you are asked to give your opinion on a number of factors. These are all factors that influence the image of a company. This concerns factors that influence companies in general: it is not necessarily about Philips.

The question for all these factors is: how much do you think the factor mentioned influences the <u>decision</u> of <u>consumers</u> to <u>buy products</u> of a certain company?

You can answer the questions on a five point scale, ranging from 'not at all' to 'very much'. For example: when you think that brand recall has no influence at all on the decision of consumers to buy a product from a certain company, check the box under 'not at all'. Again, there are no good or wrong answers: it is your opinion that counts.

5. Brand awareness	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Brand recall (meaning: the consumer knows the brand)	O	O	O	O	O
Brand recognition (meaning: the consumer recognizes the brand when he sees it)	O	O	O	O	O

6. Brand image	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Price	O	O	O	O	O
Quality	O	O	O	O	O
Packaging	O	O	O	O	O
Design	O	O	O	O	O
Durability	O	O	O	O	O
Energy use	O	O	O	O	O
Foreign brand	O	O	O	O	O
Warranty	O	O	O	O	O

	Not at all	*Slightly*	*Average*	*Much*	*Very much*
7. Company image – the general image of a company amongst consumers	O	O	O	O	O

8. Emotional appeal	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
A good feeling about a company	O	O	O	O	O
Admire and respect a company	O	O	O	O	O
Trust in a company	O	O	O	O	O

9. Products and Services	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Development of innovative products and services	O	O	O	O	O
High-quality products and services	O	O	O	O	O
Products that are a good value for the money	O	O	O	O	O

10. Vision and leadership	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Leadership in the company	O	O	O	O	O
A vision for the future	O	O	O	O	O
Taking advantage of opportunities	O	O	O	O	O

11. Workplace environment	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Quality of the management of the company	O	O	O	O	O
Quality of the company as an employer	O	O	O	O	O
Quality of employees in the company	O	O	O	O	O

12. Financial performance	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Record of profitability	O	O	O	O	O
Low risk investment	O	O	O	O	O
Future growth	O	O	O	O	O
Outperform competitors	O	O	O	O	O

13. Social responsibility	*Not at all*	*Slightly*	*Average*	*Much*	*Very much*
Support of good causes	O	O	O	O	O
Environmental responsibility	O	O	O	O	O
Treatment of people	O	O	O	O	O

Part III: Information on Philips and other brands

In this part some closed and some open questions are given. Please fill in the answers to the questions after or under the questions. With closed questions, check the box of the answer that you think is right (like in the previous part of the questionnaire).

When filling in a number is required, please fill in the number you think is right (for example: when you are asked for sales numbers of a certain kind of lamp, fill in how many lamps you sell monthly). If you have no idea what the answer to the question is, please leave the box blank.

14. Sales of Philips lamps – please fill in the answers in the boxes *under* the questions

    a. What types of Philips lamps do you sell (for example TLD or CFL)?

    b. How many Philips lamps do you sell monthly?

    c. At what price do you sell these lamps?

    d. How much profit do you make on a Philips lamp?

a. Type	*b. Number sold*	*c. Price per lamp*	*d. Profit per lamp*

    e. On average, what do you think of the prices of Philips lamps?

O	Far too high
O	Too high
O	Good
O	Too low
O	Far too low

15. Sales of other brands – please fill in the answers in the boxes *under* the questions.

    a. What other brands of lamps do you sell, and what types of lamps (for example TLD or CFL) do you sell of these brands?
    b. How much do you sell of these brands monthly?
    c. At what price do you sell these lamps?
    d. How much profit do you make on lamps of these brands?

a. Brand + Type	*b. Number sold*	*c. Price per lamp*	*d. Profit per lamp*

16. Product developments of competition

    a. In what way have the lamps of the brands other than Philips been improved over the last few years (for example: longer lasting, slimmer, more energy saving)?

    b. How do you think the brands other than Philips will improve their lamps in the next two years (for example: longer lasting, slimmer, more energy saving)?

