

**UNIVERSITY OF ECONOMICS
PRAGUE**

DIPLOMA THESIS

2011

Nguyen Viet Thang

University of Economics, Prague
International Business – Central European Business Realities



**MARKETING STRATEGY FOR MARKET ENTRY OF
ŠKODA AUTO GROUP TO THE VIETNAMESE MARKET**

THESIS INSTRUCTOR: ING.PETR KRÁL, PH.D

Author: Nguyen Viet Thang

May 2011

Declaration

I hereby declare that I am the sole author of the thesis “Marketing Strategy for Market Entry of Škoda Auto Group to the Vietnamese Market “. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on 25 May, 2011

Signature

Nguyen Viet Thang

Annotation

Key words: Škoda Auto Group, Marketing environment, marketing mix, marketing communications, marketing control, Vietnam, VAMA.

Today, in the context of globalization, many different international companies in the global automotive industry prefer going international to enlarge their appearance as well as search for new business chances to earn more profit margins. Among them, Škoda Auto Group, the largest Czech car maker. At present, China and India are two of the most important automotive markets of Škoda Auto Group based on the market size and customers' base. Apart from China and India in the Asian region, Vietnam is also seen to be a very high potential market for every car maker in the South East Asian region because of the stable development of Vietnam's economy as well as high local customers' requirements. The goal of the thesis is to develop a marketing strategy for the market entry of Škoda Auto Group into the Vietnamese market.

Anotace

Hlavní slova: Škoda Auto, marketingové prostředí, marketingový mix, marketingová komunikace, marketingová kontrola, Vietnam, VAMA.

V současné době globalizace vstupuje mnoho mezinárodních společností v automobilovém průmyslu na zahraniční trhy za účelem zlepšení své pověsti, využití nových podnikatelských příležitostí a zvýšení ziskových marží. Mezi nimi také Škoda Auto, největší český výrobce automobilů. V současné době jsou Čína a Indie nejvýznamnějšími trhy skupiny Škoda Auto co do velikosti trhu a počtu zákazníků. Kromě Číny a Indie je i Vietnam považován v Asii za trh s velkým potenciálem pro všechny výrobce z jihovýchodní Asie díky stabilnímu rozvoji Vietnamské ekonomiky a vysokým požadavkům místních zákazníků. Cílem této diplomové práce je vytvořit marketingovou strategii pro vstup Škody Auto na vietnamský trh.

Acknowledgement

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, Ing. Petr Král, Ph.D. Thanks to the great guidance and the endless support of him, my thesis has been improved significantly.

Additionally, I would like to express my sincere thanks to Ing. Ludmila Štěrbová, CSc. and Ing. Ivana Krejčí for their best support during my two years of studying in the University of Economics, Prague.

Specially, I would like to express my deepest gratitude to my parents, my parents-in-law and my lovely wife, who always stays behind me and supports me for the whole two years of my studies. I wish to dedicate this achievement to them.

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INTRODUCTION

Vietnam (The Socialist Republic of Vietnam) is the easternmost country in Southeast Asia, bordered by China to the north, Cambodia to the southwest and the East Sea to the east. Vietnam has a population of 86.93 million people. In the last ten years, Vietnam has presented its ability and very high economic potential with impressive success in its economy. Thanks to the flexible guidance of the Vietnamese Government, Vietnam permanently maintains a GDP growth rate of 6.5% per year. At the same time, the tendency towards decentralization, trade liberalization and globalization of the world economy are regarded as inevitable elements for each country around the world and Vietnam is no exception. Up to now, Vietnam is a member of the WTO (World Trade Organization), AFTA (ASEAN Free Trade Area), ASEAN (Association of South East Asian Nations) and ACFTA (ASEAN-CHINA Free Trade Agreement). In March 2010, the EU and Vietnam warmed up the process of negotiating a future FTA (Free Trade Agreement).

Rising standards of living are the obvious proofs for the achievements of Vietnam in the process of innovation. Correspondingly, more Vietnamese can afford to own a car than ever. In the past, nearly all people chose to purchase motobikes for their need because of limited finances now the situation has changed thanks to Vietnam's rising economic development. 2010 was the most successful year for Vietnam's automotive industry with more than 112,224 cars produced by VAMA (Vietnam Automobile Manufacturers' Association) sold and 53,841 imported cars sold in the Vietnamese market. Today, the domestic automobile market of Vietnam is covered by 18 car manufacturers who have been making major contributions to the development of automobile industry of Vietnam and national economy in general.

Nearly all famous car brands opened offices in Vietnam and have provided a diversified choice for Vietnamese consumers. Among them, Volkswagen, Audi, Mercedes-Benz, Ford, Toyota, Nissan, Fiat, Citroen, Hyundai, Kia, etc. With a total of 166,065 cars sold in 2010, Vietnam is regarded as a potential market for nearly every car manufacturer in the world.

Since 1991, Škoda Auto became the brand of Volkswagen Group. At present, in addition to the in Mlada Boleslav, Czech Republic, Škoda Auto Group also operates other plants in many places around the world including plants in Russia, Ukraine, Bosnia & Herzegovina, Kazakhstan, India, and China, providing more than one hundred markets around

the world with its vehicles. Currently, Škoda has a diversified product line that consists of several models, such as: Superb, Fabia, Octavia, Yeti, Roomster and Praktik.

The company has been maintaining its market leader position in the Czech Republic and is continuing to increase its market share in fast growing market such as China and India. At present, Škoda Auto Group has concentrated on three emerging markets such as Russia, India and China. These markets are playing a crucial role in international trade in general and also are becoming the fastest growing market for Škoda Auto in particular.

The geographic region, market size, consumer behavior and purchasing habits are quite similar to other countries in the region namely China. Therefore, I absolutely believe that Vietnam could be one of the fastest growing markets for Škoda in the South East Asia region. In order to answer the most important question: “Should Škoda Auto Group enter the Vietnamese market?” I have decided to write the thesis: “Marketing Strategy for Market Entry of Škoda Auto to Vietnamese Market”. I hope that this marketing thesis will help Škoda Auto to visualize the Vietnamese market and consider entering this potential market in 2012.

THESIS AIMS

The overall aim of my research will provide a reader with the basic knowledge of the international marketing as well as empirical knowledge of marketing strategies for market entry of Škoda Auto Group to the Vietnamese market. The most import goal of thesis will develop marketing strategies for the market entry of Škoda Auto Group. Furthermore, through the thesis, the author will define whether the automotive industry of Vietnam will be profitable or attractive for Škoda Auto Group or not?

STRUCTURE OF THESIS

Apart from the introduction and conclusion, there are three main chapters in this thesis. The Theoretical approach to International Marketing (Chapter 1), Škoda Auto Group’s background (Chapter 2) and Marketing Strategies for Škoda Auto Group’s market entry to the Vietnamese market (Chapter 3). See below for detailed structure:

Chapter 1: The theoretical approach to International Marketing

This chapter will describe a comprehensive knowledge that covers the main fields of international marketing. This chapter will use tools to analyze the marketing environment including PEST analysis, SWOT analysis, Porter’s Five Forces analysis and market analysis using segmentation, targeting and positioning. Marketing strategies will be also described in

this chapter, including marketing mix. Marketing implementation and control will be discussed in the final part of this chapter with the aim of answering two questions: “what does the organizational structure look like?” as well as “How to measure the marketing plan by implementation, evaluation and control?”

Chapter 2: Škoda Auto Group’s Background

In order to learn about the company precisely, this chapter will describe the overall information about Škoda Auto Group such as the company’s history, the history of the company’s logo, the vision and mission of the group. Furthermore, this chapter will also give a short introduction of different information including the organization structure, the production network, sales volumes, the product portfolio and the financial performance.

Chapter 3: Marketing strategies for Škoda Auto Group’s market entry to the Vietnamese Market

This chapter will explain comprehensive information about the development of marketing strategies for the market entry of Škoda Auto Group. In the first part of this chapter, the author will introduce basic information about the automotive industry of Vietnam such as the market size, sales figures, the purchasing habit of Vietnamese consumers and several popular car brand names in the market. In the second part of the thesis, three marketing analyses will be described such as PEST analysis, SWOT analysis and Porter’s Five Forces analysis. After using these analyses above, the author will provide marketing strategies for the market entry of the company. In the part of marketing strategies, the author will also make an online car survey with 45 people who are living in Vietnam with the aim of collecting data from them and will use these data for developing marketing strategies for the market entry of Škoda Auto Group. The author will define main objectives of Škoda Auto Group that will need to be achieved in 2012. After implementing segmentation, targeting, and positioning strategies, the author will suggest marketing mix strategies for Škoda Auto Group to use when entering the Vietnamese market. Marketing mix strategies will include product strategy, price strategy, place strategy and promotion strategy. Following marketing mix strategies will be action plan. In this part, the author will establish a timetable for performing different activities in the Vietnamese market such as signing exclusive authorized agreement, registering the trademark of the company in the market, redecorating the flagship showroom of dealers, training employees, organizing Škoda’s launch event, and implementing sales. After implementing all relative activities of the action plan, the evaluation and control will be

used by the author with the goal of evaluating the effectiveness of the market entry of Škoda Auto Group in Vietnam in 2012.

METHODOLOGY

In the chapter 1, the author will use mainly academic books on international marketing, marketing communications and marketing strategies as well as many online books from the website: www.books.google.com when writing the thesis. Thanks to these books, the author will design a marketing plan based theoretical approaches exactly. In the chapter 2, the author will choose to use the data of the website of Škoda Auto Group www.skoda-auto.com. Diversified data from this website will help the author to provide the overall background of Škoda Auto Group such as the history of the company, the product portfolio, the financial performance and sales figures. Online articles on different websites will be used by the author for the chapter 3. Furthermore, the author will also use his own research including car survey and calling interview for the chapter 3 with the aim of collecting real feedback from Vietnamese customers towards the development of marketing strategies for Škoda Auto Group to the Vietnamese market.

Chapter 1: The theoretical approach to International Marketing

1.1. Marketing Environment

The international companies or global companies are doing business in an environment which is absolutely not the same as the environment of their home lands. They always examine and adapt their strategies in order to resolve with the differences of their target markets. For this reason, global companies prefer to choose PEST analysis to analyze the macro environment of the countries they wish to operate in.

PEST analysis is regarded as a tool with an aim of analyzing the international environment¹.

General speaking, PEST analysis is abbreviated and includes as below:

P- Political, legal and regulatory environment

E- Economic environment

S- Social and cultural environment

T- Technological environment

Political factors

“Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate”². A company that is determined to go international must take into consideration the structure of the government in the target country and analyze existing problems of the political environment³. Some typical examples include: tax policy, employment laws, environmental regulations, tariffs and trade barriers, political risks, etc.

Independent nation states are seen to be an irreplaceable actor for the international environment because of their legal and traditional sovereign entities. The sovereignty demonstrates that the state is independent and supreme so that the state has the full legal rights to make decisions in its territory.

Political risk is understood as the risk of policies that are decided by the government and which influence the profit and the company’s goal. Before determining to invest in a company abroad, international companies often learn and analyze the level of political risk of the target country.

¹ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.22.

² [http://www.quickmba.com], visited on 19th Apr 2010.

³ Warren J. Keegan, Bodo B.Schlegelmilch.: Global Marketing Management A European Perspective, Pearson Education Limited 2001, p.110.

Therefore, if the level of political risk is low, means that a country will have more competitive advantages against the other countries having higher political risk.

Taxes actively influence not only the profitability of market entry of companies but also price and product decisions. There are differences in the taxation system between countries. VAT (Value added tax), corporate income tax, personal income tax, social insurance contributions and health insurance contributions are the most important taxes. For example: The level of VAT in the Czech Republic is 20%, Vietnam's VAT is 10% and Canada's VAT is only 5%⁴.

Economic Factors

In general, the economic environment analysis shows the economic conditions that have impacts on the business activities of companies abroad. The economic situation of each country is described in terms of macroeconomic statistics: GDP (Gross Domestic Product), GDP per capita, economic growth and inflation rate, balance of payment, consumption, FDI and demographic data. It is known that a marketing strategy of each company is influenced remarkably by these statistics. For instance, in countries where the purchasing power is high, companies will bring larger packaging to the market and in countries that have lower income per capita, smaller packaging will be introduced to the market. The inflation rate has an impact on pricing strategy. Therefore, in countries where a high inflation rate exists, the company controls and adjusts its price strategy regularly.

The Global Competitiveness Report that was edited by the World Economic Forum in Geneva is relied on comprehensive research that describes 12 pillars in terms of competitiveness of 139 countries⁵. Competitiveness is understood as a nation's level of competitiveness and reflects the extent to which it is able to provide rising prosperity to its citizens. Apart from the economic environment referred to in the twelve pillars, the technological and political environments are also considered. Based on the competitiveness of countries that are described by the 12 pillars, the countries are divided into three groups. Group one defines countries have a low state of development called Factor-driven economies. Their competitiveness is based on institutions, infrastructure, macroeconomic stability, health and primary education. Group two includes countries that stay at the second stage of development called Efficiency-driven economies. This level of development focuses on higher education and training; goods market efficiency, labor market efficiency, financial

⁴ <http://www.deloitte.com>, "Global Indirect Tax Rates", visited on 19th Apr 2011.

⁵ http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf, visited on 19th Apr 2011.

market sophistication, technological readiness and market size. Group three shows the countries that have the highest state of development called Innovation-driven economies such as business sophistication and innovation.

Exchange rates not only impact on international pricing strategies but also the profitability of international investment. If having any changes in exchange rates, companies immediately recalculate the prices and adapt the pricing strategies in their foreign market and as a result the return on investment will be influenced. Once the currency of a country is depreciated, the price of importing goods will be increased and price of export good will be decreased, accordingly the price competitiveness a foreign company will be weakened. In reverse, when the currency is appreciated, the competitiveness of import products will be increased and the price competitiveness of export goods will be decreased. There are two basic exchange rate regimes that consist of fixed exchange rates and floating exchange rates. Fixed exchange rates are understood as the better thing for marketers because of the fact that the prices in local currency are kept in the long time period. It is easy to control and predict the return on investment as well as business activities in order to lower the risks. Floating exchange rate systems are popularly used in developed countries.

By using foreign trade policies that present rules, requirements and limitations from governments, the international economic environment is directly influenced. Tariffs and nontariff are the most important tools of foreign trade policy. Tariffs are levied on export or import goods. The aim of import tariffs is the protection of domestic producers against foreign competitors and export tariffs aim are to protect raw material's resources inland. In the framework of the WTO, import tariffs decreased tremendously. Under the principles regulated by the WTO, countries are not allowed to increase their tariffs more than to the level that is promised by them and this leads to a highly predictable probability in international business environments.

Because of the trade liberalization, tariffs do not play an important role in regulation of international trade. However, governments established new obstacles with the aim of protecting the domestic production or national producers against international competitors. Quotas are seen as the nontariff tool that have some different influences in exporters compared with tariffs. Quotas are not elements that make import product prices increase directly, so that they do not influence the competitiveness of import product. Quotas are applied at the time when tariffs cannot be able to provide protection strong enough for local producers, accordingly marketing strategy of any companies will be changed absolutely. The

standard services set and provided by almost every government include information services for exporters, export credits, financial support, trade fair support, etc.

Social Factors

Different social and cultural factors are important elements in international environment although the process of globalization is moving rapidly. Culture describes the combination of factors that create impact on the day life of society. The theory of social learning shows the way culture is saved in a society. Marketers should take into account the various cultures as well as their specifics which must be learned and understood clearly. Moreover, they can adapt their marketing strategies instead of changing the culture. In order to define the most important differences between cultures, lots of theories and approaches are found and they make a large contribution to the success of their business in various cultures.

Four dimensions of culture that established by Geert Hofstede⁶ in the 1970s are seen to be the most popular model in the world. The four cultural dimensions consist of Power Distance, Individualism/Collectivism, Masculinity/Femininity and Uncertainty Avoidance. Afterwards the author added one more to his research called Long-Term Orientation.

Power distance shows the extent to which the less powerful members of organizations and institutions accept and expect that the power is distributed unequally. In each country, we can understand that the distribution of unequal power to each member in the society exists, therefore, some members of the society has more power compared to the others. In countries that have a high power distance index, people agree that each member in the society has different power. In countries that have a low power distance index people think that they should deserve more or less the same power. Countries with high index of power distance include countries in East Asia, the Middle East, North Africa and Latin America and countries have low index of power distance are Western and Northern European countries, New Zealand and the USA.

The Individualism/Collectivism shows the level of integration of people into group in a society. In collectivistic culture, people become members of group during for their whole life. The groups provide protection for their members and the member of that group must prove his or her loyalty to them. Furthermore, group benefits more important than individual's benefits. It is easy to find collectivistic cultures in East Asia, Latin America, the Middle East and Africa.

⁶ <http://www.geert-hofstede.com>, visited on 19th Apr 2011.

In Individualistic cultures, the success of individuals presents the motivation and becomes the most important factor. The typical individualistic countries are the USA, Australia, the UK, the Netherlands and New Zealand.

Masculinity “versus its opposite, femininity, refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found”⁷. Masculine countries are Japan, Hungary, Austria and feminine countries are Sweden, Norway and the Netherlands.

Uncertainty avoidance “deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations”⁸. The highest index of uncertainty avoidance have Greece, Portugal and Guatemala.

Long-Term Orientation describes which goals members in a society choose and which values they evaluate. According to the standpoint of marketing, customers in countries of long-term orientation show their characteristics such as well planning, rationalization and trustiness with their partners. Long-term orientated countries include China, Hongkong, Taiwan, Japan and South Korea and Short-term oriented countries are Sierra Leone, Nigeria and Gana, UK, US and Germany.

Apart from five dimensions of Hofstede, there are many other factors present in different cultures: monochronic/polychronic orientation to time, high/low context cultures, deal-focus/relationship-focus, formal/informal cultures or expressive/reserved communication.

Maslow's Hierarchy of Needs describes the other methods to analyse the social and cultural environment. Maslow presented people's needs and divided them into five groups. The only condition is that if the lower needs are not satisfied with their requirements, automatically the higher needs can not be satisfied. Therefore, the lower needs should be satisfied firstly. However, since the lower needs are satisfied, they do not influence decision-making. The pyramid begins with physiological needs that describe needs of human being and these basic needs have to be satisfied firstly and after moving to self actualization. Marketers in the international environment must take into consideration that they have to examine the level of needs satisfied by their consumers in order to change or adjust their strategies in time. The Maslow pyramid is described below:

⁷ <http://www.geert-hofstede.com>, visited on 19th Apr 2011.

⁸ <http://www.geert-hofstede.com>, visited on 19th Apr 2011.

Figure No.1: Maslow's Hierarchy of Needs



(Source: found on www.transformativejustice.blogspot.com/2010/07/maslows-hierarchy-of-needs-1954.html, visited on 19 Apr 2011)

Legal factors

Companies receive services like information, subsidies and order of purchasing goods and services from governmental institutions. In less developed countries, corruption is still a critical problem although lots of international organizations and national governments are trying to improve the situation. Lobbying is seen to be a standard method that influences the process of decision-making in democratic countries. Lobbyists in EU, USA must be registered and granted a license to do their job. Thus, lobbyists can offer methods which are quite similar to corruption and the perception of lobbyists is different in each country. In some countries, lobbyists are a legitimate part of the process to make decisions while in other countries, they are understood in less ethical ways.

International organizations including the WTO and the EU create a tremendous influence on international business. The aims of the WTO are to lower tariffs, support free international trade and the aims of the EU are to form a single market and harmonize all aspects of a single market. The legal and regulatory environments are regarded as impacts on daily business activities of companies. The legal system, property right enforcement, the possibility of owning property and the simplicity of new business startups are very important factors for international companies.

Every investor realizes the importance of the control of ownership because investor can be able to manage his or her investment in a freeway. Developed democratic countries make sure that domestic companies and foreign companies are treated equally. In less

developed countries, foreign investors are not encouraged to own domestic companies or hold the majority of shares.

Capital restrictions cause impacts on decisions about the mode of market entry and the possibility of penetrating into a market or not. When a company goes international, it must be aware that its investment, its products or services must bring profitable return. In many countries that lack foreign currency, they put lot of restrictions on payment by convertible currencies. In many countries, there are restrictions on owning properties of foreign companies or individuals. Once restrictions occur, cooperating with local partners and forming joint ventures are the two methods that are chosen by international companies. The local partner contributes in term of property by the foreign company brings technologies and know how.

Technological Factors

The level of technological development in a country has an impact on the international marketing strategy. Furthermore, it describes the infrastructure conditions of the country which may bring the limitations for their business activities.

Apart from the statistical data on R&D (Research and Development) such as: R&D investment, employees in R&D, the amount of global patents infrastructure's information about its quality and availability is very important for each company. They have the obligation to collect all the information in order to adjust suitable strategies for bringing the right products to their target audience. The internet is growing rapidly year per year and seen as the crucial tools for communication, distributions and sales. The data on the number of using internet that is seen as the very important tools for evaluating the possibility of using in the market and making comparison of the level of technological development between countries.

1.2. SWOT analysis

Definition

A SWOT analysis is regarded as a important tool to understand a company's strengths and weaknesses and to define the opportunities and threats of that company. Generally speaking, the major aim of SWOT analysis is to analyse the influence of internal and external factors

that identify the competitive positioning of a company in its target market. SWOT analysis is abbreviated from Strengths, Weaknesses, Opportunities, and Threats⁹

- **Strengths** are the characteristics which create advantages for a company against various competitors in the market.
- **Weaknesses** are the combinations of all characteristics which create disadvantages for company against other rivals.
- **Opportunities** are external opportunities for company to obtain better sales or make better profits in the market.
- **Threats** are external factors which create obstacles for company to compete with other competitors in the market.

SWOT Matrix

SWOT Matrix is seen as the strategic tool for designing and communicating strategic goals in terms of matching resources of the company with environmental opportunities. As shown in figure 2, this matrix enables the marketer to focus on offensive strategies which can maximise strengths involving opportunities and defensive strategies which can minimise weaknesses concerning threats¹⁰.

Figure 2: SWOT Matrix

	Strengths	Weaknesses
Opportunities	Offensive strategies	
Threats		Defensive strategies

Source: Steven Pike: “Destination Marketing“, Elsevier 2008.

⁹ Nadine Pahl, Anne Richtel: SWOT Analysis - Idea, Methodology and A Practical Approach, Auflage, 2007.

¹⁰ Steven Pike: “Destination Marketing-An integrated marketing communication approach“, Elsevier, 2008.

Advantages and Disadvantages of SWOT analysis

It is obvious that SWOT analysis is a beneficial tool for decision making and understanding the relationship between a company and its environments. Successful companies improve their strengths, fix their weakness and protect against internal weaknesses and external threats. They focus on their overall business environment and analyze and seek new opportunities better than their rivals. Therefore, regarding advantages of the SWOT analysis, it has following capabilities of:

- Providing a framework for defining and analysing strengths, weaknesses, opportunities and threats.
- Providing developments of company's tactics and strategies.
- Providing a basis for identifying and evaluating core capabilities of a company and its competences.
- Assisting decision maker to set objectives for strategic planning.

Besides above mentioned advantages of SWOT analysis, there are some other advantages of this analysis. Internal and external factor including strengths, weaknesses, opportunities and threats can be very subjective because there is a high level of uncertainty in market. SWOT Analysis focuses on the significance of these four factors but it does not prove how a company can identify these factors for itself. Another disadvantage occurs when a company concentrates on its strengths in order to take advantages of opportunities but it is not interested in the relationships of overcoming weaknesses to seek for opportunities or limit threats. Furthermore, SWOT analysis is seen as an ineffective method for some reasons such as: creating long list, using description more than analysis and ignoring prioritization.