17. Customer service – for each factor a number of examples are given what is meant with that factor. Please check the box of the answer you think is right.

a. How good or bad do you perceive the following factors of customer service by Philips?

	Very bad	*Bad*	*Average*	*Good*	*Very good*
Reliability (in time, correct treatment, low number of errors)	O	O	O	O	O
Responsiveness (willing to help, interested, not too busy)	O	O	O	O	O
Assurance (confidence, safe feeling, knowledge)	O	O	O	O	O
Empathy (individual & personal attention, understanding)	O	O	O	O	O

b. What grade (from 1 to 10, in which 1 is very bad and 10 is excellent) would you give the customer service of Philips?

c. How good or bad do you perceive the customer service towards end-users by other brands?

	Very bad	*Bad*	*Average*	*Good*	*Very good*
Reliability (in time, correct treatment, low number of errors)	O	O	O	O	O
Responsiveness (willing to help, interested, not too busy)	O	O	O	O	O
Assurance (confidence, safe feeling, knowledge)	O	O	O	O	O
Empathy (individual & personal attention, understanding)	O	O	O	O	O

d. What grade (from 1 to 10, in which 1 is very bad and 10 is excellent) would you give the customer service of other brands?

18. Potential other Philips products

    a. What other lighting products do you think Philips should sell in Vietnam besides TLD and CFL? This can be any lighting product, including products that Philips does not sell (yet).

    b. Which of these Philips lighting products do you think would be a success in Vietnam (more than one answer is possible)?

O	Battens
O	Starters
O	Ballasts
O	Complete lighting sets

19. Final remarks

    a. If you have any other remarks on Philips, its products, services, or if you have anything to add to this questionnaire, you can write this down in the box below.

This is the end of the questionnaire. Thank you very much for your time and your cooperation in our research!

Appendix 2: Strategic framework

Corporate	
Mission	We improve the quality of people's lives through the timely introduction of meaningful technological innovations
Brand promise	Sense and Simplicity: - It encapsulates our commitment to delivering products and solutions that are advanced, easy to use, and designed to meet the needs of all our users, wherever in the world they may be
Strategy	- Increase profitability through re-allocation of capital towards opportunities offering more consistent and higher returns. - Leverage the Philips brand and our core competencies in healthcare, lifestyle and technology to grow in selected categories and geographies. - Build partnerships with key customers and suppliers, both in the business-to-business and business-to-consumer areas. - Continue to invest in maintaining world-class innovation and leverage our strong intellectual property position. - Strengthen our leadership competencies. - Drive productivity through business transformation and operational excellence.

Lighting division	
Mission	We understand people, and improve their lives with lighting
Vision	The Clear Leader: setting the pace in the lighting industry
Strategy	- Growth: expand further in the fast growing economies of emerging countries; build on the strong position in the value-chain towards professionals and consumers, especially in energy-saving systems; and grow in solid-state lighting. - Talent: strengthen the leadership position via proactive talent recruitment and continue to build on the strong culture of excellence, while creating a learning organization focused on continuous improvement. - Simplicity: streamline the ways of working by implementing segment marketing, strengthening customer focus and driving for supply excellence.

PEV	
Strategy	3 key points: Ambition - 3 times the market growth for Lamps (the goal is 25% growth for Philips; the market growth is 8%). - 3 times the market growth for Luminaires (the goal is 60% growth for Philips; the market growth is 20%). - 3 times the market growth for Lighting Electronics (the goal is 60% growth for Philips; the market growth is 20%). Strategic challenges - Capture a greater share in the professional segment. - Drive the energy-saving segment. - Increase the reach and range (especially in innovative products) in TR and MR channels. - Shape the Future with SSL and OB Light. Key business drivers - Increased customer intimacy through a superior distribution network and customer service. - Marketing excellence (creating demand for both existing key and new range of products). - Strengthening of professional channels. On the basis of: - Committed and competent people, living our values. - A learning and developing organization. - Control of costs and assets (industrial optimization, outsourcing, selling expenses).
Policy	Quality and environmental policy: - Provide our customers with quality products. - Establish, comply with and maintain quality and environmental management system according to ISO 9001:2000 and ISO-14001:2004 covering all needed activities of the factory. - Comply with applicable legal requirements and with other requirements to which we subscribe relating to our environmental aspects, - Comply with all applicable standards and programs of Philips Electronics N.V. - Continually improve the quality and environmental performance with respect to the affectively use of resources such as to prevent or reduce pollution, maintain the sustainability of our environment.