Tips for successful SWOT analysis

In order to perform a perfect SWOT analysis, there are some below recommendations for setting up an effective SWOT analysis as following¹¹:

- Should be focused practically on strengths and weaknesses of company
- Should distinguish between the goal of the company at present and future position
- Must be specific
- Should be simple, short and relative
- Should be subjective

¹¹ <http://www.marketingteacher.com/lesson-store/lesson-swot.html>, visited on 15th March 2011.

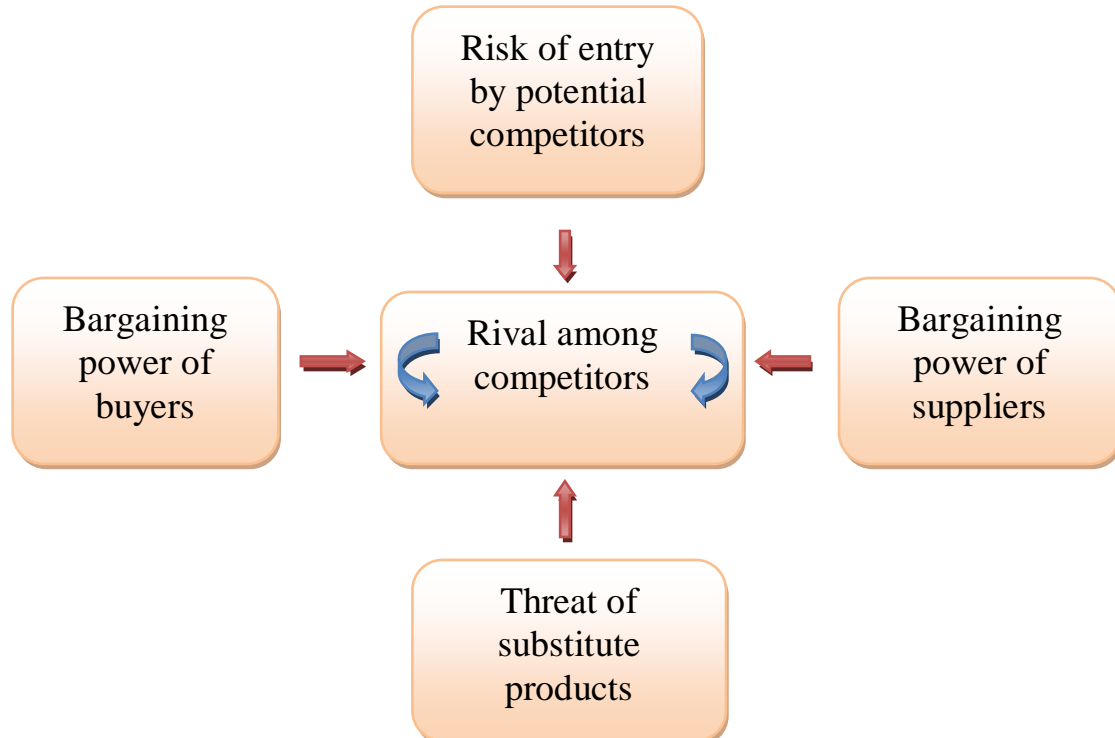
Generally speaking when a company uses SWOT analysis, it must take into consideration that this analysis should be connected with other tools for audit and analysis including PEST analysis and Five Force analysis of Porter.

1.3. Five Forces Model

Apart from PEST analysis & SWOT analysis, Five Forces Model of Michael Porter is also used by marketer in the marketing plan. Porter's Five Forces Model was developed with the aim of identifying five competitive forces affecting planning strategies such as: the threat of new entrants, the threat of substitute products, rivalry among competitors, the bargaining power of buyers and the bargaining power of suppliers.

According to figure 3, we can understand that in the framework of this model, a strong competitive force is seen as the threat because of decreasing profit and in the opposite; a weak competitive force will be an opportunity for a firm to make a big profit. Five forces' strengths can change when conditions of industry also change and marketers must follow these changes in order to set up suitable strategies.

Figure 3: Porter's Five Forces Model



Source: Own design in imitation to the model of Michael Porter.

Here is a brief summary of five competitive forces:

Threat of new entrants (risk of entry by potential competitors)

Potential competitors involve firms which are not competitors presently in an industry but they can compete in the same field of business at any time they want to intend based on their capabilities.

Established firms understand and tend to prevent potential competitors from joining the same industry because the fact that when potential companies penetrate into the industry, it means that established firms must compete with them and not easy to maintain the market share and make profit. Potential competitors create a high risk of entry that brings a risk to the profit achievement of established firms. Besides, if a low risk of entry is formed, it is very easy for established firms to use this opportunity to make more profit and increase prices of products or services.

The risk of entry by potential competitors also describes the level of barriers that they face when they enter an industry. If the entry barrier is high, it will prevent potential competitors from penetrating into because potential competitors cannot be able to afford the cost of entry. Major barriers to market entry consist of followings: customer loyalty to brand, economies of scale, regulations of government, product differentiation, absolute cost, etc. Based on these barriers, I would like to analyze two of them including brand loyalty and government regulation with two basic examples.

Loyalty to brand: brand loyalty represents the high perception of customers to products or service of established firms. Customer loves to purchase constantly products or services of the same brand. A strong brand loyalty helps established company to gain most advantages against potential competitors and discourages them to enter the industry. Most established firms establish brand loyalty by advertising their products, focusing on characteristics of products or services and implementing several programs to attract customers and in my opinion these activities are often costly, so potential competitors absolutely face difficulties in entering the same industry. For example: Apple Inc. has very high level of brand loyalty to its product (iPhone 4, iPad and MacBook). Customers completely satisfy their purchasing decisions because Apple Inc. always concentrates on renovating its product and delivering stylish products to its customers. Therefore, potential competitors face lots of difficulties in entering the industry.

Government regulations are regarded as a barrier to market entry of potential competitors in an industry and this barrier enables established firms to cover the large market share in an industry and put potential competitors out of the market. For example: before Vietnam entered the WTO in 2007, Vietnamese government limited foreign banks to enter its

banking industry and all of banking services were mostly covered by local banks. This regulatory barrier helped local banks to earn great profits but after 2007, the advantages of local banks were abolished because Vietnam opened the banking industry and then many foreign banks penetrated into Vietnamese market and now they are doing very well here. In general, it is obvious that Five Force Model can represent the fact that if barrier performed by government is high, it will create obstacles for potential competitors to enter and protect established firms. If the barrier is low, it helps potential competitors to enter an industry easily.

The Power of Buyers

Buyers can be end users of product from an industry or they can be the firms that buy products from the manufacturers and resell an industry's products to end user. The power of buyers represents the influence of customers in an industry. If the power of buyers is high, buyers will decide about the price. Buyers are regarded as the powerful buyers in below cases:

- Few buyers but large suppliers and this circumstance enables buyers to dominate suppliers
- Buyers purchase large amount of products, so buyers can bargain for reducing price.
- High percentage of suppliers' dependence on buyer's order
- When buyers manufacture products by themselves in order to meet their needs, it makes the industry prices go down.

For instance, in the rice supply industry of Vietnam there are only two biggest buyers including Vinafood 1¹² (Vietnam Food Corporation No.1) and Vinafood 2 (Vietnam Food Corporation No.2) that cover more than 80%¹³ amount of purchasing rice from Vietnamese farmers. This rice supply industry is a typical example of an industry where buyers are very powerful. The suppliers of rice are small and numerous. However the buyers are only Vinafood 1 and Vinafood 2. Therefore, they take full advantages of their powerful position to lower the price of purchasing rice lower than actual point and require better quality of rice. If the suppliers (farmers) refuse to sell to these companies, they cannot be able to sell to the others.

Power of suppliers

¹² <http://www.vinafood1.com.vn/Default.aspx?ModuleID=101>, vietnamese version, Vietnam, 2011, visited on 12nd Apr 2011.

¹³ <http://www.vinafood1.com.vn/Default.aspx?ModuleID=101>, vietnamese version, Vietnam, 2011, visited on 12nd Apr 2011.

Power of suppliers is the competitive force that represents the ability of suppliers to raise their price to the industry and earn profit for themselves by raising prices because the fact that there are few suppliers but numerous buyers, so suppliers can be able to control prices and raise them at any time they want. For example in the TFT panel supply industry where mobile phone manufactures are mostly dependent on a supplier. **AU Optronics (AUO)**¹⁴ is regarded as the biggest TFT panel suppliers for many computer & mobile phone giants such as: Samsung, Dell, Apple, LG. It is clear that AUO has the powerful bargaining position to provide the higher price to buyers.

Substitute of product

It demonstrates that the same needs of customers will be satisfied by products of different companies. The presence of close substitute becomes a competitive threat that discourages companies to raise price and it reduces the profit of companies. Companies can raise price of its products and obtain greater profit when the close substitute does not exist or exists at a small level.

For example, there is no close substitute for Samsung Semiconductor¹⁵ to supply its products including DRAM, Flash, Fusion Memory and Sram to computer and mobile phone producers in the world. Therefore Samsung semiconductor can provide higher price and make higher profit in this industry.

Rivalry among competitors

Rivalry represents the competitive struggle between firms in an industry to obtain market share against its competitors. Companies always try to differentiate its products from the other competitors and the competitive struggle between companies are based on price, product, and service attached to product, advertising, product's innovation, etc.

For instance, the rivalry between Sony and other competitors such as Nintendo and Microsoft in the videogame industry is very intense. In 1989, Nintendo was the first company to introduce the first game console system "Gameboy" and later in 1994, Sony introduced "PlayStation". Although Sony entered the game industry later than Nintendo, Sony captures a large share of market from Nintendo and the other. However, Nintendo understood the real situation of the market and take huge investment in renovating its console system and

¹⁴ <http://auo.com/?sn=148&lang=en-US>, visited on 10th Apr 2011.

¹⁵ http://www.samsung.com/global/business/semiconductor/products/dram/Products_DRAM.html#, 10th Apr 2011.

introduced more new models to the market. As a result, in 2010, the global market share of Nintendo Wii was 49%, PlayStation of Sony was 31% and Xbox360 of Microsoft was 20%¹⁶.

In general, Porters' Five Forces Model is seen as the important tool that enables marketers to set effective strategies for their company and furthermore, it should be taken into account that all of five forces must be analyzed equally when marketers use this model for their analysis.

1.4. Segmentation

Segmentation is one of the most important tools of marketing with the aim of identifying target group, understanding consumer's needs and choosing the right product for right consumers. "Market segmentation is dividing up a market into distinct homogenous groups that have common needs and will respond similarly to a marketing action"¹⁷. There are three basic groups that exist both in international markets and domestic markets such as: consumer markets, industrial markets and public services.

Methods of Segmentation in Consumer Markets

In **Geographic segmentation**, markets are distributed into different units of geography that consist of cities, countries and continent. Each customer has differences in its needs and purchasing habit. All of differences of each consumer such as needs, expectation, and purchasing habit are subsidiary to the place they are living. The usage of geographic segmentation is to plan for marketing mix and identify the target segment

In **Demographic segmentation**, markets are distributed into demographic segments including age, sex, size of family, ethnicity and religion. Customers who have similar demographic variables also have the same expectation, preferences and habits of using. Demographic and Geographic segmentation are regarded as the tool to identify and describe the segments.

Socioeconomic segmentation delivers information to learn about the level of the purchasing power and the structure of expenditures derived from different target groups.

In **Psychographic segmentation**, markets are distributed into social class, personality or lifestyle. Meanwhile, personality may have the controversy about its importance and its relevant role, lifestyle factors are seen to be one of the most effective role of segmentation.

¹⁶ http://www.afterdawn.com/news/article.cfm/2010/05/29/ps3_quarterly_market_share_jumps_to_31_percent, visited on 15th Apr 2011.

¹⁷ Belch, G.E., Belch M.A.: Advertising and Promotion-an integrated marketing communications, Irwin 1995, p.133.

Lifestyles are determined on the basis of analyses like activities, interests and consumers' view and then they involve products of customers, brand and media. It is obvious that Lifestyle segmentations are used extensively in different categories of product and obtain many successes.

VALS (Value and Lifestyles) is known as one of the most popular psychographic segmentation methodologies today. VALS (Value and Lifestyles) was established by team of SRI International, Stanford University and California University. Value and Lifestyles (VALS) divides consumers into eight segments including Innovators, Thinkers, Achievers, Experiencers, Believers, Strivers, makers and Survivors¹⁸.

Industrial Markets

Along with the development of Globalization, industrial marketing has created new trends for the last years. Lots of international producers moved their production sites from developed markets to countries that have better conditions for their production activities such as well qualified employees, cheap cost, less restrictive legislation and ecological regulations. Thanks to the widespread development of the internet, the purchasing behavior of industrial buyers has changed dramatically because they usually use internet as the tool for searching products they are interested in like internet auctions or electronic market place. This consumers' habit helps the process of decision making to be more efficient via the comparison of purchasing orders from consumers. Moreover, this also brings more competitiveness for different companies in the industrial markets.

In comparison with segmentation of consumer markets, the segmentation of industrial market shows that the process of decision making and purchasing is described to be more rational. As for industrial markets, although the number of customer is limited, the transactions in terms of value and volume are more than in consumer markets. Industrial firms base themselves on large shipment, so they always take into consideration that they have to build and maintain their consumers' loyalty. Regarding industrial buyers, rational behavior becomes typical of the standard decision making process, stipulated by the company. Relying on basic standards like technical specifications, quality, price, legal conditions and delivery term, the decision making is implemented by teams of specialists. The usage of traditional communication methods in consumer marketing has the limited influence on industrial purchasers. The organizational structure is regularly concentrated in multinational industrial

¹⁸ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.81.

companies. It is the fact that the close relationship between suppliers and its consumers' needs to be maintained in industrial marketing and it should be taken into account that using modern marketing management tools could be very crucial. Concerning industrial sectors, the concentration of geography at a specific region has become very typical. Industrial marketing's specifics create the impact on the methods of segmentation. The criteria of segmentation vary differently compared with consumer markets because of the fact that they can show the behavior and operations in industrial markets. The criteria for industrial segmentation include: segmentation based on business line and industry, geography, firm's size, operational characteristics, buying strategy, behavioral criteria.

1.5. Targeting

“Targeting is the act of evaluating and comparing the identified groups and then selecting one or more of them as the prospects with the highest potential”¹⁹.

Determining which segments need to be addressed along with an offer is the first step in targeting. This offer needs to be implemented a lot of criteria to fit the entry. Considering the size of market segment is seen to be very important for targeting. The size of the market segment has to be relative to the size of firm because it does not obtain profitability if the target segment is too small and if the segment is too big, it will create difficulties for company to deal with because of the strict competition with their rivals. It is necessary to consider whether the level of cost like product development, production, distribution, communication will be delivered to the market segment in an acceptable way or whether there are any possibilities for price to earn a reasonable profit?. It is easy to know that if the segment becomes very profitable, there may be new competitors. Identifying the segments of all competitors is very crucial for targeting. Generally speaking, it is very important for each company to define its competitor in a particular segment, its direct & indirect competitors, its international & domestic rivals and current & future competitors.

Targeting Strategies

Determining the number of potential suitable segments that company will choose and its strategy is the second step of targeting in the international marketing. Standardized marketing, concentrated marketing and differentiated marketing are presented as the three basic categories of targeting strategies.

¹⁹ Warren J. Keegan, Bodo B.Schlegelmilch.: Global Marketing Management A European Perspective, Pearson Education Limited 2001, p.223.

Standardized marketing strategy is described as similar to a mass marketing approach. The differences between the segments are neglected by a standardized and undifferentiated strategy. By using different marketing mix, a differentiated can target more different segments of the market. A **Differentiated strategy** enables a firm with the aim of covering the market widely.

A **Concentrated strategy** is the second categories of targeting strategies which is connected with using a marketing mix in order to react to a segment of single market in the global market. It concentrates on product or brand as well as applies a unique of the marketing mix. A concentrated strategy emphasizes the unique of the market segment.

1.6. Positioning

Positioning is presented as the long term strategic tool of the marketing that creates the impact on the perception of customers of a brand in global markets. The role of positioning is to bring the right product for the right customer and satisfy them in a unique way.

Positioning concept

Concerning definition of the positioning, it shows that “Positioning is how marketers want a brand to be perceived by consumers in comparison to the competitor’s brand”²⁰. Regarding the positioning elements, there are three core elements that include brand equity, competition and consumer. Understanding deeply the current brand status is seen as the method to presume the development of a future ideal positioning for a brand. Both the perception of general customer and the target group’s perceptions must be taken into account with the aim to define the weakness and strength of the brand currently and further more to suggest future positioning. Brand equity is dominated by lots of elements. According to the view point of the international positioning, brand image plays an important role for companies. It is the combination of all the perceptions of consumer that emerge in the mind of consumers from the time they take notice of the brand. Brand perceived quality and brand heritage are shown as two elements that have very important impact on brand equity. Besides, brand loyalty and brand awareness also create the indirect influence on brand equity. It is obvious that in the international environment, the differences in the brand conception of consumer, brand image and consumers’ acceptance should be taken into the consideration of every company in various markets.

²⁰ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.95

Target Consumer Identification

People have different traits because of the fact that they are different in term of enjoying their life by different ways. Therefore, the different market segments need different solutions. The positioning strategy is regarded as the method to manage brands via the satisfaction of consumer as well as the differentiation again brands of its rivals. Consumers purchase because of the benefit or value of product providing for them. The benefit of a product is known to be a method to satisfy not only the needs of customers but also the others like wishes, expectations or aspiration. Thus the benefit of a product or service is shown as the main reason for a customer to be ready for paying for. Brand benefit presents the key element of brand positioning because the fact that it works as the core in the process of consumer's decision making.

Generally speaking, there are different concepts of brand benefits and USP (Unique Selling Proposition) is one of the first concepts connected with the idea of consumer benefit. USP is seen as the advertising concept that concentrated on effective advertising and consisted of three following parts:

- Each advertisement must be responsible for proving the benefit of products or services that will be received by the consumers when they buy them.
- The proposition has to be unique
- The proposition has to be strong enough in order to attract new customers.

Today, consumers are not only interested in learning more about the brand but also developing their relationships with the brand. Consequently, it is important to differentiate three types of consumer benefits offered by a brand that include functional benefit, emotional benefit and self-expression benefit. **Functional benefit** is understood as the benefit that relied on the attribute of a product, delivering the rational utility to customers. **Emotional benefit** is the benefit that refers to the feeling and emotion of a consumer. Almost all strong brands offer functional and emotional benefits. The functional benefits have the linkage with a feeling or set of feelings. Emotional benefit, derived from functional benefit, has the differences from original rational value and has the ability to differentiate the brand from the other similar products of its rival. **Self-expression benefit** is known as the special type of emotional benefit that is linked to the personality of a consumer and aspirational personality. In the context of media development today, people are interested in associating themselves with their role models. Brand may be shown to be a symbol for a person's self-concept. A brand can be able to deliver a self-expression benefit through helping a person to communicate his or her own

self-image. There is a fact that people own different roles in their life and brand are seen as symbols of their roles.

Consumer benefit becomes a very crucial element for the unique perception of a brand. It is very necessary to focus on three important viewpoints when a brand benefit is seen as a part of strategic planning. These views include as below:

1. The benefit needs to be consumer relevant.
2. The benefit has to be unique.
3. The benefit must connect with the core value of the brand.

The unique positioning of the brand needs its differentiation from the rivals. In order to obtain this aim, it is very important to learn about and analyze all the information about the competitors such as market position, strategy and potential future action. Furthermore, it needs to take into account the perception of consumer with the brand and product of their rivals, so companies can differentiate themselves.

A perceptual map is defined as the helpful tools for companies to assess and compare the brand of their competitors in various markets. This tool enables a company to figure out the competitive environment on the market. "A perceptual map is usually a two or three dimensional diagram where each axis represents features of the product relevant for a consumer's purchase decisions"²¹. In the diagram, the different products of other competitors that are located based on the perception of consumer's mind and they are evaluated relied on the selected features.

A positioning statement is known as the definition of a positioning strategy for a concrete brand. In order to avoid the misunderstanding of all information, misleading or blurred interpretation, a short and specific positioning statement (that defines a product, brand, target group, consumer benefit and relevant competitive reference) should be formed. A positioning statement supports to obtain the summary of all analysis that are completed in the process of positioning development.

Positioning Strategies

It is easy to define that positioning is a basic strategy which builds brand equity. The consumer perception of the brand - competition-whole market is seen as the main core of positioning. On a basic of objective and extensive market research, an effective positioning

²¹ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.99

strategy can be formulated and developed. The research needs to be concentrated on three directions such as: brand equity, consumer and competition.

Brand positioning is looked as a strategic marketing tool and it is used very popular in the international marketing because the fact that with the presence of international and global segments, it enables international brand strategies including brand positioning to be developed. Moreover, positioning is seen to be a long term brand strategy, so it permits the adaptation to local markets at the marketing mix level. Today, large multinational firms tend to apply a global positioning strategy. The brand delivers the same benefit for customer around the world and focuses on a global segment. Lowering cost for the development of product, marketing, etc. are the main advantages of the strategy. Besides, this strategy also has the main disadvantage that is the shortage of local brand adaptation to the cultural specifics of several regions. For some brands, global positioning strategy is not a good strategy for them because of the fact that marketers are not interested in targeting global segments and some brands lack financial resources to implement.

For some multinational companies, when they go internationally, they determine to position their brand that is different compared to their home product with the aim of bringing better long-term perspectives and Heineken is a good example for this strategy. In the home Dutch market of Heineken, Heineken is known as a standard brand but in the Czech Republic, France or some Asian countries, Heineken is a well-known premium brand of beer.

A local positioning strategy is taken aim at a specific market and a specific target segment in the market. This strategy is chosen not only by the local producers but also by the international firms that acquires a local brand. This strategy may also be applied in industrial marketing.

There are several positioning strategies that are used in the international environment in order to differentiate a brand from various competitors as well as to bring a specific and unique benefit for the target consumers and here are some of major positioning strategies²²:

1. Positioning through product attributes – the differentiation point and consumer benefit are specific product attribute. Associate brand with certain product attribute.
2. Psychological attributes – benefit addresses a certain intangible consumer issue or wishes and promises a benefit that addresses consumer psyche.
3. Relative price may be a different point – developing clear price segment for different product category.

²² Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.100.

4. Usage occasion – when product associate with certain date or period of time. That strategy may be limited in the number of event and need to be increased.
5. Group of users and customers – some brands associate themselves with a certain group of consumers. May be very effective if matches the segmentation strategy.
6. Association with the celebrity – achieving unique place in the market by association with a celebrity.
7. Lifestyle personality – brands try to materialize themselves into typical representation of a certain lifestyle in specific product category.
8. Position in the market – positioning according to the brand's position in the market. Market leadership can be a UPS.
9. Country of origin – associate product with country of origin based on a name, tradition and culture of the country. Example: German = quality, Italy = fashion etc.

Positioning Strategy Implementation

Positioning of a brand as a strategic decision and plan must be implemented at all managerial levels from top to bottom. With the aim of materializing a positioning strategy that will make contributions to the process of strengthening the brand equity, following “guidelines” is regarded to be very necessary.