TR-channel	
Mission	To improve people's lives with our lighting products, systems and services. We do this based on a thorough understanding of what people need, want or aspire to
Vision	We want to be recognized by all our stakeholders as setting the pace in the lighting industry. To be recognized as the best partner to do business with, and the best company to work for and to invest in, a responsible citizen contributing to the sustainability of society at large
Strategy:	Marketing mix: - Positioning: We position ourselves as 'The simplest partner to do business with that provides lighting products that are "longer lasting, more saving".' - Place (Distribution): Increase the retailers support in the city and improve the coverage in the sub-urban and rural areas. - Product: Increase the product range with customer requested products and keep the focus on the products made in Vietnam. - Promotion: Focus on retail push and customer pull (for consumer) and wholesaler support (for professional) and increase the overall awareness of Philips lighting. - Pricing: Keep strict and stable price waterfalls with well-considered benefits for each player in the channel. - People: Each partner will have one account manager, which is supervised by the TR manager.

Appendix 3a – Economic indicators

Economic indicators	*1990*	*1995*	*2000*	*2005*	*2006*
GNI per capita (in US$)	131	250	390	620	690
GNI total (in billion US$)	15.0	22.3	30.2	51.3	58.1
GDP per capita (in US$)	227	305	397	538	700
GDP total (in billion US$)	15.0	22.3	31.2	44.7	60
GDP growth (in %)	-	-	6.8	8.4	8.2
Inflation (CPI, in %)	8.4	-	-	8.5	7.3
External debt (in % of GNI)	191	-	-	33	-

GNI = *Gross National Income*
GDP = *Gross Domestic Product*
CPI = *Consumer Price Inflation*
- = *no data available*
Source: *General Statistics Office of Vietnam; World Bank, Data Development Group*

Appendix 3b – Demographic indicators

Indicator	*1990*	*1995*	*2000*	*2005*	*2006*	*2007*
Population, total (millions)	66.2	73.0	77.6	83.1	84.1	85.3 (e)
Population ages 0-14 (% of total)	38.9	37.0	33.5	29.5	28.8	26.3 (e)
Population ages 15-64 (% of total)	56.1	58.0	61.1	65.0	65.8	67.9 (e)
Population ages 65 and above (% of total)	5.0	5.0	5.4	5.4	5.4	5.8 (e)
Population growth (annual %)	2.2	1.8	0.2	1.3	1.2	1.0 9 (e)
Rural population (% of total population)	79.7	77.8	75.7	73.6	73.1	-
Urban population (% of total)	20.3	22.2	24.3	26.4	26.9	-

(e) = *estimate*
- = *no data available*
Source: *World Bank, Data Development Group; CIA fact book; General Statistics Office of Vietnam*

Appendix 3c – Education indicators

Indicators	*1990*	*1995*	*2000*	*2005*
Enrollment primary school (in %)	-	-	-	94.5
Enrollment secondary school (in %)	32.2	47.0	64.5	75.8
Enrollment tertiary school (in %)	2.0	4.1	9.5	16.0