Brand positioning needs to be unique and to be clear. A brand must deliver its position to consumer and make them to understand its brand; furthermore a brand must prove the fact that it can differentiate its product or service from its rivals. Positioning must be targeted because there may be some unsuccessful results when marketers address too board of a market segment. Positioning strategy must describe the expectations of consumer in the international markets. A positioning strategy must be realistic based on the financial views because if the positioning strategy does not perform exactly, it will cause the big loss for company. It must be taken into account that analyzing all the potential costs linked to the formulation and maintenance of brand positioning needs to be implemented. Positioning has impact on tactical marketing. The marketing mix is seen as a tool for the implementing the positioning strategy. The marketing mix represents a tool enables to translate a positioning strategy for different market and in various periods. It is vital to recognize that everything done by the company will have the impact on brand positioning in the minds of consumers. The marketing mix delivers a certain message to the consumer that must become a unified picture of the brand in the perception of consumers, so the positioning is very important for each company to implement in all elements of the marketing mix.

1.7. Marketing Mix Strategies

The marketing mix is “the set of controllable tactical marketing tools – product, price, place and promotion – that the firm blends to produce the response it wants in the target market”²³. The simplest definition of marketing mix that every marketer should take into considerations is “Putting the right product in the right place, at the right price, at the right time”²⁴. Marketing mix is regarded as is an effective tool that is applied to show the various choices of companies in the whole process of delivering a product or service to the certain market. The Four P’s is seen as four major elements of the marketing mix as following:

1. **Product**
2. **Price**
3. **Place**
4. **Promotion**

1.7.1. Product

This part starts with the introduction to basic concept of product including basic definition and classification of product, strategic alternatives for global market entry of products, product life cycle and product mix. All concepts are described in more detail below.

Basic definition and classification of product

“Product can be defined as a collection of physical, psychological and symbolic attributes that collectively yield satisfaction, or benefits, to a buyer or user”²⁵. It is obvious that there are three basic dimensions of a product including core, services, symbolic values and image. Each dimension has the impact on the perception of target group about the product. As a company decides to penetrate into new market abroad, each of dimensions needs to be adapted. Image 1.3.1 gives an example of Nokia E71 unboxing in order to help readers easily to figure out these dimensions.

Core demonstrates the physical and technical traits of the product. The core involves features as quality, durability, taste, weight, speed, etc. At present, the product’s core is no longer as the key element for company to achieve the success and competitiveness in the market. The reason is that almost international producers are capable of producing the same

²³ Philip Kotler, Gary Armstrong: “Principles of Marketing“, Pearson Education Ltd, London, 2010, p76.

²⁴ <http://www.mindtools.com>, visited on 26th Apr 2011.

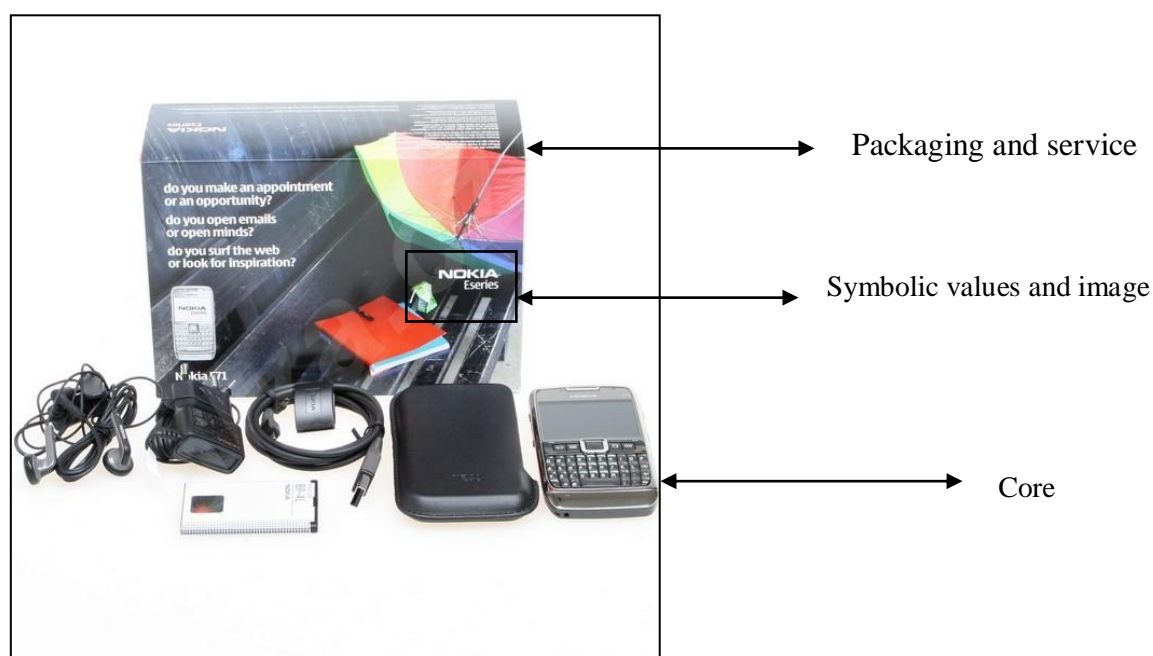
²⁵ Warren J. Keegan, Bodo B.Schlegelmilch.: Global Marketing Management A European Perspective, Pearson Education Limited 2001, p.392.

core of product. For example, regarding mobile phone industry, there are several manufacturers such as: Nokia, Samsung Electronics, HTC, Motorola, Apple, etc. which can be able to product the same kind of smartphones.

Packaging and services that are associated with the product sold are the second dimension of product. Services are the combination of elements such as: warranty service, product delivery, product's design, customer's care service, etc. and packaging refers to the protection of product, customer's attraction and additional information of product.

Symbolic values and image are the third dimension of product. They consist of the product name, brand name and image of the manufacturer or the image of country of origin

Figure 4: Example of Nokia E71 unboxing



Source: own design, found on www.alza.cz/gsm-nokia-e71-sedy-d96348.htm#foto, visited on 25th Apr 2011.

Continuously, I would like to summarize four basic types of product including local products, export products, international products and global products which are considered by companies when they decide to go global.

The first type of product is local products. They are designed for local consumers in the home market and associated with the region of origin and the products are manufactured by the local companies and not intended for export.

The second is export products. They are produced only for export but not for the home market because of the differences between domestic consumers and foreign consumers. Export products are usually designed for one or some foreign target markets.

International products are the third type of product that is used in the multinational markets. The core of product has same standards in every market but other dimensions are adapted to meet the specifics of the target market and satisfy its customers.

Global products are the last type of product that is supplied for the global market and the adaptation is not necessary for local markets. The core of product is the same and the adaptations of other dimensions are small.

Strategic Alternatives for Global Market Entry

There are four strategic alternatives for market entry including product extension communication & adaptation, dual adaptation, dual expansion and product adaptation & communication extension (see figure 5).

Figure 5: Strategic Alternatives for global market entry

		Different	
		<div>Strategy 2: Product extension, communications adaptation</div>	<div>Strategy 4: Dual adaptation</div>
Communication	Same	<div>Strategy 1: Dual expansion</div>	<div>Strategy 3: Product adaptation, communication extension</div>
		<div>Same</div> <div>Different</div>	
		Product	

Source: Own design based on the book “Global Marketing Management a European Perspective”, Pearson Education Limited 2001, UK, p.385

Dual Expansion is seen to be the best alternative for marketers to use for market entry into the similar market to the home market. Companies penetrate into the market and bring the same products sold at home to the market and implement the same communication strategy, so no additional market entry cost to be seen (E.g. Since 1958, Honda launched

super club C100 in Japan²⁶ and exported to more than 160 countries with the same design and communication strategy)

Product extension and Communication Adaptation is understood as the second most favorable option. For example: this strategy is popular for foreign automobile manufacturers such as Ford, Toyota, Fiat, etc. in Vietnam. In their home markets, car is regarded as the basic mean of transportation of every family but when they sell their cars in Vietnamese market, they change the communication by stressing the benefit of purchasing car as a symbol of the power and the wealthy despite the fact that product is the same as manufacturers' home market.)

Product Adaptation and Communication Extension demonstrates when a firm implements the communication abroad that is the same as the home market, however, they adapt the product. For example, Vifon (Vietnam Food Industries Joint Stock Company) exports bag instant noodle²⁷ to the Czech Republic. Vifon uses the same communication as Vietnam and the EU, however, Vifon has adapted its products to meet the taste of the Czech consumers.

Dual Adaptation is seen as the least favorable alternative. The communication and product need to be adapted because of the differences between foreign market and home market.

Product Life Cycle

“In a way, products are like people. They are born, they live and they die. Every product progresses through a product life cycle, a series of stage in which a product's sale revenue and profit increase, reach a peak and then decline. A firm must be able to launch, modify and delete products from its offering of products in response to changes in product life cycles, otherwise the profit will disappear and the firm will fail”²⁸.

The product life cycle is shown as a basic concept of the marketing that represents several stages of the product's market performance, from the very first introduction of the product until it is being completely pulled of the market. As shown in figure 6, four stages of the product life cycle include introduction, growth, maturity and decline.

In the introduction stage (launch stage), a new product is introduced and searched for the first customer of itself. The awareness of customer to the product is very low because no

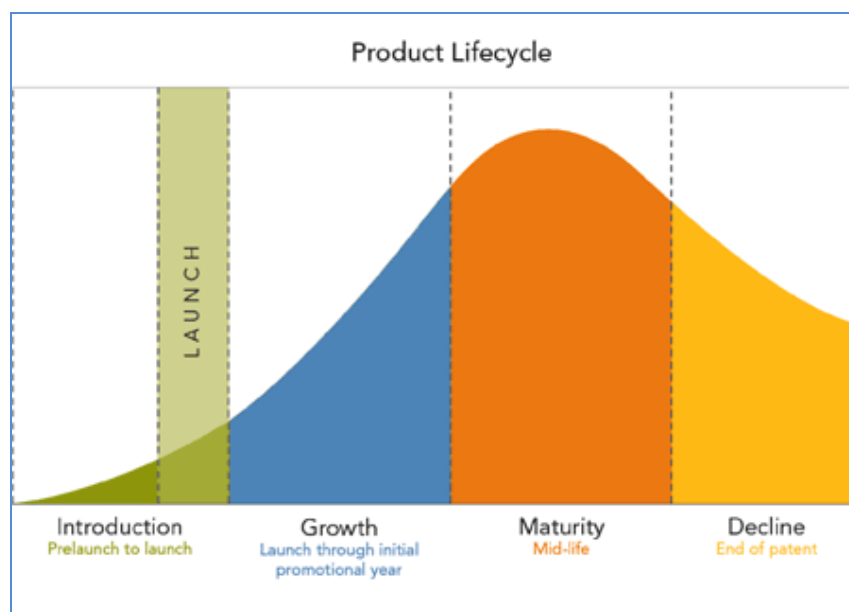
²⁶ <http://world.honda.com/news/2008/c080521Cub-Series/>, visited on 26th Apr 2011.

²⁷ http://www.vifon.com.vn/vifon_en/index_en.aspx, visited on 26th Apr 2011.

²⁸ Pride Hughes Kapoor: "Business" 10th edition, South Western, US, 2010.

one knows about the product. The aim of marketing in this stage is to make customers to know about the product such as features, benefits and usages, so a massive communication campaign needs to be used. Customers for this stage are known as the innovators²⁹ and only a few competitors attend this stage. The product does not earn profit at all in this stage because the product introduction needs massive investment into communication, promotion and distribution.

Figure 6: Product life cycle



(Source: <http://www.soopertutorials.com/business/marketing/2431-product-life-cycle.html>, visited on 27th Apr 2011)

In the growth stage, the communication does not need massive investment into because potential customers are aware of the product and the benefits of product. In this stage, the products are already purchased and purchased again by the innovators and the other customers also purchase the product, so sales increase very fast. The competitors may start to bring competitive products to the market. Therefore, the company should improve its products; extend its product line and the distribution. The major role of marketing in this stage is to create brand loyalty and strengthen the image of company. For example, in 2010, Nokia³⁰ introduced two strategic smartphones including Nokia N8 and Nokia E7 to compete directly with the other products from main competitors such as iPhone 4 (Apple), Samsung Galaxy S (Samsung), HTC Evo 4G (HTC).

²⁹ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.132.

³⁰ <http://conversations.nokia.com/2010/09/14/nokia-expands-symbian3-family-with-nokia-e7-nokia-c6-01-and-nokia-c7>, visited on 27th Apr 2011.

In the maturity stage, sales increase in the beginning and start to decline in the end of this stage. The product is a standard product and the company has to face the strict competition from several competitors. The product is very profitable at this stage and the reminding communication campaigns should be used.

In the decline stage, the sales decline and profit goes down because customers prefer to find new products. In this stage, the company likely uses few advertisings and promotions to slow the decline of product. The company can delete which products are not profitable in the product line or withdraw from the market and launch in the other places.

In global marketing, the same product is present at different cycle stages in different countries. The new product is launched in the home market and important foreign firstly and in the other markets later with the aim of using the experience they got before (For example, Toyota often launches new models in strategic markets such as the North America, China and India firstly and then in the other markets: the EU, Asia, etc. In general companies can prolong the life cycle of their products by expanding international or by selling the licenses to other countries. For example: Red Bull Energy Drinks³¹ first launched on the Austrian market since 1987 and till 2011, Red Bull has been regarded as the world No.1 energy drink and this product has been still staying at the maturity stage for more than 24 years.

Developing and Managing Product Mix

Let's begin with the definition of the product mix. The product mix of a company "is the assortment of product lines and individual products offerings that the company sells. The right blend of product lines and individual products allows a firm to maximize sales opportunities within the limitations of its resources"³². The basic meaning of product mix is that product mix includes many products lines where each line includes products which are somehow related together. They generally share the same core and have various sizes, colors, flavors etc. In order to help marketers to obtain the company's objectives as well as satisfy the target group of the company, they are obliged to use the effective product mix and to adapt the company's product mix to meet the changes in the market. There are three important methods of managing and developing a product mix as following³³:

1. Changing an existing product
2. Deleting a product with low profitability

³¹ http://www.redbull.com/cs/Satellite/en_INT/company/001242939605518, visited on 27th Apr 2011

³² David L. Kurtz, H. F. MacKenzie, Kim Snow: Contemporary Marketing, Second Canadian Edition, Nelson Education Ltd, Canada, 2009.

³³ Pride Hughes Kapoor: Business 10th edition, South Western, US, 2010.

3. Developing a new product

✓ Changing an existing product

With an aim of improving the product mix and fixing some weakness of the product mix, a marketer determines to change an existing product through the product modifications and line extension.

Product modification represents the changes in the particularities of the product. A product modification cannot be the same as the line extension because the fact that the original product is not available in the product line anymore. In the automotive industry, product modifications are very popular to be used when they bring new models under the same brand to the market to meet the customer's needs and stop to produce the old model. For example, in 2010, Škoda³⁴ introduced New Fabia to replace old model since 1999 and New Romster to replace old version producing since 2006. It is obvious that product modifications are seen as a safe solution for companies, compared with the development of new product.

“A line extension is the development of a product closely related to one or more products in the existing product line but designed specially to meet somewhat different customer needs”³⁵. The goal of a line extension is to meet the need of target group in the segment and make profit from that segment through providing more items in the same product category. Figure 7 demonstrates the typical example of using a line extension in Poděbradka, a.s.³⁶. Poděbradka is one of the biggest producers of non-alcoholic drinks in the Czech Republic. Besides most famous mineral water under the brand name “Dobrá voda”, this company introduces more additional products in terms of new colors, new flavors and new packaging including Dobrá voda Pear, Dobrá voda Elderberry, Dobrá voda White Grapes, etc.



³⁴ http://www.silbury.skoda.co.uk/COM/fleet/news/News/Pages/2010_10_NewFacesFabiaRoomster.aspx, visited on 27th Apr 2011.

³⁵ Pride Ferrel: Foundation of Marketing, Fourth Edition, South Western, USA, 2009, p.232.

³⁶ <http://www.dobra-voda.cz/>, visited on 27th Apr 2011

✓ **Developing a new product**

Developing a new product is regarded as the expensive and risky way for marketer. When marketers decide to develop a new product, they divide the development of new product into three categories including imitations, adaptations and innovations.

Imitations mean that a company develops a product that is similar to the existing product of its competitor in the market in order to increase sales and directly compete with its rival. Typical example refers to the automotive industry in China. Car maker Shuanghuan Automobile imitated the model “BMW X5”, Chery and BYD imitated some famous model of Bentley, Infiniti, Ford and Toyota³⁷.

Adaptations represent the adaptation of existing products through the product refinements and extensions with the aim of satisfying the target group in the existing market. Lenovo is the good example of product adaptations. Lenovo³⁸ has introduced the new series of enhanced ThinkPads includes the top-of-the-line T420 and T520, the less pricey L420 and L520, the ultrathin T420s, and the W520. Lenovo uses Intel "Sandy Bridge" CPU for its product in order to beat the main competitors in the same segment because at this moment almost laptop producers such Dell, Apple, HP, etc. still use Intel Core i for their products.

Innovations demonstrate the development of new product and they are evaluated to be very expensive method. Therefore, this method is not as popular as the others including imitations and adaptations. There are seven steps in the process of developing a new product that companies tend to use such as: idea generation, screening, concept testing, business analysis, product development, test marketing and commercialization.

Based on these steps, marketers can develop a new product that meet the target market and obtain company objectives. However, most new products face failure when they are introduced to customers because of wrong marketing program, wrong market research and many other reasons that lead to product failures.

1.7.2. Promotion

Promotion is the communication links between buyer and seller³⁹. The function of promotion is to inform, persuade and influence a consumer's purchase decision. The

³⁷ <http://www.chinastakes.com/2009/4/geely-chery-and-byd-copycatting-at-the-shanghai-auto-show.html>, visited on 28th Apr 2011.

³⁸ <http://www.betanews.com/article/Lenovo-launches-Sandy-Bridge-ThinkPads-with-30-hour-battery/1298370998>, visited on 27th Apr 2011.

³⁹ David L. Kurtz, H. F. MacKenzie, Kim Snow: Contemporary Marketing, Second Canadian edition, Nelson Education Ltd, US, 2010, p.61.

promotion consists of five basic disciplines⁴⁰ of the communication mix including: advertising, direct marketing, sales promotion, public relations, personal selling. Now I am starting with the first disciple of promotion strategy.

Advertising

Advertising is a paid communication to a mass audience through media and non-media forms to create awareness and influence consumers' attitudes. It is not only a method for building a brand image but also for promoting company's products⁴¹.

Brand advertising is defined as a non-personal sales presentation about a specific brand with the aim of advertising a company's brand. For example, in 2001, Sony Ericsson has invested £ 4 million in brand advertising (only for Xperia smartphones⁴²).

Comparative advertising and reminding advertising are two methods to advertise a brand. Comparative advertising is used by a company though the comparison between its brand and competitors' brand in order to attract and persuade customers to buy its products. For example, comparative advertising is used widely in telecommunication industry. Reminding advertising is designed by a company for reminding customers to know about benefits of existing products. Marketers often use reminding marketing for products that already have success in the market or are staying at the maturity stage of product life cycle.

Here is an example of Becherovka to remind customers of an addition benefit of mixing becherovka to make cocktail⁴³ (see figure 8)

Figure 8: Example of Becherovka



⁴⁰ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p164.

⁴¹ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p.168.

⁴² <http://www.brandrepublic.com/news/1061157/Sony-Ericsson-invests-4m-Xperia-ad-push/>, visisted on 27th Apr 2011

⁴³ http://www.ultimate-brands.co.uk/products/becherovka_cocktails.htm#3, visisted on 27th Apr 2011.

Source: http://www.ultimate-brands.co.uk/products/becherovka_cocktails.htm#3,
visited on 27th Apr 2011

Institutional advertising and industry advertising are shown as description about a concrete institution and a specific industry. A company uses institutional advertising to focus only on its image to create customers' awareness. Industry advertising is applied widely by industry associations in order to create demands for their products⁴⁴.

It is obvious that advertising campaigns are designed for educating, informing and reminding. Different companies use several types of media in their communication strategy including newspapers, magazines, radio, television, internet, outdoor media and cinema.

Newspapers are used by companies to deliver complex messages to consumers and reach a concrete geographic market. Furthermore, newspapers ads are regarded as the fast way to advertise their products or services. In the Czech Republic, many famous retailers often use newspapers ads such as: Kaufland, Ahold, Lidl, Tesco, etc.

Magazine advertising is designed for products that are sold globally because the fact that today magazines are delivered internationally. For example, some magazines as Time, PC World, Vogue can help companies advertise their products widely.

Radio does not have visual effect but it broadcasts directly to audience with the similar characteristics. Each radio station services a particular audience, so it can be a good way to reach a target market.

Television has advantages of radio, newspaper and magazine. Television ad can be broadcasted globally or domestically, so it can reach the quick attention of the target audience. However, the cost of television ad is relatively high and sometimes it creates "clutters" for the audience.

Internet is seen as an effective way for companies to use because of the very high development of the global internet. Today many customers tend to use internet to search for products or service they are interested in, so it enables companies to create awareness, build brand image and attract target audience very effectively. In general, internet helps companies easily to advertise their products or services through simple means such as website, email, etc.

Outdoor media and indoor are also very popular for companies including billboards, city-lights, posters, banners, street advertising, taxi advertising, transit media, etc. Advantages of outdoor media are low cost and high reach of target audience.

⁴⁴ Jeff Madura: Introduction to business, 4th edition, Thomson South Western, 2007.

Ads are showed before movies start at the cinema is regarded as the traditional advertising type. They can attract the target audience better than ads on television because of its quality and high perception of the target audience. However, cinema ad also has limitations such as limited audience and low reach.

Figure 9: The Worldwide Advertising Share Table⁴⁵

Advertising share by medium: Worldwide					
Internet ad expenditure set to overtake magazine spend in 2009, 2007-11					
	Advertising spend share (%)				
	2007	2008	2009	2010	2011
Television	37.3	38.0	38.6	39.3	39.2
Newspapers	26.9	25.1	23.4	22.2	21.2
Internet	8.7	10.5	12.6	13.8	15.1
Magazines	12.2	11.6	10.5	9.9	9.7
Radio	8.0	7.7	7.6	7.4	7.2
Outdoor	6.5	6.7	6.8	6.9	7.0
Cinema	0.5	0.5	0.5	0.5	0.6
www.DigitalStrategyConsulting.com					
Source: ZenithOptimedia, Jul 09					
Interpretation: Not all countries itemise spend by media channel, so are not included					

Source: Zenith Optimedia, Jul 09, visited on 27th Apr 2011.

Generally speaking, based on the table of figure 9, it is obvious that television still plays the most important role in the marketing communication strategies of companies. The second position belongs to newspapers and internet and the last is cinema. In my opinion, television will still be an effective method of marketing that large firms want to invest in.

Direct Marketing

“Direct marketing is a term used to refer to all media activities that generate a series of communications and responses with an existing or potential customer”⁴⁶. Direct marketing helps companies not only to target and adapt the message to their target audience in the correct way but also to wait for the target audience’s response in order to evaluate the outcome of using direct marketing. The main direct response media include direct mail, telemarketing, website, online advertising, direct response advertising and teleshopping.

Direct mail represents an advertising that is sent to a customer through the postal service. Direct mail can be a basic of an envelope, letter, brochure, product trial or a gift. When

⁴⁵ http://www.digitalstrategyconsulting.com/intelligence/digital_intelligence_US_worldwide_advertising.htm, 2009.

⁴⁶ Chris Fill: Marketing Communications Fifth edition, Pearson Education Limited, England 2009, p.624.

receiver receives it, he or she can reply to the sender by a response device. Direct mail is used very typically by companies in the field of financial services.

Telemarketing enables companies to communicate with its customers personally and receive immediate feedback. Furthermore, it helps companies to develop and maintain a close relationship with customers. Most large companies use CCC (Customer Contact Centre) in order to process and integrate a variety of media using voice messaging, interactive voice response, outbound calling and fax.

Websites not only help companies to implement many communication objectives such as: helping customers to learn about products or services, advertising the image of company via website but also enable customers to purchase products or service online. Figure 10 of Wal-Mart⁴⁷ is a good example of using website effectively. Through Wal-Mart's website, a customer can search for new product at Wal-Mart stores, discount as well as purchase directly online.

Figure 10: Wal-Mart website



Source: <http://www.walmart.com/>, visited on 28th Apr 2011

Online advertising consists of many types of online banners that are intended to distribute information, stimulate brand image and customers can click on online banners to access a company's website very simply.

Direct response advertising tends to concentrate on immediate response. Teleshopping is a special kind of direct response advertising. Teleshopping means that a company cooperates with a television station to advertise its products. A company shares benefits from sales with television station instead of paying for the advertising time. For example, in

⁴⁷ <http://www.walmart.com/ip/TomTom-XL-335SE-4.3-GPS-Navigation-System/15173175>, visited on 28th Apr 2011.

Vietnam many companies cooperates with TV shopping⁴⁸ to sell their products to the viewers and this channel is very popular for Vietnamese people.

Personal selling

Personal selling represents a face to face communication in order to send complex messages to customers, analyze a customer's characteristics, react to specific situations and receive immediate feedback. Personal selling is regarded as the most effective element of marketing communication. Sales people perform personal selling on retail sector, industrial sector and individual sector.

Personal selling in retail sector is quite hard for sale people because the fact that when customers come to the store, they have already known which things they will buy, so sale people cannot earn commission. Personal selling on industrial sector is high motivated for sale people because when they sell products or supplies to different companies and they can earn a salary plus commission from their sales. Personal selling on individual basic means that sales people introduce and sell products or services directly to individual customers. This kind of personal selling is used very commonly in financial companies and insurance companies. However, sales people must bring their company's credibility to customers, so customers believe and decide to purchase. Table 1 shows six important steps that sale people must follow when they perform their duties.

Table 1: Six steps of personal selling

No	Step	Description
1	Identify the target market	Concentrate on which customers can purchase the product and contact potential customers via phone, mail.
2	Contact potential customers	Arrange meetings with potential customers
3	Make the sales presentation	Describe benefits of the product and the use.
4	Answer questions	Well prepare answers to questions of potential customers
5	Close the sale	Close the sale after presentation, may offer a discount if customer make a purchase.
6	Follow up	Contact customers who purchased last time to check about their satisfaction and contact the other potential customers who have not decided to purchase last time to open a new possibility of purchasing the product.

⁴⁸ <http://www.tvshopping.vn:8888/>, visited on 28th Apr 2011.

Source: Own design based on Jeff Madura: Introduction to business, Thomson South – western, Canada, 2007, p.537

In order to supervise and manage sales people, companies use sales managers. A sale manager needs to have the characteristic combination of a sales person and a manager. A sale manager has to know how to motivate sales people and must be able to resolve customers' complaints about products. Furthermore, a sale manager must set up sale plans for companies in the short and long term.

Sale promotion

Sale promotion is seen as a set of incentive based techniques to affect customers and generate immediate sales⁴⁹. Incentives including cash savings, save coupon, etc. can attract the target audience to purchase a product. The most common sales promotion strategies include loyalty programs, samples and free trials, discount, coupons and bonuses, premiums and gifts, prize promotions, and point of purchase media (POP).

Loyalty programs are demonstrated to develop an enduring relationship with customers with the expectation of repeat business and a loyalty program often consists of these following elements⁵⁰: Requiring enrolment from customers, providing rewards based on customers' spending and providing products' benefits to customers via the program. For example, U.S. consumers now hold about 2.1 billion memberships, up 60%⁵¹ since 2007. And they're responding just as companies have hoped they would. About one third of consumers are more likely to shop with a retailer because of a loyalty program.

Sampling and free trials mean that a company sends samples or free trials of new product or a new brand to the target audience. Although these techniques are expensive, they are seen as the strongest trial generating communication tool because of the fact that when customers receive samples and free trials, they can try them and decide to purchase after using trials. Sampling is usually located in the crowded streets, universities, parks or in the main entrance of retail shop.

Coupons are used in the newspapers, magazines and advertisements in order to encourage customers to buy a product. Coupons are also packed with a product with the aim of creating

⁴⁹ Hana Machkova, Petr Kral, Marketa Lhotakova: International Marketing, University of Economics, Prague 2010, p173.

⁵⁰ Dilip Soman, Sara N-Marandi: Managing Customer Value, World Scientific Publishing Ltd, Singapore 2010, p.382.

⁵¹ <http://www.smartmoney.com/spending/deals/the-best-loyalty-programs-1300230426274/>, visited on 28th Apr 2011.

customers' loyalty to company's brand because of the fact that customers can use that coupon to buy the same product next time. For example in March, 2011, if a customer purchases a product from Alzasoft a.s. company, he or she will receive a coupon worth 1000kc for next time purchase in Alzasoft company⁵². A discount represents a product's price reduction for customers and a bonus demonstrates an extra quantity of a product with the normal price. Premiums, gifts and price promotions represent the use of incentive techniques for different merchandise items of a company.

Point of purchase media (POP) is designed to attract customers while they are shopping or at the time when they are purchasing. Some main types of POP media include displays, posters/signs, packaging and banners in store or the other incentives to the customer. Point of purchase Advertising International (POPAI) showed that 75 percent⁵³ of buying decisions are made in store. Therefore, POP media is seen as effective tools of sales promotion. Supermarket Albert is a good example of using this tool of promotion in their marketing strategies. It attracts the shoppers quickly and encourage them to purchase based on several displays and posters in the store (see figure 11)

Figure 11: Supermarket Albert



Source: http://od-kotva.cz/makaga/getshops.php?type=1&id=95&lang=en&category_id=158,
visited on 28th Apr 2011

Public Relations

“Public Relations create awareness, educate and influence public opinion, promote and protect reputations, and guide organizations to communicate change and to re-examine the

⁵² <http://www.alza.cz/InfoPage.asp?TP=MN&ID=1445>, visited on 28th Apr 2011

⁵³ Robert Liljenwall: The power of Point of Purchase Advertising, POPAI, USA 2004, p.26.

values and ethics of their operations”⁵⁴. The simple definition of Public relations (PR) means that PR is regarded as a communication method that helps companies to create and maintain a public image. Communicating with the target audience is a good way for a company to develop effective public relations. Many companies set up a PR department to deliver the major information of its company or its products to their public and this department uses the media to deliver company’s messages to the public. The tools include publicity and media relations.

Publicity is published by journalists and is seen to be an efficient tool to build a company’s brand and corporate brand reputation. Media relations cooperate with different media with the goal of informing the public of a company’s mission, educating and enhancing brand reputation. The following are the most common tools of media relations: special events, news releases, press conferences.

Special events are used very widely by many companies in the world and they help companies to corporate brand reputation successfully. For example, Škoda Auto has been associated with many cycle racing and bike race worldwide and become a sponsor for these races for many years such as: Mumbai Cyclothon – Tour de Mumbai 2011, Tour of Britain cycle race 2011, Tour de France⁵⁵, etc.

A press release can be a announcement that is written by a company to deliver to the media. It helps a company to deliver sufficient information about its business activities or its products. A press release can be designed to clarify information that influences directly brand and company’s reputation. A company often hires employees to manage and prepare all press release for the media.

A press conference can be a oral announcement of a company to the media. The goal of a press conference is the same as a press release because it also maintain brand reputation and prevents from negative damages that can affect its brand reputation and company’s image. A press conference is designed to make announcement directly to the media, so there is no payment for holding a press conference, compared with the other tools of public relations.

1.7.3. Price Strategies

According to the view point of marketing, it is obvious that price is the combination of all values that the consumers pay for the benefits of product or service. Price strategy is

⁵⁴ Melanie James: Public Relations, Career FAQ Pty Ltd, Australia 2006, p.2.

⁵⁵ <http://www.letour.fr/2010/PRX/COURSE/us/partenaires.html>, visited on 28th Apr 2011.

understood as the only element of the marketing mix that makes revenues and creates the impact on the profitability of a company.

Factors affecting price strategies

It represents that internal factors like production & international logistics costs, international marketing objectives and external factors such as the economic & legal environments, trade barriers, exchange rate risks, inflation, consumer perception & preferences, etc. are regarded as the main influences in the international price decision of a company. Moreover, the price decision of a company also are affected by the increasing level of various international competitors with the presence of different costs of production, systems of tax, regulations of labor force, systems of social security. The economic factors include growth rates, taxation systems, exchange rate and inflation are seen as major influences in the pricing.

Generally speaking, the price strategy is affected by several competitive actions because companies have to compete with the other rivals in the world. In order to become a market leader, company must also build a price leader in the market. Before a company sets price, it must take into consideration the two way relationship between price and demand of customers for product. Marketing strategy needs to follow the price elasticity of consumers' demand. In the B2B market, the elasticity of price is seen to be lower than in the B2C market because of professional seller and purchasers.

Pricing Strategies

Price standardization is connected with the global positioning. Headquarters of the company sets prices and the company uses the same base price for a certain product in all markets. Based on concrete contract, the vender or the buyer will bear all cost of transportation, distribution and other related costs proportionally.




Price differentiation represents that the price is set by local management based on the analysis of market. This strategy enables the company to meet the demand and competitive development. However, price differentiation describes some disadvantages such as incoherent positioning, brand name, etc.

Skimming pricing strategy is highly used by fast innovative companies as well as high tech companies. A company sets a high price on new product in every market and presents the monopoly in the market before followers because of its considerable products or services. When competitors come to the market, the company decreases the price. Samsung Electronics is a good example of using skimming pricing strategy. Samsung Electronics is the leading

manufacturer of 3D Television in the worldwide market. Samsung put very high price on its new Samsung Smart TVs⁵⁶ - “new world of web connected TV entertainment” (the price is from \$1,599.99 to \$3,799.99) while customers can buy LCD TVs that have old technology from the other manufacturers: Panasonic, LG, Philips, etc. with the lower prices around \$300 to \$500.

Premium price strategy is the strategy that is used for luxury brands and high quality services. The marketing goal of this strategy is earn the maximum profit. Consumers are happy to accept the high prices of products or services because of the exclusivity of the offer. In the automotive industry, Maybach⁵⁷ is known as a German luxirous car maker in the world. Each Maybach vehicle is produced according to customers individual requirements, so Mayback’s price is extremely expensive compared with similar models of the other car makers. Eg, the average price for Mayback vehicles is around \$368, 750 to \$1,382, 750⁵⁸(see figure 12)

Figure 12: Mayback’s price list

Mercedes-Benz C63 2011	BMW Series 7 2011	Mayback Landaulet 2011
		
\$86, 625	\$85, 964	\$1,382,750
Source: Own design based on the price list in the US market of website http://www.emercedesbenz.com/autos/mercedes-benz/corporate-news/2010-mercedes-benz-and-maybach-price-list/ , visited on 30 th Apr 2011.		



⁵⁶ <http://www.samsung.com/us/video/tvs>, 2011.

⁵⁷ <http://www.maybachusa.com/about-maybach-company.php>, visited on 30th Apr 2011.

⁵⁸ <http://www.emercedesbenz.com/autos/mercedes-benz/corporate-news/2010-mercedes-benz-and-maybach-price-list/>, visited on 30th Apr 2011.

Market-penetration pricing strategy is seen as one of the market share leadership. “A penetration pricing strategy involving the use of a relatively low entry price compared with competitive offerings, based on the theory that this initial low price will help secure market acceptance”⁵⁹. The company uses low price method in order to achieve the large market share in the market with a huge number of customers. For example, Kofola⁶⁰ is one of the most successful manufacturers of non-alcoholic beverages in Central Europe. The company operates in the Czech Republic, Slovakia, Poland, and Hungary, and exports its products to many other countries. In the Czech Market and Slovak market, Kofola successfully implements penetration pricing strategy by designing its product lines with lower price compared with the two biggest competitors: Coca Cola and Pepsi Cola. The figure 13 describes more about the price comparison between Kofola and Coca-Cola & Pepsi-Cola.

Figure 13: Price Comparative Table

Kofola		Coca-cola	Pepsi-Cola
0,5l	0,5l	0,5l	0,5l
			
14,9 Kč	14,9 Kč	21,9 Kč	21,5 Kč

Source: Own design based on the author's research at Albert Supermarket in Prague 3, Apr 2011.

The predatory pricing strategy is the strategy that uses the low price for product and service of the company. This strategy is used typically by Chinese, Indian and Turkish companies to bring cheap product such as textile-garment, home appliances and electrical devices, etc. to the international market. However, today the antidumping legislation is applied to protect domestic producers from predatory pricing practices by international companies.

⁵⁹ Louis E. Boone, David L. Kurtz: Contemporary Marketing, 15th edition, South-Western Cengage Learning, USA, 2010, p.642.

⁶⁰ http://company.kofola.cz/profile__m_ospolecnosti__spol_profil.html, visited on 30th Apr 2011.

Transfer pricing strategy is the strategy that aims to move profit from unit in high tax countries to low tax countries. This strategy is applied by multinational companies which have worldwide operating system. They locate their sale subsidiary in a low tax country and conduct all the international sales activities. The overall aim of transfer pricing strategy is to transfer profit from a country which has exchange restriction or complicated obligation to reinvest profit into the domestic market.

Criteria for Price Setting

It should be taken into account that costs, demand and competition that are regarded as the three major factors that affect international price setting. Its aims are to decide the basic price, the price structure of the export line, systems of payment terms, rebates, discounts and the others. Generally speaking, based on the factors of pricing, companies employ prices in the method of using one of three types of approaches, include cost-based, demand-based or competition-based.

Cost-based pricing is used to take full advantage of the export marketing concept and cost-plus pricing is seen as the simplest method of cost-based pricing and another method is break-even pricing. A break-even chart represents the total cost and total revenue wished to obtain at different sales volume levels.

Value perceived pricing regards the perception of customers about the product value as the key factor. Pricing starts not only with analyzing the need of customers and the value perception but also matching the perceived value of consumers. Several marketing tools affect the value perception such as: communication mix, country of origin, brand, packaging, services, consumer behavior, etc.

Value-added pricing delivers goods and services with the high quality and good service at a fair price. Thanks to the lower prices, cost reduction and high demand for sales, the company can be able to target larger segment. In B2B market, the value added pricing is used to increase profit.

EDLP (Everyday Low Pricing) is regarded as the very crucial type of value pricing. “This strategy establishes initial prices at or close to the competition’s sale prices to both stimulate everyday business and dispense with most if not all sales”⁶¹. EDLP shows the everyday low price in constant with few or no temporary discounts; vice versa high-low price represents the higher prices everyday but sets frequent promotions in order to lower prices on

⁶¹ John A. Quelch: Readings in Modern Marketing, the Chinese University of Hongkong, 2006, Hong kong, p.182.

fixed products below the level of ELDP. In the Czech Republic, AHOLD Czech Republic, a.s is a good example of using everyday low pricing strategy for their retail stores (hypermarket, supermarket). Ahold Czech Republic also advertises their ELDP strategy through impressive ad spots on some Czech Television channels such as: “Vypráskaná nabídka, Cenoví agenti I, Cenoví agenti II, etc.”⁶². These ad spots describe that Ahold dispatches its spies to go to the competitors’ retail stores to check price of merchandise items and after Ahold adapts its price to the lower level compared with its competitors to attract shoppers in the Czech Republic.

Going-rate pricing is a form of benchmarking which makes the comparison with the competitors and this strategy is applied by SMEs. Product Line Pricing is used when a company determines and maintains the level of price for each of different lines with other in the portfolio. The typical advantage of this strategy is capable of effective targeting, price adaptations to different segments.

Optional-Product Pricing is applied when a company determines to choose which items that follow the base price and which options for them in order to bring a new product to the new market. Captive-product pricing is known as the typical approach of pricing. This strategy is used when a company delivers its product at a low price to attract customers and motivate them but sets the high prices for the product’s accessories, replacement parts, etc. Price-adjustment strategies include promotional tools like discounts, allowances, bundle pricing, etc. Price adjustment strategies can become popular in markets where consumers are the price sensitive.

1.7.4. Distribution (Place) Strategy

“Distribution - moving goods and services from producers to customers – is the marketing mix variable and an important marketing concern”⁶³. A distribution strategy consists of two important factors including marketing channels (distribution channels) and logistics & supply chain management.

Distribution channel is regarded as the system of distribution institution that improves the physical flow and ownership of good and service from manufacturer to customer. The selection of distribution channel helps companies to implement effectively their marketing strategies and achieve their marketing goals.

⁶² <http://www.albert.cz/nase-znacka/reklama/>, visited on 30th Apr 2011.

⁶³ David L. Kurtz, H. F. MacKenzie, Kim Snow: Contemporary Marketing, 15th edition, South-Western Cengage Learning, USA 2011., p.414.

Logistics represents the process of combining with information flow, product and service among members of the distribution channel.

Supply chain management demonstrates the responsibility of managing all activities such as purchasing, processing and delivery.

If a company has a good structure of distribution channels, logistics and supply chain management, it brings several benefits for them to compete with their competitors in the same business area, earn the maximum profit and achieve the high satisfaction of customers with their products or services.

Characteristics affecting distribution channels

Determining the distribution policy needs an knowledge of the specificities of the target market. Therefore, the company must focus on following factors: customer & product characteristics and the structure of existing distribution channels.

Customer characteristics must be analyzed and evaluated for each cultural zone or country market. The evaluation must be based on location, demographic structure, purchasing power, purchasing habits, number of potential customers, etc.

Product characteristics decide the distribution mode. Company sells its products or services directly by its sale force because industrial products seem to be complicated and need consulting assistant of sale team and special services. Sale persons with the high qualifications and language skills become the best selection for selling complicated industrial goods and high tech products. On the other hand, consumer goods are popularly delivered through longer distribution channels (export company, wholesalers, retailers). Companies apply direct distribution for consumer goods based on a high margin of selling to pay for the high.

Based on the characteristics of products, distribution strategy has three basic strategies such as: intensive distribution, selective distribution and exclusive distributions.

An intensive distribution means that a company distributes its products through all available channels in a trade area⁶⁴. For example, Pilsner Urquell places its products in many supermarkets in the Czech Republic including Kaufland, Albeart, Lidl, Tesco, etc. and this strategy enables company to obtain large market coverage and sell great numbers of products. However, this strategy is expensive and needs close cooperation between the company and retailers.

⁶⁴ David L. Kurtz, H. F. MacKenzie, Kim Snow: Contemporary Marketing, 15th edition, South-Western Cengage Learning, USA 2010, p.423.

An selective distribution means that a company selects only a limited number of retailer to distribute its product line. An selective distribution helps companies to reduce costs and maintain the working relationship in the channel. Furthermore, This strategy can enable companies to cover the target market considerably and put more control on its products. For instance, Tescoma s.r.o⁶⁵. is a Czech manufacturer of kitchen utensils for home and professional catering. Tescoma chooses a limited number of retailers in the Czech market and abroad to sell its products to the end users. Thanks to using effective distribution strategies, today Tescoma is continuing to maintain its existing dominant position in the Czech market and extending its global presence.

Figure 14: Tescoma shop in Italy



Source: <http://www.elle.it/Cucina/Gourmet/Temporary-Store-by-Tescoma>,
visited on 30th Apr 2011

The exclusive distribution strategy means that a producer offers exclusive obligations for a wholesaler or retailer to deliver its products to customers in a specific geographic region. The exclusivity brings the assistance for brand image and helps to obtain higher markups. Moreover, in the exclusive distribution, the cooperation between producers and wholesalers or retailers can be closely in term of designing prices, promotion, advertising and services. Volkswagen AG is a good example of using the exclusive distribution all over the world. In 2007 when Volkswagen entered the Vietnamese market, they signed a exclusive distribution

⁶⁵ http://www1.tescoma.com/en/scripts/index.php?id_nad=391, visited on 30th Apr 2011.

agreement with World Auto Co Ltd of Vietnam. Until now, World Auto Co. Ltd⁶⁶ is the only authorized importer of Volkswagen in the Vietnamese market to provide local customers with worldclass products and services.

The structure of distribution channel is specified by number and type of intermediaries and the distribution services level. In countries with the high development level, the quality and accessibility of distribution become better than the other places. However, between regions and countries still exist large differences.

Emerging trends in distribution channels.

It is obvious that marketing channel has developed quickly for the last decades. In the context of high competition in the same business environment, both supplier and distributor must take into account to adapt their marketing strategies to the emerging trends in order to survive in the market. The following is the basic emerging trends in distribution channels:

- The growth of electronic commerce
- Moving power in the channel
- Outsourcing channel functions

The growth of electronic commerce

Thanks to the development of information technologies, companies can apply it to manage inventory costs, assist logistics, place orders from supplier or distributors, assist in store communication with buyers, innovate handling system, etc. Today, business buyer and consumer can manage the new technologies and use skillfully. According to some statistics: “e-commerce accounted for fewer 20 percent of transactions in the manufacturing sector in 2002 and today is over 35 percent. In the wholesaling sector is 21 percent and in retailing sector is 3,2 percent and in the consumer markets, e-commerce raises around 12 to 14 percent per year”⁶⁷. This data shows the fact that the e-commerce is still growing year by year.

Radio Frequency Identification (RFID) is regarded as the future technology for retailing. RFID refers to the use of tiny chip with radio transmission capability attached to a product. The role of RFID is to identify and track inventory levels, product and many other purposes. Many big retailers and packaging companies tend to invest in development of RFID because the fact that RFID can be used to control inventory in stead of using bar codes.

⁶⁶ <http://www.volkswagen.vn/vn/en/company/about.html>, visited on 30th Apr 2011.

⁶⁷ William M. Pride, O. C. Ferrell: Marketing Strategy, 5th edition, South-Western Cengage Learning, USA 2011, p.278.

Figure 15: Example of using RFID system



Source: <http://www.digitivity.com/articles/2008/12/rfid-tags.html>, visited on 30th Apr 2011

Internet is seen as the important channel factor for producers and retailers because today internet becomes the main source of information that is accepted by consumers and business purchasers. Before deciding to purchase, they tend to search on internet firstly or they can purchase products or services directly online through internet.

Moving power in the channel

In the past, producer had the full power in the distribution channel because the fact that at that time they managed all the sources of information including sale, product trends and customer references. Furthermore, wholesalers and retailers had to depend on inventory management system of producers. Today, the situation has changed dramatically because the power has belonged to retailers. In the consumer channels, large merchandise retailers has dominated and covered the overall market because there are several reasons such as: based on the market coverage and purchasing power of large retailers, they can negotiate with producers to down price at any time. Moreover, through widespread retail shops of these retailers, they can decide to put which products on their shelves, so producers are also obliged to pay slotting allowances for these retailers. On the other hand, though point of sale at the retail stores, retailers can own valuable information from huge number of customers every day, so it creates the powers for retailers. For example, Big C⁶⁸ is one of the biggest retailers in the Vietnamese market. With 14 stores all around Vietnam, Big C has donated the power in the consumer market of Vietnam. Most of local manufacturers and international producers in Vietnam want to place their products on the store shelves of Big C (see figure 16).

⁶⁸ <http://www.bigc.com.vn/Default.aspx?tabid=86&language=en-US>, visited on 30th Apr 2011.

Figure 16: Big C hypermarket in Vietnam



Source: <http://www.eva.vn/thong-tin-khuyen-mai/sieu-thi-big-c-khuyen-mai-dac-biet-c8a1235.html>, visited on 30th Apr 2011.