- = *no data available*

Appendix 4a: BBSC - Commercial

		Vietnam Lighting BBSC - Commercial					
		Strategic Success Factor	Performance Measure	2006	2007	2008	2009
Financial	F1	Shareholder Value	EBIT	0.1	0.7	0.7	1.5
	F2		COO (selling expenses)	23.0%	20.2%	16.4%	12.6%
	F3	Growth	Comparable growth % Sales to 3rds	48.0%	37.9%	23.2%	32.8%
	F4	Financial Manoeuvarbility	Cashflow	1.4	-0.5	0.7	1.2
	F5	Working Capital efficiency	Working capital turns				
Customer	C1	Delivery Performance	CSL Delivery Performance (iCSL2)	95%	95%	95%	95%
	C3	Innovation Performance	Innovative Products Sales to 3rd (Global Definition)	0.9	1.1	1.3	1.6
			Product Portfolio (MAG)	10	15	20	20
	C4	Distribution Focus	Sales value for PEU-R	0.5	0.9	1.1	1.3
	C5		Sales value for TR/MR	4.4	5.5	6.5	8.7
			Sales value for OEM	0.3	0.6	0.8	1.0
			Sales value for P&I	0.9	1.4	1.7	2.0
	C6	Customer Satisfaction	CSS O&D	50%	55%	60%	65%
Processes	P1	BEST Supply Chain					
	P2	Distribution	TR Reach (No. of Outlets)	4,500	5,500	7,000	8,500
	P4	Business Controls	ICS %actions accomplished	90%	90%	90%	90%
	P5	Forecast accuracy	Hitrate forecast accuracy (vs APOLLO)	50%	50%	50%	50%
	P6	BEST Marketing & Sales	Marketing & Sales PST Score (Lighting)	3.00	4.00	5.00	6.00
	L2	Organisational Capability	Key Improvement Action completion (from PBE)	75%	75%	75%	75%
	L7	Organisational Capability	Sales force train in PSS/PSN	50%	70%	90%	100%
	L8	Functional Competence Developmen	M&S Competencies review (Gap Analysis)	100%	100%	100%	100%
	L9	Employee Motivation	EES Score	60%	65%	70%	70%
	L10	Employee Motivation	Completion of EES Action Plan of 2005	100%	100%	100%	100%
	L11	Management Development	Succession ratio of KPH (Key Position Holder)- Short Term	50%	50%	50%	50%