Outsourcing channel functions

Outsourcing means that a company moves its work activities to businesses outside its company. Today outsourcing is still seen as the simple method of cutting expenses (labor, transportation and overhead costs) for producers in order to achieve competitive advantages over their competitors. Today top countries⁶⁹ for outsourcing are developing countries and they are mostly located in Asia including India, China, Malaysia, Indonesia, etc. These countries can attract more and more multinational manufacturers thanks to the fact that these countries own well manufacturing capabilities, modern infrastructure, skilled labor force and high incentives of the government.

1.8. Implementation, Evaluation and Control

“Marketing plan implementation is seen as the process that turns a marketing plan into action assignments and ensures that these assignments are executed in a way that accomplishes the plan’s objectives”⁷⁰. Implementation of marketing plan concerns many activities including detailed duty assignments, timeline, budgets and communications. In fact, although many companies form perfect marketing plans, they still meet the failure due to the fact that they did not implement correctly according to the marketing plan. Therefore, companies must take into account all process of implementing in order to achieve the marketing goal that was designed in the marketing plan.

⁶⁹ http://www.businessweek.com/interactive_reports/global_outsourcing.html, visited on 30th Apr 2011.

⁷⁰ William D. Perreault, Jr., Jerome E. McCarthy, Joseph P. Cannon, Ph.D., Joseph P. Cannon, E. Jerome McCarthy: Essentials of Marketing, South-Western Cengage Learning, USA, 2009, p. 49.

As soon as a marketing plan is carried out, marketers must start to evaluate it. Marketing plan evaluation is the process of analyzing and evaluating the effect of the marketing plan. It helps companies to be sure that they are achieving its marketing objectives. Generally speaking, if a company wants to evaluate the effectiveness and success of a marketing plan, it is important to focus on the level of achieving objectives of sales and profit, marketing objectives and communication purposes. There are four reasons for the failure of achieving the marketing objectives including unrealistic marketing goals, unsuitable marketing strategies, poor level of implementation and changes in the environment.

Marketing control is regarded as the process of monitoring a marketing plan. Control includes measurement, evaluation, and monitoring the marketing plan. Furthermore, it refers to establish standards to implement and then marketers can draw the comparison between actual progresses and standards. There are several approaches⁷¹ to control including analysis of market share, sales, budgets, marketing research, custom satisfaction survey, etc.

In order to control the marketing plan sufficiently, marketers focus on using the marketing audit. A marketing audit is regarded as a comprehensive, systematic, independent and periodic verification of a company's environment, objectives, and strategies to define problems as well as opportunities and advising a plan implementation with the goal of improving a company's marketing performance⁷². A marketing audit is an effective tool to help companies not only to evaluate their marketing objectives, marketing strategies, structure and performance of their marketing strategies but also allocate resources effectively. There are six major components that should be considered to verify by companies when they determine to control and evaluate their marketing activities including Marketing environment, marketing strategy, marketing organization, marketing productivity and marketing function.

⁷¹ <http://www.marketingteacher.com/lesson-store/lesson-control.html>, visited on 30th Apr 2011.

⁷² David L. Loudon, Robert E. Stevens, Bruce Wrenn: Marketing Management, the Haworth Press Inc., USA 2004, p.219.

Chapter 2: Škoda Automobile Group background

2.1. Group history

The history of Škoda Auto Group⁷³ started in December 1895 when Václav Laurin, a mechanic and Václav Klement, a book-seller began to manufacture the Slavia bicycle that was designed by themselves. In 1899, the company started to produce motorcycles and during that time, its motorcycles became well known by users. Since 1905, the company gradually shifted the production of motorcycles into automobile production.

The first automobile of the Laurin & Klement Co was named the voiturette A. This model was seen as a very successful model that was an archetype of Czech automobile classic. Thanks to initial success of new model, the Laurin & Klement Co decided to enlarge the scale of its company. Then, the company enlarged its production facilities and after 1914, the company began to produce for the armed force.

In the context of economic development in the nineteen twenties, forming a joint venture with a large industrial partner was seen as a possible strategy for every car manufacturers in the country. Therefore, the company decided to merge with the Pilsen Škoda Co (Škoda Plzeň). At that time, the company specialized in producing many types of passenger cars, trucks, buses, airplane engines and agricultural machines. In 1925, the company stopped to use the name of Laurin & Klement and started to use the name Škoda and in 1931, Škoda Plzeň and Škoda split up.

When the Nazis occupied Czechoslovakia in 1939 to 1945, it was a black point in Škoda automobile company. The company was obliged to be integrated into the Nazis industrial structure and the Škoda factory became a part of the Hermann Goering-Werke. When the war ended, Škoda Automobile company was a national company and was renamed AZNP Škoda. During that time, the company had a monopoly position in the passenger car production in Czechoslovakia.

After 1960, Škoda started to manufacture cars for the mass market. In 1987, by introducing the model Škoda Favorit, the car production of Škoda raised significantly.

Thanks to the Velvet Revolution in Czechoslovakia in 1989, the Czechoslovak government could choose a partner to improve the long term international competitiveness of Škoda. On 16 Apr 1991, the joint venture between Škoda and Volkswagen Group was formed and Škoda Automobile Company officially became the fourth brand of the Volkswagen Group.

⁷³ <http://www.skoda-auto.com/com/about/tradition/history/Pages/History.aspx>, visited on 30th Apr 2011

2.2. Škoda Auto Group's Logo

A strong logo and subsequent visual system is regarded as one of a company's greatest assets.⁷⁴ Car logo is a good way that help companies to attract their customers and let customers recognize them. As shown in figure 17, the company started to design and use very distinguishable logos since 1895. The followings are the logos of Škoda Auto through many periods⁷⁵.

Figure 17: Škoda Auto Group's Logo

		
Slavia logo (1895 – 1905)	L&K logo (1905-1925)	Škoda Logo (1926-1933)
		
Škoda Logo (1926-1990)	Škoda Logo (1991 to 2010)	Škoda Logo (since 2011)

Source: Own design, found on <http://www.skoda-auto.com/com/about/tradition/logo/Pages/Logo.aspx>, visited on 1st May 2011.

Slavia logo (1895 – 1905)

Bicycles and motorcycles were manufactured under the Slavia brand during that time. The logo was designed on a wheel with lime leaves, which symbolised the Slav nations. The names of the company's founders (Laurin & Klement) were added in this logo.

L&K logo (1905-1925)

Art Nouvea, an artistic of the 20th century had impact on the process of making logo of Škoda in this period. The names of the company founders (Laurin & Klement) were

⁷⁴ Sean Adams, Noreen Morioka, Terry Stone: Logo Design Workbook, Rockport Publishers, Inc, Singapore 2006, p.9.

⁷⁵ <http://www.skoda-auto.com/com/about/tradition/logo/Pages/Logo.aspx>, visited on 1st May 2011.

located in the shape of a wreath that was connected with victors and the famous since antiquity.

Škoda Logo (1926-1933)

Cars were manufactured under the Škoda brand from 1926. Despite the fact that the name L&K was changed, this logo still related to the previous logo. The Škoda name was located in the shape of a wreath and surrounded by laurels.

Škoda Logo (1926-1990)

Škoda Logo was used in 1926 with the symbol winged arrow. This logo was thought to belong to the commercial director of Škoda Plzeň, T. Maglič.

Škoda Logo (1991 to 2010)

In fact Škoda logo was very popular all around the world but, the logo's author has not been informed. The black and green logo was used since 1994 that demonstrated a origin of this manufacturer, the black symbolised the very long tradition, the green represented environmental production.

Škoda Logo (since 2011)

Škoda has launched the new logo at Geneva Motor Show⁷⁶. New Škoda logo will be used on all models internationally from 2011. The logo still keeps the traditional symbol winged arrow, but changes the color with a new spectrum of colours that look very distinguishable.

2.3. Škoda Auto Group at a glance

Škoda Auto is one of the biggest groups in the Czech republic. Until 2010, Škoda Auto employed 24,714 employees internationally. Škoda Auto A.s in the Czech Republic offered jobs for 22,506 permanent employees while the group continues to train more trainees and employ 2,774 temporary employees⁷⁷. Figure 18 shows the board of management of Škoda Auto at present.

Figure 18: The board of Management of Škoda Auto Group

⁷⁶ http://articles.economictimes.indiatimes.com/2011-02-24/news/28627816_1_new-logo-design-language-new-concept-car, visited on 1st May 2011.

⁷⁷ Škoda Auto: Annual Report 2010.

Board of Management		
 <p>Prof. Dr. h.c. Winfried Vahland (1957) Chairman of the Board of Management (since 1 September 2010)</p>		
<p>Dipl.-Ing. Karlheinz Hell</p> <p>Member of the Board of Management for Purchase</p>	<p>Dipl.-Kfm. Winfried Krause</p> <p>Member of the Board of Management for Commercial Affairs</p>	<p>Dipl.-Ing. Michael Oeljeklaus</p> <p>Member of the Board of Management for Production and Logistics</p>
<p>Dr.-Ing. Eckhard Scholz</p> <p>Member of the Board of Management for Technical Development</p>	<p>Dipl.-Betw. Jürgen Stackmann</p> <p>Member of the Board of Management for Sales and Marketing</p>	<p>Ing. Bohdan Wojnar</p> <p>Member of the Board of Management for Human Resources Management</p>

Source: Own design, found on <http://www.skoda-auto.com/com/about/management/directors/Pages/directors.aspx> , visited on 1st May 2011.

Production Network

Škoda Auto Group consists of Škoda Auto a.s, Škoda Deutschland GmbH, Škoda Auto Slovenko a.s, Škoda Auto Polska S.A, Škoda Auto India and its associates such as Shanghai Volkswagen Automotive Co., Ltd, Volkswagen Rus OOO, Volkswagen Sarajevo, ZAT Evrocar and JSC Azia Avto.

Škoda Auto a.s is a Czech company with its production plant in the Mladá Boleslav, Vrchlabí and Kvasiny. The company specializes on developing, producing, selling Škoda's vehicles and delivering the maintenance services to customers in the Czech Republic.

Škoda Auto Deutschland GmbH has been a subsidiary of Škoda Auto a.s since 1995. The company takes responsibilities of buying, selling Škoda's vehicles, genuine parts and accessories. Škoda Auto Slovensko a.s was a subsidiary of Škoda Auto a.s in 1993. The company concerns the sales of Škoda's vehicles and provision of genuine parts and accessories. Škoda Auto Polska S.A became a Škoda Auto's subsidiary in 1994 and does the same duties as the other subsidiaries of Škoda in Europe. Škoda Auto India Private Ltd was formed in 1999 and started to assemble Škoda's vehicles since 2001. The company also

focuses on the sales of Škoda's vehicles and provision of genuine parts and accessories within Indian territory and some neighbours.

Škoda Auto Group Mission

It is evident that today Škoda Auto has deployed its business activities in more than 100 countries⁷⁸, so the mission has been carried out by Škoda Auto very brilliant. The company focuses on three major missions including responsibility for employees' life & local community; responsibility for the society and responsibility towards the environment.

✓ Responsibility for employees' life & local community

Škoda Auto Group is known as the leading company in the Czech republic to take responsibility for providing not only its employees and their families with good working conditions as well as high welfare but also the citizens who are living in the region of company based. The company is famous for operating a university in the city Mladá Boleslav, Czech Republic since 2000. It is the first and the only company-owned university in the Czech Republic⁷⁹. Students can benefit from this university because the fact that the university provides not only the economic management knowledge but also the practical experience. Moreover, they can work for Škoda Auto Group after their graduation.

In addition, Škoda Auto also participates in many activities including sponsorships for many racing in the Czech republic and globally; sponsorships for many charitable organizations, etc.

Škoda Auto Group plays an very important role in the Czech economy in terms of exporting contribution of Škoda Auto into the national economy. It is obvious that Škoda Auto is regarded as a factor powers the economy growth of Czech Republic⁸⁰. With a total of 24,700 global employees, Škoda Auto Group has fulfilled the broad social responsibility towards countries where the company has its operations.

✓ Responsibility for customers' safety

"Safety , for both occupants and pedestrians, has become a very crucial aspect for automobile manufacturers around the world, and none can deny that when it comes to safety,

⁷⁸ Škoda Auto: Annual Report 2010, p.29

⁷⁹ <http://new.skoda-auto.com/company/com/savs/about/basic/Pages/basic.aspx>, visited on 2nd May 2011.

⁸⁰ <http://blogs.wsj.com/emergingeuropa/2010/11/10/car-maker-skoda-powers-czech-economic-growth/>, visited on 2nd May 2011

Škoda Auto is right up there with the best of them⁸¹. Thanks to the serious research in this field, Škoda Auto Group is regarded internationally as a trustful car maker in terms of safety technology. Škoda Auto Group employs more than 100 experts working at the research center in Mladá Boleslav in order to test and evaluate road accidents in reality. Therefore, Škoda earned many safety awards for many years. For example, in 2010 Škoda Auto India, a subsidiary of Škoda Auto Group was rewarded “Silver Safety Award”⁸² by Mr. Kamleshwar Sharan President of “Greentech Foundation”, India while in Europe, the model Škoda got the five star in the NCAP⁸³ crash test of the European new car assessment programme. Alongside the implementation of safety research, Škoda Auto Group also brings road safety education programmes for schools to educate and instruct them about the traffic rules. The company also created a website⁸⁴ for children that helps kids to learn more about the safety rules on the road.

✓ Responsibility for the environment

Throughout many years, Škoda Auto has been focusing on green technologies with the goal of decreasing waste and energy, reducing CO2 emissions. By introducing many models using green line versions such as Fabia Green Line, Octavia green line, Yeti greenline, Roomster greenline and superb greenline, it is evident that Škoda Auto Group keeps the commitment to protect the environment. Furthermore, this fact enables Škoda Auto Group not only to become a leader in the field of environment protection but also to position its brand name in the competitive market because the fact that today consumers tend to purchase environmental-friendly cars and as Mr Jürgen Stackmann, head of marketing and sales of Škoda Auto said: “The only way green technology can help protect the climate is if it actually makes it onto the roads and customers want to drive it.”⁸⁵. In the Czech republic, Škoda Auto has been implementing a project “one tree planted for every car sold in the Czech Republic.”⁸⁶. This project performs the company’s responsibility towards the environment and demonstrates the company’s goal to protect the environment.

Škoda Auto Group Vision

⁸¹ http://articles.economictimes.indiatimes.com/2010-10-21/news/27569677_1_crash-test-dummies-safety-features, visited on 2nd May 2011

⁸² <http://www.myindiaguide.com/news/technology/2010/06/16/skodaauto-india-honoured-%E2%80%9Csilver-safety-award%E2%80%9D9D-002902.html>, visited on 2nd May 2011.

⁸³ <http://www.euroncap.com/results/skoda/yeti/368.aspx>, visited on 2nd May 2011.

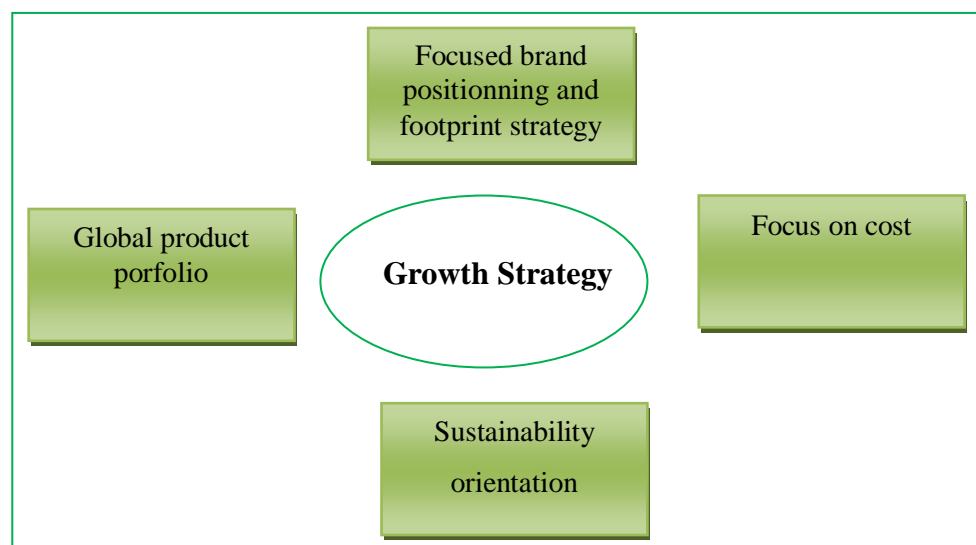
⁸⁴ <http://www.skodahrou.cz/>, visited on 2nd May 2011.

⁸⁵ Škoda Auto: Annual Report 2010, p.30.

⁸⁶ <http://www.skoda-auto.cz/company>, visited on 2nd May 2011

Being a member of the VW Group, Škoda Auto Group has been endeavouring to fulfill the Group strategy 2018. The Group strategy 2018 represents that the Volkswagen Group must become the most successful car maker in the world in 2018.⁸⁷ In particular, in order to achieve that ambitious strategy, Škoda Auto Group has formed “an growth strategy”⁸⁸ based on four pillars including focused brand positioning and footprint strategy, focus on cost, global product portfolio and sustainability orientation (see figure 19).

Figure 19: Growth Strategy of Škoda Auto Group



(Source: Own design based on the annual report 2010 of Škoda Auto Group)

Alongside the traditional markets including Czech republic and Western Europe, Škoda Auto continues to concentrate on the fast growing markets such as: Eastern Europe, Russia, China and India. Brand positioning is the first strategy of the growth strategy. The company positions its brand that emphasizes spaciousness and family orientation.

The company continues to focus on R&D in order to bring new competitive models in its product portfolio with low fuel consumption, superior design, high advanced technology, acceptable price, high level of safety and comfortability to consumers in the various market segments and meet all customers' needs.

The company implements to move the present business model to a value focus of its brand products. The company continues to maintain the effective control of investment and participate positively in the process of strengthening the growth strategy sustainability.

⁸⁷ http://www.volkswagenag.com/vwag/vwcorp/content/en/the_group/strategy.html, visited on 2nd May 2011.

⁸⁸ Škoda Auto: Annual Report 2010, p.99.

Product Portfolio

Concerning product portfolio, Škoda Auto owns seven major product lines including Škoda Fabia & Fabia Combi; Octavia & Octavia Combi; Roomster; Yeti; Praktik and Superb & Superb Combi.

✓ Škoda Fabia & Fabia Combi

Figure 20: Škoda Fabia & Fabia Combi



(Source: Own design, based on the main international website of Škoda Auto Group)

As shown in figure 20, the model Škoda Fabia (1) is well known as the car with the low fuel consumption, attractive design and acceptable price. It is evaluated as a reliable and comfortable car in the global market. Škoda Fabia is highly appreciated to be the successful model of Škoda Auto throughout many years.

Škoda Fabia Combi (2) brings a desirable storage space for customers who are interested in the segment. The statistics show that every third Škoda Fabia delivered is a combi. Furthermore, it is the same as Fabia, this model also focuses on the most important elements of a facelift model owns including safety, comfort and economical consumption. The price for two above models is around CZK 255,000 – CZK 275,000⁸⁹ in the Czech Republic (Based on the price list of Autojarov, May 2011)

✓ Škoda Octavia & Octavia Combi

⁸⁹ [http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form\[typvozidla\]=vozyn&text=skodasafe](http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form[typvozidla]=vozyn&text=skodasafe), visited on 3rd May 2011.

Figure 21: Škoda Octavia & Octavia Combi



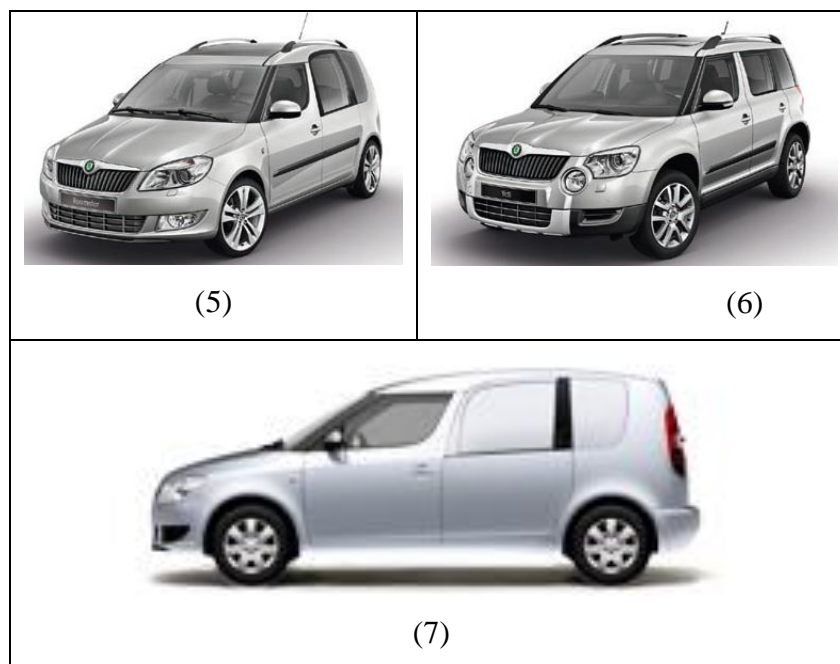
(Source: Own design, based on the main international website of Škoda Auto Group)

Škoda Octavia (3) is evaluated as the most successful model of Škoda Auto in terms of car sales and customers' satisfaction. Based on a fashionable design, advanced technology and attractive price, this mid-range model has been donating the significant position in the Czech market and the other regions for many years. (see figure 21)

Škoda Octavia Combi (4) was produced on the basic of modern technology and customers' needs. This model delivers several benefits for its customers including modern design, large luggage space, high level of safety and durability. The average price for these models are estimated around CZK 370,000 – CZK 600,000⁹⁰.

✓ **Škoda Roomster, Yeti and Praktik**

Figure 22: Škoda Roomster, Yeti and Praktik



(Source: Own design, based on the main international website of Škoda Auto Group)

⁹⁰ [http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form\[typvozidla\]=vozyn&text=skodasafe](http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form[typvozidla]=vozyn&text=skodasafe), visited on 3rd May 2011.

The model Škoda Roomster (5) is designed based on space and roominess to satisfy the target group who wants to use a car with a large space for passengers, luggage for their transport demands. Škoda Roomster is regarded as one of the most important playing card of Škoda Auto to achieve the market share in the segment.

Škoda Yeti (6) is seen to be a alternative in the SUV segment because the fact that today, customers tend to use a economical car with low emission. This model is the combination of a high technology engine and modern design with the goal of meeting all habits of customers.

Škoda Praktik (7) is a two-seat model that served personal needs as well as small or medium sized businesses because it has a impressive cargo space. Prices for three models are around CZK 299,000 (Roomster) and CZK 632,000 (Yeti)⁹¹

✓ **Škoda Superb & Superb Combi.**

Figure 23: Škoda Superb & Superb Combi



(Source: Own design, based on the main international website of Škoda Auto Group)

As shown in figure 23, Škoda Superb is a upper mid-range class of Škoda Auto that can compete directly with many famous car makers in the world such as Ford, BMW, Mercedes-Benz, etc. “Thanks to the patented construction of TwinDoor the Škoda Superb combines the practical advantages of a liftback with the elegance of a sedan. An individual approach to design has made the Superb a fascinating vehicle⁹². According to the price list on the website of Jarov Auto, Prague 3, two models cost approximately CZK 659,000 – CZK 919,900⁹³. Škoda Superb Combi is seen as the combination of high class materials, smart design and environmentally friendly consumption that make this model turn into a perfect model for the most fastidious customer.

⁹¹ [http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form\[typvozidla\]=vozyn&text=skodasafe](http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form[typvozidla]=vozyn&text=skodasafe), visited on 3rd May 2011.

⁹² <http://www.skoda-auto.com/COM/model/newsuperb/multimediahome/Pages/homepage.aspx?ff=0>, visited on 3rd May 2011.

⁹³ [http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form\[typvozidla\]=vozyn&text=skodasafe](http://www.autojarov.cz/nove-skladove-vozy-a-moto/?form[typvozidla]=vozyn&text=skodasafe), visited on 3rd May 2011.

Production

Regarding the production volume of Škoda Auto Group, in 2010 the company produced 575,742 Škoda vehicles in its assembly lines, compared with the year of 2009 was 519,645 vehicles. Škoda's vehicles are produced in many places in the world including manufacturing plant in the Czech republic, assembly plants in Aurangabad, India, Russia, Ukraine and China. The production of Škoda Fabia accounted for 193,675 cars produced at the Mladá Boleslav factory. In 2010, Škoda Auto manufactured a total of 30,473 cars including two models Roomster & Praktik. Škoda Octavia was one of the successful models of this company with a total of 207,150 vehicles produced while the model Škoda Superb reached a huge demand with a double production level of 65,939 vehicles, accounted for 89,1 percent increase.

Table 2: Škoda Car Production in 2010

	2010	2009	2010/2009
Fabia	125,596	151,733	-17.2%
Fabia Combi	68,079	78,616	-13.4%
Fabia total	193,675	230,349	-15.9%
Roomster	27,728	39,665	-30.1%
Roomster Praktik	2,745	2,650	3.6%
Roomster total	30,473	42,315	-28.0%
Octavia Tour	17,317	22,396	-22.7%
Octavia Tour Combi	8,638	10,171	-15.1%
Octavia Tour total	25,955	32,567	-20.3%
Octavia	102,567	67,177	52.7%
Octavia Combi	104,583	92,697	12.8%
Octavia total	207,150	159,874	29.6%
Yeti	52,550	19,672	>100%
Superb II	24,970	32,925	-24.2%
Superb II Combi	40,969	1,943	>500%
Superb total	65,939	34,868	89.1%
Total	575,742	519,645	10.8%

(Source: Own design, based on the annual report of Škoda Auto in 2010).

Sales Volume

Concerning the worldwide car sales of Škoda Auto group, it is obvious that in 2010, Škoda Auto Group totally sold 762, 600 vehicles and accounted for 11 percent of the growth rate permanently year by year. The biggest markets for Škoda Auto Group belong to Western Europe, Asia and Central Europe and these regions help Škoda Auto Group to improve the strong brand position in the long term.

According to the Annual Report of Škoda Auto Group 2010, in the Czech republic, Škoda almost dominated the domestic market with a total of 58, 033 cars sold and reached 2,7 percent yearly increase in 2010 comparing with 2009 with 56,504 vehicles. Furthermore, in Central European markets, in 2010 Škoda sold 121, 063 vehicles, accounted for 1,0 percent year by year. Among them, car sales in Hungary grew 9,4 percent, slovenia 15, 9 percent and Croatia was 2,5 percent. In Eastern Europe, thanks to the sufficient support by governments, car sales grew significantly by 22,0 percent. Russia became the biggest market in this region with the sales increased by 38,1 percent, sales in Ukraine was 17,1 percent. In Western Europe, car sales kept at the level of 3,5 percent with a total of 333,261 cars sold and in Asia car sales increased very significantly and accounted for 234,529 vehicles (47,8 percent increase). The growth rate was remarked in all markets in this region. As for China, this market recorded a total of 180,515 cars sold, accounted for 47,3 percent of growth rate (see table 3)

Table 3: Škoda's car sales by region in 2009-2010

	Car sold		Change in	Percentage share in	
	2010	2009	percentage	passenger car market	
	2010	2009	2010/2009	2010	2009
Central Europe	121,063	119,923	1.0%	17.0%	16.1%
Eastern Europe	73,747	60,464	22.0%	3.3%	3.1%
Western Europe	333,261	345,185	-3.5%	2.6%	2.5%
Overseas/Asia	234,529	158,654	47.8%	1.4%	1.3%
Total	762,600	684,226	11.5%	2.4%	2.4%

(Source: Own design, based on the annual report of Škoda Auto in 2010).

Financial Performance

According to the Annual Report of Škoda Auto Group 2010, as shown in table 4, in 2010 sales revenues grew by 17,1 percent year by year to CZK 220 billion, comparing with the year of 2009 the operating profit raised by 91 percent. Car sales marked by 84,1 percent in the total of Škoda Auto Group's revenues while genuine parts and accessories sales reached 7,9 percent of total revenues. Sales of providing parts for Volkswagen Group and other revenues reached 8,0 percent of total revenues.

Table 4: Consolidated Profit and Loss Account (CZK million)

	2010	2009	2010/2009
Sales revenue	220,005	187,858	187,858
Cost of sales	189,260	166,296	13.8%
Gross profit	30,745	21,562	42.6%
Distribution expenses	14,403	13,153	9.5%
Administrative expenses	5,203	4,826	7.8%
Other operating income	6,172	7,942	-22.3%
Other operating expenses	5,995	5,601	7.0%
Operating profit	11,316	5,924	91.0%
Financial result	-382	-667	-42.7%
Profit before income tax	10,586	4,702	>100%
Income tax expense/income	1,747	1,240	40.9%
Profit after income tax	8,839	3,462	>100%

(Source: Own design, based on the annual report of Škoda Auto in 2010).

Chapter 3: Marketing Strategies of Škoda Auto Group in Vietnam

3.1. Vietnam's Automotive Industry overview

Vietnam's automotive industry is a fledgling industry because the fact that Vietnam just started in 1995 when the Vietnamese government granted the first license for three first car makers including Toyota, Mitsubishi and Isuzu to assemble vehicles in the form of complete knock down (CKD). Before that time, almost all vehicles came from the former Soviet Unions and Eastern region because of closed relationship with communist countries.

The automotive market of Vietnam was officially opened in 2003 and three years later used cars were permitted for import. According to the statistics of the government in 2007, one million cars are circulated and it means that one thousand Vietnamese people own 10.5 car units, compared with some neighbors in the regions including Thailand (152 units per one thousand people), China (24 people per one thousand people)⁹⁴. Furthermore, the population reached more than 86 million people, so the automotive industry of Vietnam has definitely high potential for any car maker who determines to enter this market.

The Vietnamese market is famous for a high tax level that is imposed on car imports. There are three kinds of car import tariff including import tax (83 percent), special consumption tax (50 percent) and VAT (10 percent). The reason for this fact is to protect the young automotive industry of Vietnam towards importations. However, the demand for imported cars is increasing year by year. In 2009/2010, the total of imported cars in Vietnam accounted for more 143, 841 units⁹⁵.

Regarding the market share of Vietnamese market, despite the fact that Vietnam is a agricultural country with the low income, the automobile market has been increasing significantly year by year. According to Vietnam Automobile Manufacturers' Association (VAMA), "total VAMA sales figure in 2010 reach 112.224 units, decreases 6% in comparison with 2009, in which SUV/MPV/Cross-over decrease 13%, CV decrease 4%".⁹⁶ However, sales started to increase again in the first quarter of 2011.

Although sales of local car makers declined, sales of imported cars have grown significantly. Total imported vehicles reached 53,841 units in 2010 while the total car sold

⁹⁴ http://www.vfr.vn/index.php?option=com_content&task=view&id=1069&Itemid=4, visited on 4th May 2011.

⁹⁵ <http://www.vama.org.vn/pressroom.php?groupID=1>, visited on 4th May 2011

⁹⁶ http://www.vama.org.vn/pressroom_detail.php?groupID=&newsID=176, 4th May 2010

from the domestic car makers only reached 112,224 units⁹⁷. This data mean that the demand for imported vehicles is very large and the tendency of imported cars is growing rapidly.

Until now Vietnam has granted more than 30 licenses for car manufacturers to assemble their vehicles. They can be state owned companies, private owned firms, foreign owned firms, etc. Based on the sales volume and production volume, as shown in table 5, Toyota is the biggest car maker in Vietnam, the second position is Truong Hai Auto, the third belongs to Vinamoto.

Table 5: VAMA's market share in Vietnamese market

No	Car Makers	2010		2009	
1	Toyota	31,135	27,7%	30,109	25,2%
2	Truong Hai	26,047	23,2%	21,617	18,1%
3	Vinamoto	12,274	10,9%	15,284	12,8%
4	GM Daewoo	9,685	8,6%	14,200	11,9%
5	Vinaxuki	9,002	8,0%	8,680	7,3%
6	Ford	6,475	5,8%	8,286	6,9%
7	Suzuki	3,242	2,9%	2,669	2,2%
8	Honda	3,140	2,8%	4,215	3,5%
9	Mercedes-Benz	2,827	2,5%	3,399	2,8%
10	Mitsubishi	2,492	2,2%	3,666	3,1%
11	Other
	Total (unit)	112,224	100%	119,459	100%

(Source: Own design, based on the report of VAMA, 2010)

Toyota is well known in Vietnamese's minds because of the quality, economic and attractive prices. For many years, Toyota has always been keeping the leading position among the most successful car makers in Vietnamese market.

Alongside Toyota, Truong Hai & Vinamoto are famous car makers in this market. They specialize in assembling many models of Huyndai & Kia because Hyundai signed a technology transfer contract with Truong Hai & Vinamoto in stead of investing in their owned plants. At present, Hyundai and Kia's models are highly appreciated by Vietnamese customers, and these models' sales are increasing dramatically.

⁹⁷ <http://www.vama.org.vn/pressroom.php?groupID=1>, visited on 4th May 2011.

Many companies also assemble various models from Chinese car makers for example “Hafei HFJ”⁹⁸ from Hafei Automobile Group are assembled by Vinamoto, Chery models from Chery Automobile Group, etc. Although the quality of Chinese cars can not compete with Korean car makers, Japanese car makers or EU car makers, they are still purchased by Vietnamese people because of their relatively cheap price.

The purchasing habits of Vietnamese are different in each region. For example, in the south of Vietnam (Ho Chi Minh city), people tend to purchase SUV and MPV models while in the North (Hanoi, Hai Phong, Quang Ninh), people like to buy passenger cars with 54,37 percent of total passenger car sold in Vietnam in 2009⁹⁹.

There is a fact that at this moment, the market for foreign imported cars that are not assembled at car manufacturers in the Vietnamese territory, has been belonged to private importers or individual dealers for many years. Only in December, 2010 total imported cars reached 3,029 units, surely that imported cars have been becoming a high profitable tool for importers. Therefore, many domestic car makers including Honda, Mercedes-Bens, Ford, Nissan, etc. has begun to import these models that are not assembled in their assembly lines to Vietnamese market. Although prices of imported cars are extremely high as I mentioned before because of high tax, people absolutely desire to purchase them because the fact that “Vietnamese people like to purchase foreign goods and it reflects their position in the society”. Therefore, this life style also makes a great contribution to the high tendency of importing cars to the market of Vietnam.

3.2. Marketing analysis

3.2.1. PEST analysis of Vietnam

Political, legal and regulatory environment

“With the Declaration of Independence on September 2nd 1945, the Democratic Republic of Vietnam, the first independent republic in Southeast Asia, was born”¹⁰⁰. On Jan 1946, the National Assembly was formed by the first general election and eight months later, the first Constitution of Vietnam was selected by the National Assembly. After the south of Vietnam was released on Apr 30, 1975 from the USA, the second general election was formed to select the official National Assembly and unite the country and since July 2, 1976, the Socialist Republic of Vietnam was officially new name of the country. Based on the Constitution of

⁹⁸ <http://autopro.com.vn/200862402129945ca2425/vinaxuki-lap-rap-xe-con-trung-quoc.chn>, visited on 5th May 2011.

⁹⁹ http://www.vfr.vn/index.php?option=com_content&task=view&id=1069&Itemid=4, visited on 5th May 2011.

¹⁰⁰ http://www.vietnamembassy-usa.org/learn_about_vietnam/politics/overview/, visited on 5th May 2011.

Vietnam, the National Assembly has 450 members and also are elected every five year together with the People's Supreme Authority and the legislative branch.

The President, the Prime Minister, the Chief Procurator of the Supreme People's Court and the Chief Procurator of the Supreme People's Office are elected by the National Assembly. The President is responsible for foreign affairs issue while the Prime Minister deals with the domestic issues and governs the Government.

In Vietnam, the Communist Party plays a leading role in the political system because Vietnam does not have any political parties except the Communist Party. The National Congress of the Communist party meets up every five years in order to evaluate and adapt the national political and economic policies for Vietnam. The National Congress of the Communist party select the Central Committee to choose the Politburo and the Politburo elect the General Secretary who becomes the most powerful person in the Party.

General speaking, with above political system, it leads Vietnam to become a country that owns a very stable political system, compared with many countries in the regions including Thailand, Indonexia, Malaysia or Philipinnes. As a result, it enables Vietnam to stabilize the ecocomic-political environment domestically, simulateniously, it helps to attract more investment from aboard and created the faith for investors in this market.

Concerning the tax system, Vietnam has five major taxes including Corporate Income Tax (CIT), import-export tax, Value Added tax (VAT), Special Sales Tax for sensitive goods or luxurious goods and Personal Income Tax (PIT).

According to the General Department of Taxation of Vietnam¹⁰¹, Corporate Income Tax (CIT) shows that the tax payers are companies which earn income by producing or trading goods & services. The standard tax rate is 25 percent, the preferential rates are around 10 percent to 20 percent based on the geographical locations where these companies deploy their businesses or incentived investments sectors of the country.

Ex-import tariff demonstrates that most of export tariff is free of charge because the Government encourages exporters and just a few export items are obliged to fulfill the duty including natural resources. Import tariffs are at very high rate including luxury goods but machinaries, equipments, materials that can not be produced locally benefit from low rate of import tariff.

There are two group of VAT payers including the deduction method group and the direct method. Almost firms in Vietnam belong to the deduction method group and the

¹⁰¹ <http://www.gdt.gov.vn/gdtLive/Trang-chu/Van-ban-phap-quy-ve-thue?&location=tct&location=tct>, 5th May 2011.

average VAT's rate is 10 percent. The Personal Income Tax is calculated based on the income of people who are working within the territory of Vietnam. Special Sales Tax rates are imposed to these goods and services including cigarettes, beers, cars less than twenty seats (see table 6), playing cards, lotteries, etc. Rates of this tax are around 10 percent to 75 percent.

Table 6: Tax rate of import CBUs (Completely Built Unit) cars in 2011

Fuel	Cylinder capacity	Import Tax		Special Sales Tax	VAT
		Two-wheel drive (2WD)	Four-wheel drive (4WD)		
Gasoline	Below 2 liters	82	82	45	10
	2-2,5 liters	82	82	50	
	2,5-3 liters	77	77	50	
	Over 3 liters	77	72	60	
Diesel	Below 2 liters	82	82	45	10
	2-3 liters			50	
	Over 3 liters			60	

(Source: Own design, based on a new circular No.184/2010/TT-BTC of Vietnam Finance Ministry, dated on Nov 15th, 2011)

As shown in table 7, this table shows that there are three types of tax that are imposed on import cars to Vietnamese market including import tax, special sales tax and VAT. The following is example of four steps that are used to calculate the final custom duty for import cars into Vietnamese market:

Table 7: Steps to calculate the final custom duty for import CBU cars.

Step	Content
01	Import tax = (Custom declared price of import car) x (percentage of import tax)
02	Special sales tax = (Custom declared price of import car + Import tax) x (percentage of special sales tax)
03	VAT = (import tax + special sales tax + custom declared price of import car) x (percentage of VAT)
04	The final custom duty = import tax + special sales tax + VAT

(Source: Own design, based on the introduction of Vietnam Ministry of Finance, 2010)

Since 2005, the Government of Vietnam has adapted its investment regulations to encourage foreign companies to invest in this market through new investment laws that came into force in 2005. Thanks to that laws, domestic and foreign companies can be treated equally and they are allowed to manage their companies, control their profits and assets under their legitimate ownership without any troubles. Since 2009, “foreign investors can own a maximum stake of 49 percent in unlisted joint-stock companies, up from 30 percent now. It would maintain the 30 percent cap for foreign ownership in domestic banks, both listed and unlisted”¹⁰².

Although the government of Vietnam has implemented many strict measures to fight against corruption, Vietnam is still evaluated as a country with very high level of corruption. In 2010, The Transparency International (TI)¹⁰³ published the Corruption Perceptions Index (CPI) that showed that Vietnam was ranked 116th out of 178 countries with 2.7/10 points, compared with other neighbours including Singapore (1st), Brunei (28th), Malaysia (56th), Thailand (78th) and Indonesia (110th).

In Vietnam, starting a new business will last within 44 days with 9 procedures necessary¹⁰⁴, compared with Asian countries including Laos (100 days with 7 procedures), Indonesia (47 days with 9 procedures), Thailand (32 days with 7 procedures), etc. This data show that among these countries, Vietnam still has some disadvantages compared with its neighbours. Therefore, the government has been making its efforts to revise relative procedures as well as to decrease the processed days in order to attract more potential investors.

Economic Environment

With a slow process of renovation in the late 1980s, the significant reforms were undertaken in the first half of the 1990s by moving from closed command economy to a open, market based economy. Till 1995 Vietnam actively implemented the reform and played an active role in regional, bilateral and multilateral trade liberalization initiatives. In 1995 Vietnam became a member of ASEAN and AFTA (Asean Free Trade Area) in July 2001.

Vietnam and USA signed the bilateral trading agreement (VNUSBTA) on Jan 11, 2007. On Jan 11, 2007 Vietnam was accepted to be a member of the WTO. In march 2010, the EU and Vietnam warmed up the process of negotiating the FTA (Free Trade Agreement) and if

¹⁰² <http://www.vietnews.vn/News/Business/MarketNews/5854/Vietnam-raises-foreign-ownership-cap-to-49-pct.htm>, visited on 5th May 2011.

¹⁰³ <http://english.vietnamnet.vn/en/politics/796/vietnam-moves-up-in-corruption-ranking.html>, visited on 5th May 2010.

¹⁰⁴ The World Bank: “Doing business in Vietnam, 2011”, The World Bank and the International Finance Corporation, USA, 2011, p.3.

this agreement will be signed, Vietnam will approach closer to the EU's market and will be able to pass all the present barriers. Thanks to these international trade relationships, Vietnam is regarded as one of the fastest developing countries in the world in terms of GDP growth rate yearly. The data of General Statistics Office of Vietnam shows that the annual growth of Vietnam's GDP is more than six percent per year. In 2010, the growth is accounted for 6,78 percent¹⁰⁵, compared with 5,32 percent of 2009 and 6,31 percent of 2008. GDP is estimated \$278,1 billion in 2010 while GDP per capita (PPP) is \$3,100. Regarding the GDP growth, Vietnam has the highest GDP growth in ASEAN and the country is ranked 32 position in the world.

For the last decade, Foreign direct investment (FDI) of Vietnam has increased dramatically. Although the international financial crisis in 2008 also affected the economy of the country, until December, 2010 Vietnam owns 12,200 valid foreign direct investment with a total registered capital of \$ 192,9 billion¹⁰⁶. Among 92 countries and territories which invested in the country, Taiwan and Korea are the two biggest investors in Vietnam.

Concerning the trade data, Vietnam's exports increased by 25,5 percent with total \$ 71,6 billion, compared with \$56,6 billion of the year 2009 and \$68,8 billion of 2008 and imports of the country were accounted for \$ 84 billion, 20,1 percent increase compared with the data of 2009 and imports were \$84 billion. In general, the trade deficit in 2010 reached \$ 12,4 billion, decreased 5,2 percent against 2009 and reached 17,3 percent of total export turnover. Despite the fact that the government has been focused on limiting the trade deficit by many administrative measures, the deficit is still at high rate¹⁰⁷. Table 8 and table 9 represent detailed information about import-export market of Vietnam in 2010.

Table 8: Major markets of Vietnam in export business in year 2010

Economic sector	Product	Top Market
Local companies & FDI Companies	Crude Oil	Australia, Singapore, Japan
	Rice	Philippine , Indonesia, Malaysia
	Coffee	EU, United States, Russia
	Textile & garment	EU, United States
	Tea	Russia, Unites States
	Toys	United States, EU, Japan
	Sugar	Indonesia, Taiwan, China
	Natural Rubber	EU, United States
	Wood Furniture	United States, EU, Japan,

¹⁰⁵ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

¹⁰⁶ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

¹⁰⁷ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

	Plastics products	United States, Japan, Cambodia
	Anthracite	China, Japan, Korea
	Footwear	United States, EU, Russia, Japan
	Apparel	United States, Japan, Germany
	Total export turnover	USD 71,6 billion

(Source: Own design, based on the press release of Vietnam General Statistics Office dated on Jan 04, 2011)

Table 9: Major markets of Vietnam in import business in year 2010

Economic sector	Product	Top Market
Local companies & FDI Companies	Cars and Cars' accessories	EU, USA, Korea, Japan
	Automobiles' accessories	EU, USA, Korea, Japan, Thailand
	Computer & accessories	China, ASEAN, USA
	Construction Steel	China, Russia
	Crude Steel	Russia, China
	Gasoline	ASEAN, Russia
	Paper	ASEAN, Korea, Japan, EU
	Plastic	Taiwan, Korea
	Chemical	China, ASEAN, Japan, Korea
	Machinery	United States, EU, Japan, Korea
	Pharmaceutical	EU, USA, Indian
	Electronic appliances	EU, United States, Japan, Korea
	Milk	EU, USA, ASEAN, Korea
	Total import turnover	USD 84 billion

(Source: Own design, based on the press release of Vietnam General Statistics Office dated on Jan 04, 2011)

Vietnamese people like to hoard money including US dolar, Euro and gold and the savings rate of people is around 25 percent of the GDP. The monetary unit of Vietnam is Vietnam Dong, which is abbreviated as VND. The State Bank of Vietnam (SBV) is an exclusive organ to issue Vietnam Dong and control the exchange rate of the currency. The role of The State Bank of Vietnam is to implement the State management of monetary and banking activities and to perform as the Central Bank of Vietnam. “Vietnam has a *de facto* currency peg to the dolar, which has complicated monetary policy in the face of large capital inflows”¹⁰⁸. Based on the flexible exchange rate regime, Vietnam can control the monetary

¹⁰⁸ <http://www.imf.org/external/pubs/ft/survey/so/2008/CAR03708A.htm>, visited on 6th May 2011.

policy successfully and effectively. As shown in table 10, the exchange of Vietnam Dong to US dollar is 20,520 VND per one US dollar and 30,242 VND per one Euro.

Table 10: Exchange rate table dated May 5th 2011

Code	Currency	Buying	Transferq	Selling
AUD	AUST.DOLLAR	21,837.88	21,974.85	22,395.18
CAD	CANADIAN DOLLAR	21,132.52	21,329.67	21,738.41
CHF	SWISS FRANCE	23,560.34	23,731.60	24,183.51
CNY	CHINESE YUAN	2,680.00	2,680.00	2,682.00
EUR	EURO	30,241.23	30,337.30	30,846.19
GBP	BRITISH POUND	33,497.24	33,738.55	34,301.65
HKD	HONGKONG DOLLAR	2,604.87	2,623.26	2,689.20
JPY	JAPANESE YEN	245.87	252.90	258.99
SGD	SINGAPORE DOLLAR	16,444.33	16,565.43	16,956.21
THB	THAI BAHT	670.98	670.98	702.44
USD	US DOLLAR	20,520.00	20,540.00	20,700.00

(Source: http://www.vietcombank.com.vn/en/_ScriptLib/ExRate_Brn.asp, visited on 6th May 2011)

According to the Global competitiveness report 2010-2011 of the World Economic Forum¹⁰⁹, Vietnam stood at the 59th position out of 139 countries in the report, up 16 places compared with the year 2009. Although Vietnam still stayed behind Thailand (38th), Malaysia (26th) and Indonesia (44th) in the competitiveness report, the government of Vietnam is making large efforts to adapt appropriate macro policies to change the new face of the country to the global environment.