Text Colour Explanation

White - Operational Measure, Monthly/Quarterly Measures, Quarterly Review

Yellow - Strategic Measure, Yearly Measure, Annual Review

Grey - Strategic Measure for WW, Measured in Background and only reported to WW

Appendix 4b: BBSC - Industrial

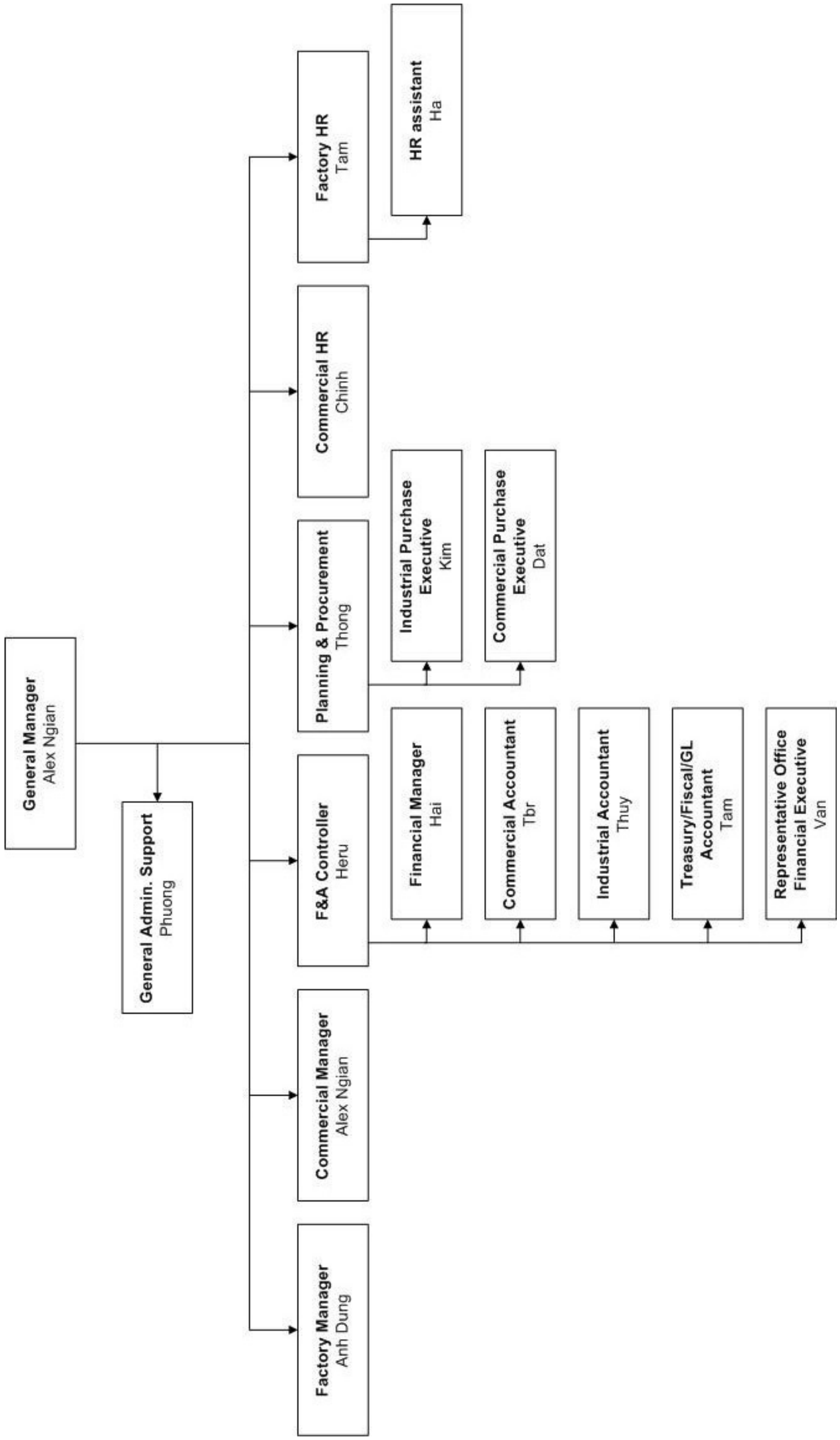
Vietnam Industrial 2007 BBSC

		Strategic Success Factor	Performance Measure	Period/YTD	Unit	2007 Target YTD	Owner
Financial	F1	Shareholder Value	Cost of Organization (% of supplies)	YTD	%	24,0	Heru
	F2	Cost Reduction	FSP TLD 36W	YTD	US$c	29.9 (Q4)	HAD
	F3		BOM TLD 36W	YTD	US$c	16.2 (Q4)	Thong/Nam
	F4		% reduction TL waste	YTD	%	4,0	Hien
Customers	C1	Delivery Performance	CLIP TLD	Period	%	95	Hien
	C2		CLIP CFL	Period	%	95	Hien
	C3	Product Quality	DPPM (TLD)	Period	#	900	Vuong
	C4	Customer Satisfaction	Answer complaints within 7 working days.	Period	%	100	Vuong
Processes	P1	BEST Supply Chain	Supply Chain PST Score/Purchasing PST	Period	#	3,0 / 4,0	Thong
	P2	BEST Manufacturing	Process Management/Maintenance PST Score	Period	#	4,9 / 4,0	Vuong / Minh
	P3	BEST Human Resources	HR PST Score	Period	#	2,5	HR (Fty)
	P4	Business Controls	% items in issue taken	YTD	%	90	Heru
Learning	L1	Breakthrough Improvement	Saving GB & QIT	YTD	US $	100.000	Vuong
	L2	Organisational Capability	Progress on PBE actions (% completion)	YTD	%	80	HAD
	L3	Management Development	IDP completion (% Grade 60 +)	YTD	%	80	HR (Fty)
	L4	Employee Engagement	EEI Score (> high performance norm)	YTD	#	65	HR (Fty)