Social & Cultural Environment

In 2010, Vietnam's population reached 86.93 million. Men marked up 49,4 percent of the total population with 42,97 million and women marked up 50,6 percent of the total population with 43,96 million. Among them, rural population were estimated 70,1 percent of the total population with 60,92 million and 29,9 percent with 26,01 million belonged to urban population. The manpower within the working age were accounted for 46,21 million while the labour force aged 15 and above were estimated 50,51 million in 2010. The labour force were distributed to various industries including agriculture with 53,9 percent, industry with 20,3 percent and services with 25,8 percent¹¹⁰.

The unemployment rate was 2,88 percent in 2010 compared with some countries of ASEAN, this rate was higher than Thailand (1,2 percent in 2010) but lower than Malaysia

¹⁰⁹ Klaus Schwab: "The Global Competitiveness report 2010-2011", World Economic Forum, 2010, p.15.

¹¹⁰ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

(3,5 percent) and Indonesia (7,1 percent). The unemployed rate in urban was higher than in rural areas. In rural areas, it was 2,27 percent and in urban areas was 4,43 percent¹¹¹.

The population gathered mainly in four biggest cities of Vietnam including Ho Chi Minh City with more than 5,9 million people, Hanoi (the capital of Vietnam) with more than 2,6 million, Haphong with more than 1,9 million and Danang with 807,000¹¹².

Vietnam has been implementating the universalised education program and almost 63 provinces and cities has fulfilled the education program for primary pupils and junior secondary pupils. Vietnam has 149 universities, 118 vocational high schools, 280 vocational secondary schools, 810 vocational training centers and 1000 other vocational trainings¹¹³. The country is regarded as one of the best countries in the Asean region that have a considerable educational system. Therefore, it enables the country to achive competitive advantages, compared with its neighbours.

Vietnam is seen as a traditional cultural country in the world. The country owns several religions including animism and theism and the belief in ancestorworship is regarded as the most respectful belief in the hears of Vietnamese people. The country has over 20 million believers and among them, buddhism becomes the biggest number of believers with more than ten million followers. Catholicism was brought to the country since the 17th century by Spanish, Portuguese and French missionaries and today Catholicism stands in the second largest religion in the country. There are some other smaller beliefs including Protestantism, Islamism, Cao Dai, Hoa Hao, etc.

Vietnam has 54 ethnic groups and the Kinh people is the largest group in the country with more than 87 percent of the total population. The other ethnic minority groups including Tay, Thai, Muong, Hoa, etc¹¹⁴. Vietnamese language is the official language in the country, however, there are many other languages used by minority groups including Tay, Muong, Cham, etc. Foreign languages are used popularly in the country including English, Russian, French, German, Czech, Chinese, Korean and Japanese.

Vietnamese people are affected by specific characteristics of a existing agricultural society, so a way of thinking of Vietnamese people tends to be emotional than rationalism. Vietnamese people highly appreciate closed relationships and loyalties in their families as well as the society. Happiness is seen to be a high social value because sometimes, often they

¹¹¹ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

¹¹² http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

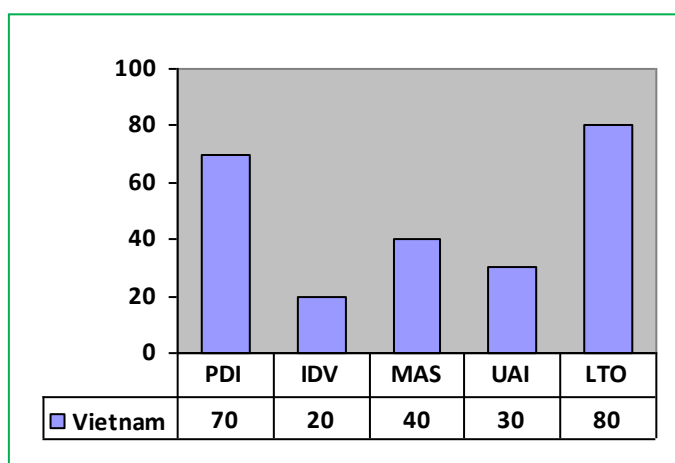
¹¹³ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 6th May 2011.

¹¹⁴ http://www.vietnamembassy-usa.org/learn_about_vietnam/culture/ethnic_groups, dated on 6th May 2011.

see the happiness of their family more important than wealth of money and high position in the society.

According to the four cultural dimension of Geert Hofstede, the following are the short descriptions of these dimensions of Vietnam (see figure 24).

Figure 24: Vietnam's four cultural dimension of Geert Hofstede.



(Source: Own design, based on the data of the website www.geert-hofstede.com,

Visited on 6th May 2011)

Regarding the Power Distance Index (PDI), The high power distance characteristic exists in the normal life of Vietnamese as well as in companies. In the family, sons or daughters have to follow parents' orders. In companies, there is a clear distance between employees and their employers.

Collectivism has existed for a very long time in Vietnam. It is shown by tight social frameworks and self-functioning communities of Vietnam.

Masculine values are mainly associated with the role of men in all societies, However, Vietnam has the equality between male and female in the society, while in some Asian countries including Japan, Korea, Malaysia, the masculine value is considerable high.

Concerning the Uncertainty Avoidance Index (UAI), Vietnamese culture represents the moderate uncertainty avoidance. People tend to avoid these situation caused conflict and sjip deviant ides or behavior.

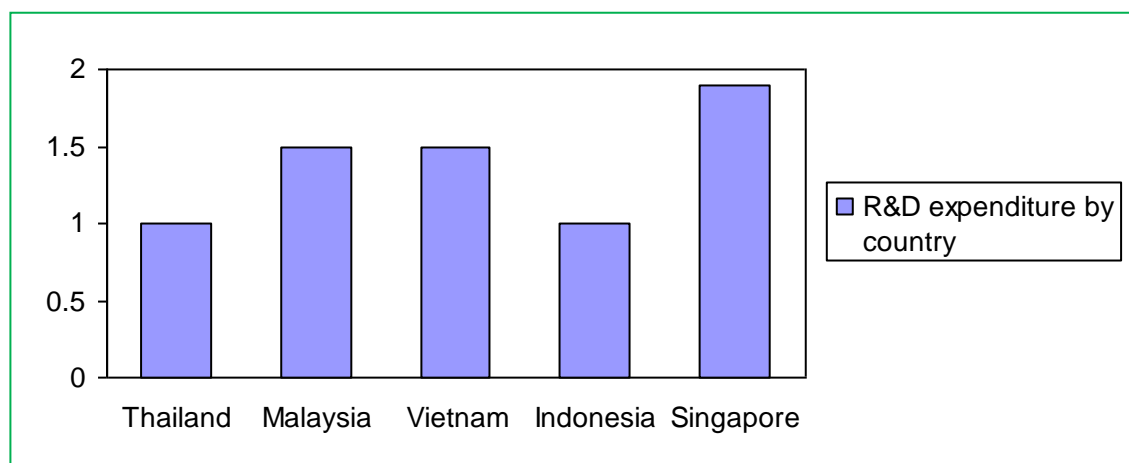
For Long-Term Orientation (LTO), Vietnam has a high score of Long-term orientation because the fact that Vietnam culture has a strongly connectedwith Confucian philosophy. Vietnamese people highly appreciate the importance of family values, they respect for tradition and make efforts to avoid doing anything that would create "loss face" for another.

Technological Environment

It is obvious that technological development is seen as one of the most crucial elements affecting the competitiveness of a country in general and domestic industries in particular. In order to improve the competitiveness of the country as well as to hasten the industrialisation of the country, the government has appointed the ministry of Science and Technology as a State organization to set up and manage development policies and incentives for R&D of the country.

Vietnam has spent highly on R&D of many sectors including ICT, automation technology, health care and agricultural technology (see figure 25). R&D institutes and centers has grown rapidly thanks to the state investments. The data shows that since 2006, more than 1,200 R&D institutes¹¹⁵ were formed and the number increases yearly. However, the country still meets difficulties in developing R&D because of manpower shortage and underdeveloped technologies. Furthermore, there is a fact that R&D incentives from the state are mostly distributed to large state owned companies, so the level of R&D development in SMEs enterprised is sluggish.

Figure 25: R&D expenditure as a percentage of GDP by five Asean members



(Source: Own design, found on <http://www.sea-eu.net/asia/info/11/vietnam.html>, visited on 7th May 2011)

Although Vietnam has increased the percentage of R&D investment in GDP, but the outcome is still poorly performed. According to the date of National Office of Intellectual Property, from 1981 to 2010, no more than 8988 patents were granted domestically by this organization while only total 13 patents are filled in the list of World Intellectual Property

¹¹⁵ <http://www.sea-eu.net/asia/info/11/vietnam.html>, visited on 7th May 2011.

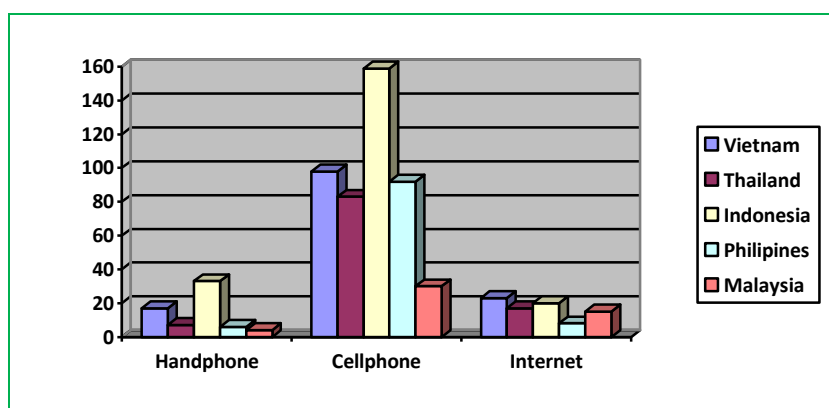
Organization¹¹⁶. This fact not only reflects the slow development of R&D in the whole country but also influences the weak competitiveness of Vietnam among its neighbours such as Thailand, Indonesia and Malaysia.

Based on the Global Innovation Report 2009-2010¹¹⁷ that represents measurements of 132 countries by evaluating patents per million of population, publication of scientific journals, research and development (R&D) expenditure, etc., Vietnam ranked 71st position, compared with some Asean countries including Thailand (60th position), Malaysia (28th position), Indonesia (72nd position) and Philippines (76th position).

Ignoring the weakness of R&D development, regarding the quality and availability of infrastructure, Vietnam has caught up its neighbours in the Asean region significantly. For the last ten years, Vietnam has improved remarkably its available services for its citizens as well as businesses including improvements of electricity, telephones, internets, transport infrastructure.

In 2010, Vietnam has 44,5 million new telephone subscribers including 793,000 hand phone subscribers and 43,7 million cell phone subscribers, 3,77 million internet users. The total internet users in the country are accounted for 27 million, hand phone users were more than 15 million and more than 100 million of cell phone users¹¹⁸. It is clear that the use of mobile communications devices of the country is seen as one of the fastest growing countries in the world. As shown in figure 26, the level of using telecommunications is relatively higher than Thailand, Malaysia and Philippines.

Figure 26: The level of using telecommunications in ASEAN countries in 2009



(Source: Own design, based on the data of the website www.cia.gov, visited on 7th May 2011).

¹¹⁶ World Intellectual Property Organization: “World Intellectual Property”, 2009 edition, WIPO, Switzerland, p.91

¹¹⁷ http://www.globalinnovationindex.org/gii/main/reports/2009-10/ExecutiveSummary_09-10.pdf, visited on 7th May 2011.

¹¹⁸ http://www.gso.gov.vn/default_en.aspx?tabid=508&ItemID=10853, visited on 7th May 2011.

For many years, Vietnam has continued to locate investments in renovating and repairing airports, railways, roadways, ports and terminals, so the length and quality of transportation network of the country have been improved dramatically. Today, Vietnam has 44 airports, 125,789 km paved roadways, 17,702 km waterways, more than 2,347 km railways and six main ports throughout the country. The fully-developed infrastructure of the country enables Vietnam to become one of the most attractive countries for foreign investors, along with cheap labor rate.

3.2.2. SWOT analysis

Although Škoda Auto Group has not penetrated into Vietnamese market yet, author uses SWOT analysis to evaluate its internal factors including strengths & weaknesses as well as its external factors such as threats and opportunities. Accordingly, Škoda Auto Group can extend its strengths & opportunities and overcome its threats as well as weaknesses.

Strengths

In strategic markets of Škoda Auto Group globally, the company is regarded as a high qualified and trustful car maker, so within many years, the company has been achieving numerous honorable awards. For example, the year 2010 was the most successful period of Škoda Auto Group with dozens of prizes such as Škoda Yeti – the car of the year 2010 in the UK, Belgium, Finland, Slovak Republic; Škoda Octavia- the car of the year 2010 in Germany; Škoda Fleet – the Fleet car of the year in Czech Republic; Škoda Superb – the Government and Business model of the year in China; Škoda Superb – the business standard motoring awards in India, etc. In general, the company can benefit from these advantages to improve and advertise its brand name in Vietnam.

Škoda Auto Group has been using an effective positioning strategy to produce different level cars to meet market's perspectives. Today the company produces Fabia for entry level customers, Octavia for mid-level consumers and Superb for upper level customers. Thanks to this strategy, the company Škoda Auto Group has been maintaining the sales growth of 15 percent year by year with the turnover of €8.7 billion in 2010 and delivering its vehicles to more than 100 markets in the world¹¹⁹. Moreover, the company can satisfy Vietnamese customers in different segment of the country.

Since Škoda Auto Group is a subsidiary of Volkswagen Group, the company can take full advantages of its parent's brand name, global group strategy and technological

¹¹⁹ Škoda Auto: Annual Report 2010, p.1.

contributions to leverage its brand name and maximize profit in different markets. Besides, the company has been spending highly on R&D with the goal of achieving technological advantages over its competitors, so the company will receive several advantages when delivers its vehicles in Vietnamese market.

Škoda Auto Group is a leading company to implement Corporate Social Responsibility (CSR) in terms of offering sponsors for international races, charitable organizations, making green cars to protect environment, providing social services for its employees & local communities, etc. Consequently, by implementing CSR, it helps the company to receive high perception of consumers as well as high consumers' attitude towards the company.

Weaknesses

The first weakness of Škoda Auto Group is the brand name because almost Vietnamese people still think about Škoda's Eastern European origins. Let's look back on Škoda's past, before 1994 the company was known as a car maker with poor quality, out dated design and underdeveloped technology. After Volkswagen Group took over the company, Škoda Auto improved its quality and design rapidly. Today, company's brand name is improved dramatically; however, Vietnamese customers will consider choosing their car from Japanese origin or German origin instead of buying Škoda's vehicles.

Despite the fact that, Škoda Auto has not penetrated into Vietnamese market, however, based on a small global market share of the company compared to other players in the same market segment such as Toyota, Hyundai, Volkswagen, Ford, the company will meet several difficulties in Vietnamese market. According to the annual report of Škoda Auto Group 2010¹²⁰, the highest number of market share belongs to Central Europe with 17 percent, while Western Europe with 2,6 percent, Eastern Europe with 3,3 percent and Asia with 1,4 percent. In the context of high demand in global automotive industry, it is unfavorable to the company to follow the low market share in global market

Opportunities

The first opportunity for Škoda Auto relates to Vietnamese automotive market. As the mention of author in previous chapter, automotive market of the country is seen as one of the fastest growing market in the South East Asian. The data show that sales of imported cars have increased quickly. Total imported vehicles reached 53,841 units in 2010 while the total car sold from the domestic car makers only reached 112,224 units. It demonstrates that the

¹²⁰ http://www.skoda-auto.com/Documents/AnnualReports/SkodaAuto_AnnualReport_2010_EN.pdf, visited on 7th May 2011.

demand for imported vehicles is very large and the tendency of imported cars is growing rapidly. Correspondently, high demand of imported cars will create a good opportunity for Škoda Auto to do business in this potential market.

Secondly, Vietnamese community is one of the biggest foreign communities in Czech Republic today and they are already used to purchase Škoda Auto's vehicles. According to the data in 2007, more than forty thousand Vietnamese people were living in Czech Republic¹²¹.

They also visit their homeland sometimes, so it will indirectly help the company to advertise its product portfolio in Vietnamese market as well as create credibility for local consumers.

Thirdly, following commitments of the country to the World Trade Organization, Vietnam has been decreasing car import tariff. For example, import tariff will be decreased 0-5 percent within 2012 and abolished by the end of 2018¹²². Therefore, Škoda Auto can benefit from Vietnamese's tax incentives and compete fairly with local car makers.

Fourthly, Traditionally Vietnamese people tend to purchase their vehicles with low fuel consumption and durability, so Škoda Auto's product lines including Green line environmentally friendly models can satisfy purchasing habits of people in this market.

Threats

Firstly, the competition is a basic threat for Škoda Auto because in automotive industry, the competition is arduous in every country. In Vietnam, the company will face intense competition from many local car makers such as Toyota, Truong Hai Auto, Vinamoto, GM Daewoo, etc. According to the Vietnam Automobile Manufacturers Association (VAMA), until 2010, Toyota was the most popular carmaker in Vietnamese market with 31,135 cars sold, covered 27,7 percent market share of the country. The second place belonged to Truong Hai Auto with sales of 26,047 units for a market share of 23,2 percent. The third position in Vietnamese market came from Vinamoto with 10,9 percent market share and sales of 12,274 vehicles sold. In order to penetrate into this market, Škoda Auto will have to compete with these local producers severely.

The appearance of various import vehicles from Korea and Japan is also another threat to the competitiveness of Škoda Auto in Vietnamese market. According to statistics of General Department of Vietnam Customs¹²³, total import passenger cars from Korea reached

¹²¹ <http://www.radio.cz/en/section/talking/is-the-czech-republics-vietnamese-community-finally-starting-to-feel-at-home>, visited on 7th May 2011.

¹²² <http://www.muaxehoi.vn/2011/03/thue-nhap-khau-oto-giam-con-0-vao-nam-2012.html>, visited on 7th May 2011.

¹²³ General Department of Vietnam Custom: Customs Statistic Date 2010“, Hanoi 2010.

28,119 units, covered 52,2 percent in total of import vehicles in this market in 2010. Japan remarked 5,387 units, Taiwan (see table 11).

Table 11: Statistics of import passenger cars in Vietnamese market in 2010

No	Country Origin	Import passenger car	
		Unit	Percentage
1	Korea	28,119	52,2 percent
2	Japan	5,387	10,0 percent
3	Taiwan	5,144	9,5 percent
4	China	4,191	7,7 percent
5	USA	3,798	7,0 percent
6	Other	7,202	13,3 percent
Total		53,841	100 percent

(Source: Own design, based on the date of General Department of Vietnam Customs, 2010)

3.2.3. Porter's Five Forces Analysis

The Porter's Five Forces analysis is regarded as a useful tool for Škoda Auto. The author uses this analysis to evaluate competitive and attractive forces in Vietnamese automotive industry because the fact that the analysis will influence directly on Škoda Auto's strategy. The analysis identifies five competitive forces such as the threat of new entrants, the threat of substitute products, rivalry among competitors, the bargaining power of buyers and the bargaining power of suppliers.

Threat of new entrants (LOW)

Vietnamese automotive industry is regarded as an attractive market for international automotive producers in terms of high customers' demand for import cars. However, the entry barrier is seen to be very high for new entrants including regulation of government (ease of doing business, tax, property ownership, low incentives, etc.) and a high level of Vietnamese buyers' loyalty to their accustomed brand name. Furthermore, intellectual property laws are still weak, so it can be a threat to new entrants.

The regulation of Vietnamese government is a good example for high entry barrier. As mentioned above, starting a new business will last more than its neighbours. For example, In

Vietnam within 44 days with 9 procedures necessary¹²⁴, compared with Asian countries including Malaysia (17 days with 9 procedures), Indonesia (47 days with 9 procedures), Thailand (32 days with 7 procedures), etc. Therefore many potential competitors may consider to move to other countries to enter instead of Vietnam.

The Power of Buyers (MODERATE)

The power of buyers represents the influence of customers in an industry. If the power of buyers is high, buyers will decide the price. Regarding the automobile market of Vietnam, the power of buyers is seen to be moderate. At present, about 54 car producers & assemblers are available in Vietnam, including 12 foreign direct investment (FDI) companies and 42 domestic companies, therefore Vietnamese consumers have many choices to purchase a car they are interested. Additionally, Vietnamese consumers are served by many car imported dealers in the market, so the car market in the country is diversified.

However, in reality, not all car makers decide, control the price and dominate buyers. Sometimes, Vietnamese customers still face “sold out” situation in the Vietnamese market because of different car makers’ strategies. Toyota is a good example of sold out situation in the market. Many models such as Camry, Altis, Vios, Fortuner are often sold out and if customers want to purchase, they should wait for Toyota within one or two months from the date of signing sales contract. In general, it is clear to say Vietnamese customers have some powers of buying, but the bigger powers belong to car manufacturers.

The Power of suppliers (LOW)

According to theoretical approach, power of suppliers is seen as a competitive force to describe the ability of suppliers to control their price to the industry. In the Vietnamese market, the power of supplier is very low because the fact that the real power belongs to car manufacturers and almost suppliers are small companies, so they have to rely on car producer here. Additionally, tax for spares and components that are not produced domestically is quite low, so car makers can control the situation by importing contents needed to assemble their vehicles in the territory of Vietnam.

The Threat Substitute of product (LOW)

In simple definition, the threat substitute of product means the same needs of customers can be satisfied by other products or alternatives. The presence of close substitute becomes a competitive threat that discourages companies to raise price and it reduces the profit of companies. Companies can raise price of its products and obtain greater profit when

¹²⁴ The World Bank: “Doing business in Vietnam, 2011”, The World Bank and the International Finance Corporation, USA, 2011, p.3.

the close substitute does not exist or exists at a small level. Concerning the Vietnamese automotive market, the threat substitute of product is quite low.

Although Vietnamese people are used to use motorbike, bicycles or public transportation and it can affect car sales; at present they tend to purchase cars for their different purposes instead. Vietnamese people think cars as status symbols of wealth as well as high position in the society, so they will decide to purchase when they can afford.

With the appearance of many similar models of various car makers in the market, it can be a threat to Škoda Auto because Vietnamese customers can easily choose them. Consequently, Škoda Auto should take into account the importance of product differentiation in order to cover the market.

Rivalry among competitors (HIGH)

Competition in the Vietnamese market is very strong, especially in the last 20 years. In Vietnamese market, there are five important car makers including Toyota, Truong Hai Auto, GM Daewoo, Ford and Mercedes-Benzes. The following is a small analysis of the competitors in the automotive industry in Vietnam.

1. Toyota

Toyota Motor Vietnam Co., LTD (TMV)¹²⁵ is a joint venture between Toyota Motor Corporation (70 percent investment capital), Vietnam Engine & Agricultural Machinery Corporation (20 percent) and KUO Singapore Ltd (10 Percent). The company was established in 1995 and until now, the total sales of TMV in 2010 reached 31,135 units, covered 27,7 percent of total Vietnam Automobile Manufacturers' Association (VAMA) sales. The average production output of TMV's plant in the country reaches 30,000 units per year with more than 3,4000 employees. These famous locally produced models such as Camry, Vios, Altis, Innova, Fortuner, Hiace and two imported models including Hilux and Land cruiser.