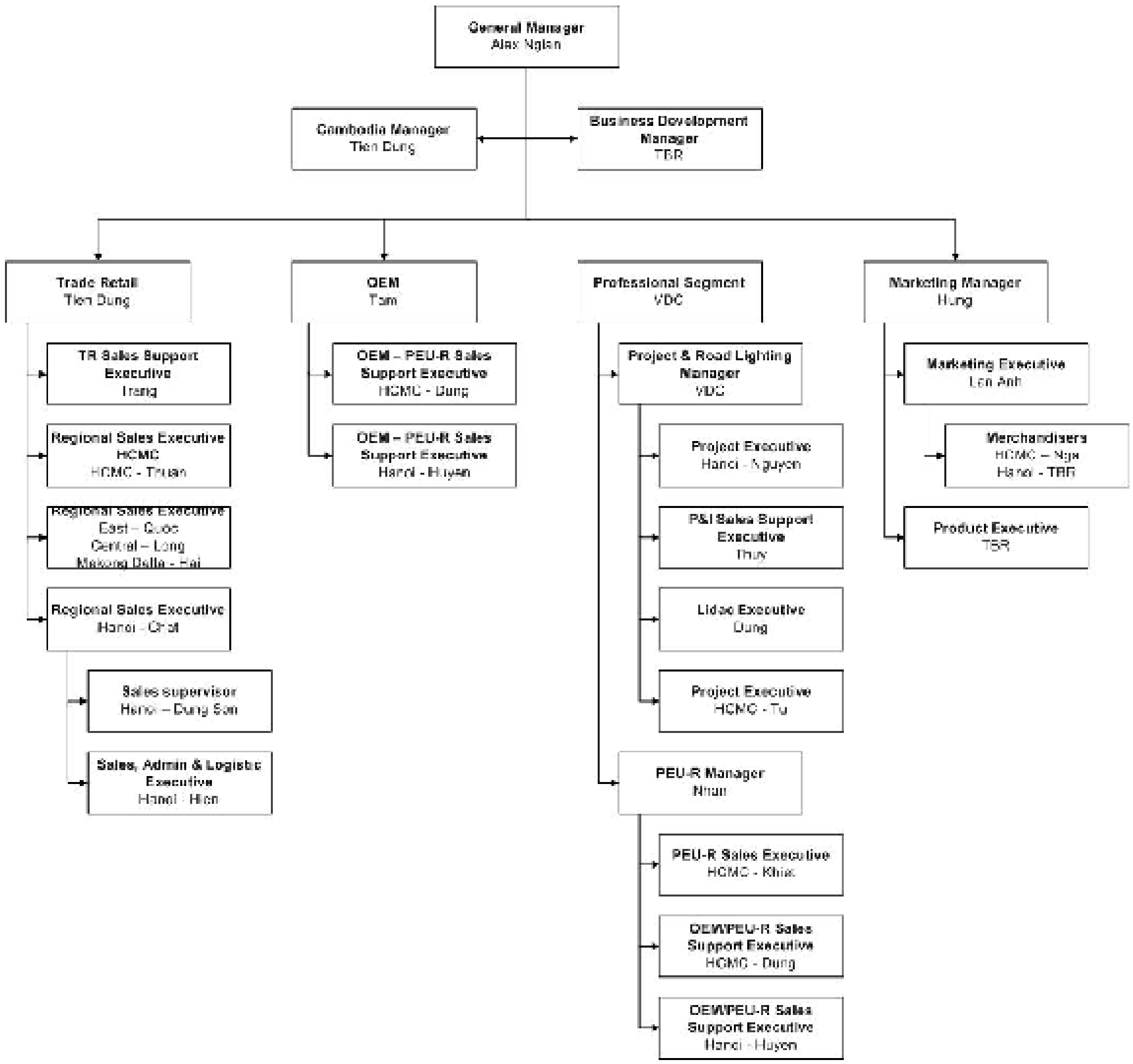
Notes:

- Red means performance more than 5% below Annual Operating Plan (<95% AOP).
- Yellow indicates performance according to Annual Operating Plan within the range 95% - 105%
- Green means performance at least 5% better than AOP (>105% AOP)

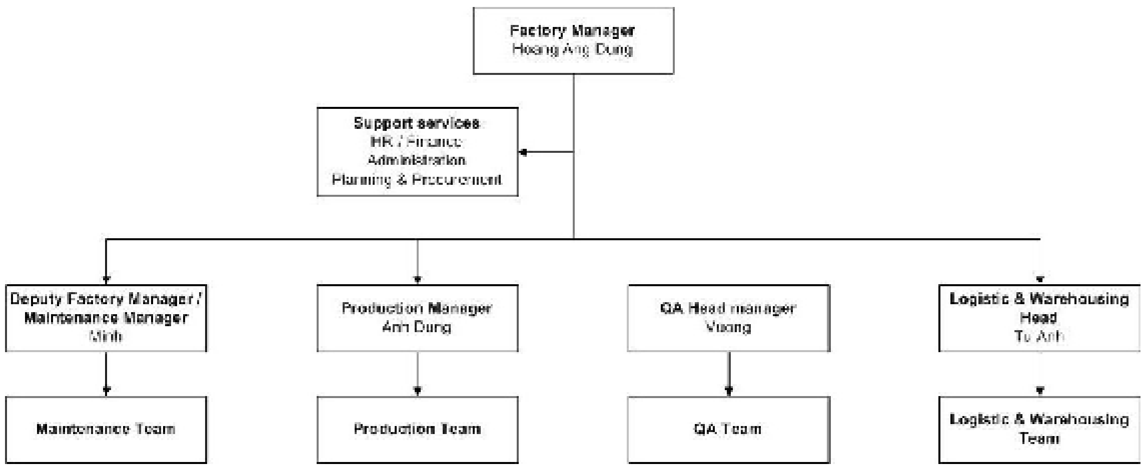
Appendix 5a: Organization structure – Supporting team



Appendix 5b: Organization structure – Commercial team



Appendix 5c: Organization structure – Industrial team



Appendix 6a: List of tables

Table	*Title*	*Page*
A	Abbreviations	7
2.1	Important factors for PEST-analysis	16
2.2	SWOT-combinations and strategies	22
2.3	Overview of theoretical models	24
5.1	Overview macro-economic forces	39
6.1	Value-chain analysis	43
6.2	Overview company analysis	46
6.3	Scores on buying factors	47
6.4	Rating of Philips lamps characteristics	48
6.5	Scores on product range	49
6.6	Scores on demand for other Philips products	49
6.7	Place of buying	50
6.8	Reasons for not buying lamps in the supermarket	50
6.9	Future place of buying	50
6.10	Overview consumer analysis	51
6.11	Brand normally bought versus city	54
6.12	Strategic groups of competitors	54
6.13	Characteristics of Dien Quang	56
6.14	Characteristics of Rang Dong	57
6.15	Market size for consumer lamps in 2006	59
6.16	Market size for consumer luminaires in 2006	59
6.17	Potential market for Philips products according to retailers	60
6.18	Number of Vietnamese households	61

7.1	SWOT matrix based on desk-research	63
7.2	SWOT matrix based on retailer interviews	64
7.3	Combined SWOT-matrix and possible strategies	65
7.4	Overview of strategies	73

Appendix 6b: List of figures

Figure	*Title*	*Page*
1.1	The place of PEV and the commercial center	9
1.2	Business Strategic Planning Model (Kotler, 2003)	12
2.1	Value chain within an organization (Porter, 1985)	17
2.2	Model of buying behavior (Kotler, 2003)	18
2.3	Industry analysis framework for developing countries (Austin, 1990)	20
2.4	Research model	25
4.2	Distribution territories	32
5.1	State-owned versus non-state owed companies (2006)	35
6.1	Order process of PEV	45