2. Truong Hai Auto

Truong Hai Auto Joint Stock Corporation¹²⁶ was formed on Apr 9th 1997. The total sales of TMV in 2010 were accounted for 23,2 percent of total Vietnam Automobile Manufacturers' Association (VAMA) sales with 26,047 units. The company has four auto assembly, five spare parts and components. Currently, the company has 24 showrooms throughout Vietnam, 40 dealers nationwide. Truong Hai Auto signed a technology transfer contract with Kia Motors, Hyundai Motors and Foton Motors to assemble these strategic models from them

¹²⁵ <http://www.toyotavn.com.vn/dealers/index/215>, visited on 7th May 2011

¹²⁶ http://www.truonghaiauto.com.vn/index.php?option=com_content&view=article&id=72&Itemid=105, visited on 8th May 2011.

including Kia morning, Kia New Karen, Kia Rio, Kia Sorento, Kia Soul, Kia Carnival, etc. Besides, the company also produces spare parts & components and assemble trucks and buses to sell in Vietnamese market. Today, Truong Hai auto is seen as the second biggest vehicle assembler in the market.

3. GM Daewoo (Vidamco)

Vietnam-GM Daewoo Company (Vidamco)¹²⁷ was regarded as one of the first FDI car makers in the Vietnamese market in 1993. The company has a assembly out put of 10,000 passenger cars per year. In 2010, Vidamco remarked sales of 9,685 units, with 8,6 percent of domestic market share. The company has 24 major dealers and many other authorized dealers in most cities of Vietnam. The most famous models in Vietnam are Chevrolet Captiva, Cruze, Lacetti, Gentra, Chevrolet Spark and Chevrolet Vivant.

4. Ford Vietnam

Ford Vietnam¹²⁸ is a subsidiary of Ford Motor Company, established in 1995 with total investment of \$102 million. The company has a assembly plant in Hanoi with total output of 14,000 units per year. In 2010, Ford Vietnam achived sales of 6,475 vehicles and accounted for 5,8 percent of market share. At present, the company has six major product lines such as Mondeo, Everest, Escape, Focus, Ranger and Transit.

5. Mercedes-Benz

Mercedes-benz Vietnam ltd (MBV)¹²⁹ is a subsidiary of Daimler Chrysler. The company was formed in 1995 with the goal of supplying passenger cars and commercial vehicles to the market. Today, MBV manufactures and delivers its passenger cars as well as commercial cars in Vietnam. The company has a plant in Ho Chi Minh City with a capacity of 3,500 unis per year. According to the date of VAMA, in 2010 total sales of the company reached 2,827 units and the market share coverage was accounted for 2,5 percent, however, the market share of high class models has been belonged to the company for many years. The product porfolio of MBV in this market includes C-class, S-class, E-class, GLK-class, etc.

It is clear that the competition in the automotive industry in vietnam is very high. All car producers have something specific to offer which helps them to keep their position in the market. Entering the market, Škoda Auto will face big number of domestic and international

¹²⁷ <http://www.vidamco.com.vn/company.php>, visited on 8th May 2011.

¹²⁸ <http://www.ford.com.vn/servlet/ContentServer?cid=1137383935343&pagename=FVN%2FDFYPage%2FFord-Default&c=DFYPage&site=FVN>, visited on 8th May 2011.

¹²⁹ http://www.mercedes-benz.com.vn/content/vietnam/mpc/mpc_vietnam_website/enng/home_mpc/passengercars/home/passengercars_world/About_the_company_Mercedes-Benz.0001.html, visited on 8th May 2011.

brand names. Therefore, the company needs to adapt its effective strategy and the brand image to position itself successfully in the market.

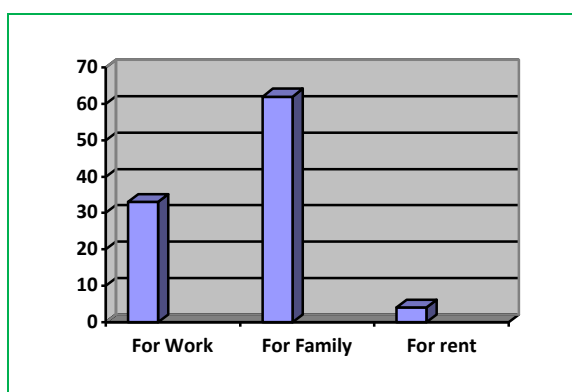
Generally speaking, this analysis is designed to evaluate the attractiveness of the automotive market of Vietnam. After five forces are analysed, the author can recommend that the Vietnamese car market is favourable to profitability in teams of low threat of new entrant; moderate power of buyers; low power of suppliers; low threat substitute of product and high rivalry among competitors.

3.3. Car survey

It is clear that a survey is a basic tool of marketing research with the aim of collecting information for marketers to design and adapt suitable marketing strategies for their organizations. Consequently, the author has designed an online survey with 45 people in Vietnam, aged between 25-60 years old to answer 14 questions with the goal of collecting the practical data for marketing plan of Škoda Auto Group in the Vietnamese market.

According to the survey 87 percent of people prefer purchasing import cars while only 13 percent of people want to buy domestic produced cars. Vietnamese people decide to buy a car based on different purposes. 62 percent of people will buy a car to serve for their family such as taking their kids to the school or going for a picnic, 33 percent people will purchase cars to go to work by their own cars while only 4 percent of people will buy cars for rent (see figure 27)

Figure 27: Purposes of car purchase

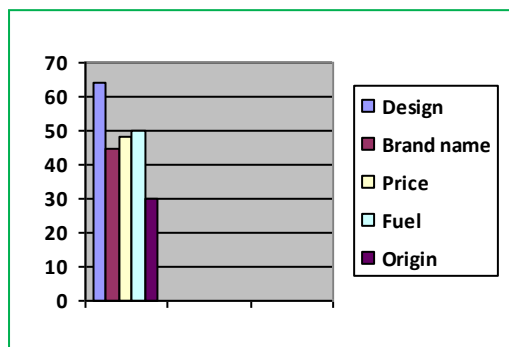


(Source: own design, 2011)

In the survey, 64 percent of people determine to buy cars based on designs and functionality, 50 percent people focus on fuel consumptions, 48 percent of people care for

prices, 45 percent of consumers are interested in brand names and 30 percent people concentrate on the origin of cars (see figure 28)

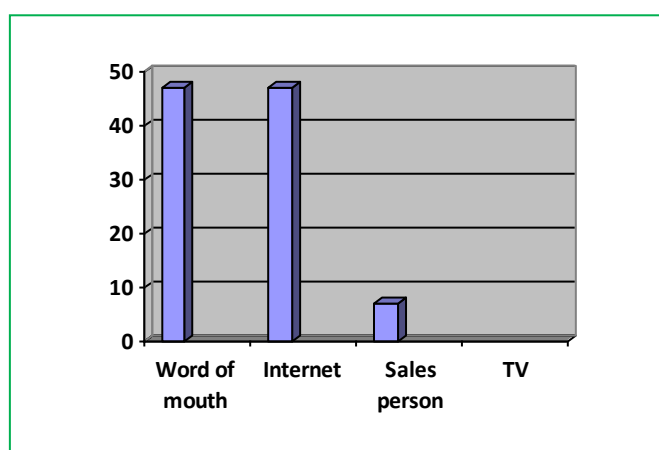
Figure 28: Preferences when buying car



(Source: own design, 2011)

Both word of mouth, internet and social media networks are the most important sources of information for people in Vietnam to buy cars. About 47 percent of people use both word of mouth from their friends and internet & social media networks for their references while only 7 percent of people are interested in sales persons at car showrooms (see figure 29).

Figure 29: Source of information for car purchase

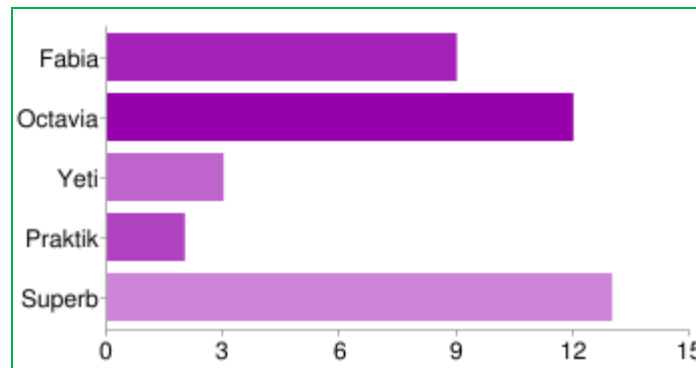


(Source: own design, 2011)

People in the survey do not know much about Škoda's brand name. 67 percent of people have never heard about this brand while 31 percent of people have known about the company. As shown in figure 30, after accessing the main website of Škoda Auto Group,

Škoda Superb is the most desirable model for people in the survey with 29 percent. About 27 percent of people prefer to choose Škoda Octavia and 20 percent of people choose Škoda Fabia.

Figure 30: Škoda's models for purchase



(Source: own design, 2011)

According to the survey Škoda's models imported from the Czech Republic are highly appreciated by people in the survey with 91 percent while 16 percent of people agree to buy Škoda's cars imported from India and no one wants to buy a Škoda from China.

3.4. Marketing Strategies

3.4.1. Objectives

The objectives of the Škoda Auto's marketing plan are regarded as performance indicators of the company such as car sales figures, percentage share in the Vietnamese market, customers' perception towards its brand name, etc. The following are the major objectives of the marketing plan that the author recommends for Škoda Auto Group:

- ✓ To penetrate into the Vietnamese market in 2012.
- ✓ To create brand awareness for local consumers and increase customers' perception towards its brand name.
- ✓ To achieve passenger car sales of 1,890 units in the launch stage in 2012 and 7,352 car sold in the market by 2016.
- ✓ To increase market share of Škoda brand from 1% in 2012 to 3% in 2016.
- ✓ To become one of the ten biggest car brands in the market.
- ✓ To search for a local partner to assemble its product lines in the Vietnamese market when car sales will reach more than 15,000 units.

The choice of 2012 as the year of penetration in the Vietnamese market is seen to be favorable for Škoda Auto Group because as the author mentioned in the previous parts, Vietnam's automotive market is growing quickly and all competitive advantages for the company including lower vehicle import tax, high demand of Vietnamese consumers, etc. will help the company to enter the market successfully.

According to the car survey of the author in 2011¹³⁰, 65 percent of Vietnamese people in the car survey do not know the Škoda brand name, so another objective of this plan is to create brand awareness for local consumers as well as improve consumers' perception towards the image of the company.

Regarding the goal of achieving car sales of 1,890 units, the author calculates numbers based on the data of two biggest passenger car markets in Asia such as China and India because the fact that they have similar characteristics to Vietnam such as populous country, high demand for passenger cars, purchasing habits, etc. According to the annual report of Škoda Auto Group 2010, Škoda Auto Group decided to penetrate into Chinese market in 2006 and instantly, the company achieved sales of 27,112 units in 2007 with a share of 1 percent in this market. In 2010, Škoda increased 47.3 percent of car sales and covered 1.6 percent market share in this country. Škoda Auto Group officially entered Indian automotive industry in 1999 but started to assemble its vehicles in 2001. Since then, Škoda delivered more than 100,000 units to Indian consumers and covered 0.9 percent market share. Therefore, the author will base on market share of Škoda brand at two major car markets to design car sales schedule for the company in this market in next five years.

Based on the data of General Department of Customs and VAMA about the total car sales in the Vietnamese market as well as the growth rate of the market, the author provide the prediction of car sales in the market from 2011 to 2016 (see table 12).

Table 12: The prediction of car sales in the Vietnamese market in the next 6 years

Six-year-forecast (domestic produced cars + import cars)							
The year	2010	2011	2012	2013	2014	2015	2016
Percentage of car sales increase yearly	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%
Total car sales (unit)	166,191	177,191	189,063	201,703	215,246	229,668	245,056

¹³⁰ The author did an online car survey with 45 Vietnamese people aged 25-60 years old to answer 14 questions about Škoda Auto as well as Vietnamese automotive market. The survey was opened on 7th May 2011 and closed on 15th May 2011.

(Source: Own design, based on the data of General Department of Customs, VAMA, 2010)

The average growth of automotive industry of Vietnam is around 6.7 percent year-by-year with 166,191 cars sold domestically. The prediction of car sales helps the author to design a car sales schedule for Škoda Auto to sell its vehicles in the Vietnamese market as well as define the market share of the company from 2012 to 2016 (see table 13). In the first year of entering the automotive market of Vietnam, sales of Škoda Auto will reach 1,890 units, accounted for 1 percent of the market share and obtain sales of 7,352 units by the end of 2016 with 3 percent of the Vietnamese automotive market share.

Table 13: Car sales schedule for Škoda Auto in the Vietnamese market in the next five years.

Five-year-forecast					
The year	2012	2013	2014	2015	2016
Percentage of market share	1%	1,5%	2%	2,5%	3%
Car sales (Unit)	1,890	3,026	4,305	5,742	7,352

(Source: Author, 2011)

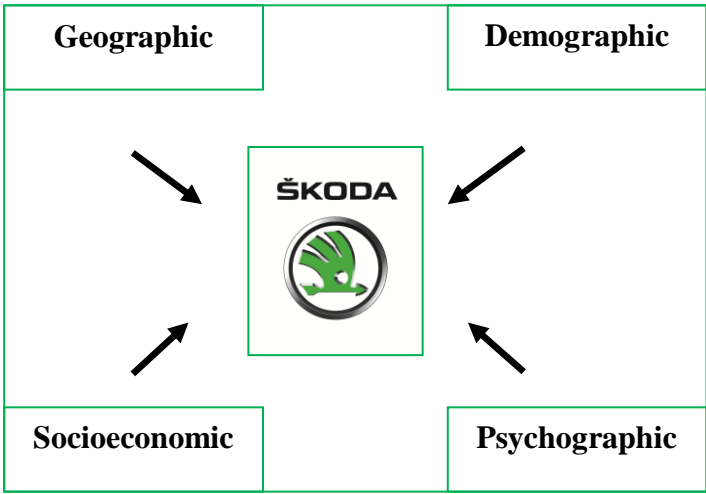
When sales of Škoda vehicles can reach more than 15,000 units, Škoda Auto should search for a strong local partner to cooperate with the group to assemble its products in order to take full advantages of the country including cheap labor cost, governmental incentives, tariff and non-tariff barriers, etc. as well as export its vehicles to Vietnam's neighbors such as: Singapore, Lao, Kampuchea, Indonesia, Thailand, etc.

3.4.2. Segmentation – Targeting – Positioning Strategy

In this part, the goal of segmentation is to identify potential target group in the Vietnamese market as well as to define Vietnamese consumers' needs. Subsequently, targeting enables the company to choose a suitable target audience for Škoda brand vehicles. Besides, positioning is an effective tool to help the company to differentiate Škoda's vehicles from the other main competitors in the Vietnamese market as well as affect Vietnamese customers' perception of its brand name.

The author will identify suitable target groups for Škoda Auto's vehicles based on four groups of segmentation variables such as Geographic, Psychographic, Demographic and Socioeconomic (see figure 31)

Figure 31: Segmentation variables for Škoda Auto Group in Vietnam

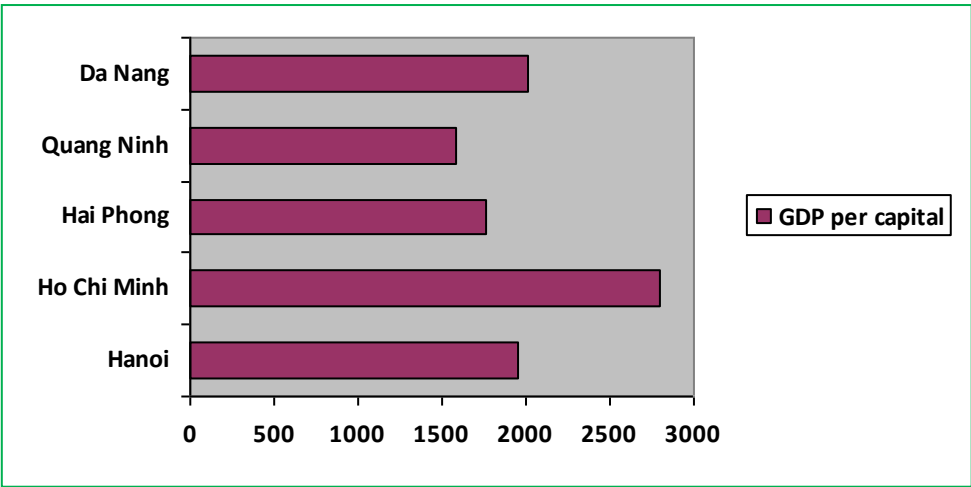


(Source: author, 2011)

In Geographic segmentation, two major regions for the company are Hanoi Capital in the North and Ho Chi Minh City in the South. Ho Chi Minh City and Hanoi capital are chosen in terms of numerous population, high income level and high demand of car purchase. Concerning the population scale, Ho Chi Minh stood in the first position with 7,165,000 people and the second was Hanoi with 6,472,000 people.

According to the General Statistical Office of Vietnam, GDP per capital of Ho Chi Minh City was calculated at \$2,800 in 2010, compared with \$1,168 of the average GDP per capita of Vietnam while GDP per capita of Hanoi was \$1,950. Consequently, the company needs to take into account these regions when entering the Vietnamese market (see figure 32)

Figure 32: GDP per capital of five leading economic cities in 2010.



(Source: Own design, based on the date of General Statistics Office of Vietnam, 2011)

Both men and woman, aged between 25-60 years are addressed in Demographic segmentation. Average Vietnamese household size is about 4.1 person/household, so Škoda's models such as Fabia, Octavia, Yeti will be the most affordable choice for the Vietnamese middle class and Superb will be suitable for the Vietnamese upper class.

It is obvious that education level, profession and income level are regarded as the most important factors that affect the purchasing power in socioeconomic segmentation. In Vietnam, the group with the highest income level reaches only 20 percent in total population of the country, accounted for 50 percent of the total goods and services' consumption of the country¹³¹. Based on the income level of Hanoi Capital and Ho Chi Minh City, the group with minimum annual income of \$23,000 per year will be addressed for purchasing Škoda's vehicles including senior employees, businessman, doctors and politicians.

In Psychographic segmentation, personality and lifestyle of Vietnamese customers should be focused by the company because they will affect their purchasing behaviors. Based on understandings of the author, Young people, aged between 25-45 years, they decide to buy car based on its design and brand name. Older people, aged 45-60 years, they tend to buy a car based on safety level, low fuel consumption and durability. In Behavioral segmentation, the company must take into considerations when Vietnamese people choose to purchase a car; they like to take reference from other users in order to make sure about their expensive investment, Moreover, Vietnamese people tend to purchase cars in the special occasions such as before the Chinese New Year, marriage seasons, etc.

Škoda should use a differentiated strategy because it enables the company to cover a better market share. Different models such as Fabia, Octavia, Yeti and Superb will be communicated for different market segments with different marketing mix. Škoda Fabia, Octavia and Yeti are for young people aged 25-45 years who have middle income from \$23,000 to \$33,000 per year while Škoda Superb will be for high class people, aged 45-60 years with higher income such as top managers in state-owned companies, Joint Stock Companies and Joint ventures, diplomatic officials, and state politicians.

Positioning is regarded as a strategy to differentiate a brand from its competitors by providing different benefits for the target customers. As shown in the table 14, in Vietnam, Škoda's vehicles such as Fabia, Octavia, Yeti and Superb will be positioned as differentiated vehicles with the goal of distinguishing its products from main competitors in the market. Škoda Fabia should be emphasized on the convenience of a small car in the city, low fuel

¹³¹ <http://vneconomy.vn/20110428100333288P19C9915/tiep-can-phan-khuc-khach-hang-thu-nhap-cao.htm>, visited on 14th May 2011.

consumption and the attractive design. Škoda Octavia will be positioned as a comfortable car with high advanced technology, spacious room and excellent value for money. Škoda Yeti will be positioned as a dynamic car with the high safety, the great functionality and strong power. Škoda Superb will be referred as a car with the epitome of opulence.

Table 14: Positioning strategy of Škoda brand in the Vietnamese market in 2012.

Model	Positioning Strategy	Competitors	Target Consumers
Fabia	A smart car for a crowded city	Toyota Vios, Toyota Yaris, Daewoo Gentra	Young people aged 25-30 years – first time purchasers.
Octavia	A comfortable car for young people	Toyota Altis, Honda Civic, Ford Focus, Hyundai Avante, Daewoo Lacetti	People aged 30-45 years who want to purchase a comfortable car with high functionality and value for money.
Yeti	A dynamic SUV/car for busy people	Toyota Fortuner, Honda RAV4, Ford Everest	Dynamic people aged 30-45 years who want to purchase a powerful car with safety and easy controllability.
Superb	A great, elegant car for successful people	Toyota Camry, Mercedes E-class, Ford Mondeo	Successful people aged 45-60 years who like to purchase a car as a status symbol of wealthy and high social standing.

(Source: Own design based on the data of VAMA and The Vietnam Automotive magazine, ISSN: 1859-0594, p.100-103, 2011)

3.5. Marketing Mix

According to the theoretical approach, the marketing mix is understood as “The set of controllable tactical marketing tools – product, price, place and promotion – that the firm blends to produce the response it wants in the target market”¹³². Consequently, after implementing the segmentation, targeting and positioning strategies, four major elements of the marketing mix should be considered and implemented carefully such as product, price, place and promotion with the goal of satisfying Vietnamese consumers’ needs and affect their buying behaviors. It should be noted that Škoda’s vehicles sold in Vietnam should be distributed through World Auto Company (the exclusive authorized dealer of the company in

¹³² Philip Kotler, Gary Armstrong: “Principles of Marketing“, Pearson Education Ltd, London, 2010.

the territory of Vietnam) and World Auto Company will be responsible for setting prices, controlling sales and implementing communication strategies.

Product

Škoda Auto Group should bring four basic models in the product lines to the Vietnamese market through its exclusive authorized dealer in Vietnam (exclusive dealer's name and its relative details will be shown in the next chapter) such as Škoda Fabia, Škoda Octavia, Škoda Yeti and Škoda Superb. The company should focus on three important dimensions including core, packaging and services to build competitive advantages for the company as well as to influence Vietnamese customers' decision making.

Regarding the core of Škoda's models, all models in the Vietnamese market should be the same as original vehicles in the Czech Republic because local consumers highly appreciate the quality of imported cars from the original country. Based on the author's car survey, 91 percent of people in the survey desire to purchase Škoda's models from the Czech Republic. Therefore, the core of the company's product lines in the Vietnamese market should be maintained to meet the expectation of local customers. Additionally, the company should offer genuine accessories to satisfy further specific needs as well as requirements (please see table 15).

Table 15: The main models will be available in the Vietnamese market in 2012.

Model	Engine		Accessories
	Petrol	Diesel	
Fabia	1.2 TSI	- 1.2 TDI CR - 1.6 TDI CR	- Decorative door sill covers - Foot mats
Octavia	1.4 TSI	- 1.6 TDI - 1.9 TDI - 2.0 TDI	- Alloy wheels - Sunblind - Child seats - Parcel shelf storage bag
Yeti	1.8 TSI	- 2.0 TDI CR - 2.0 TDI CR DPF	- Small leather package - Child safety seat - Plastic boot dish
Superb	1.8 TSI	- 1.6 TDI CR - 2.0 TDI CR DPF	- Styling Kit

(Source: Own design based on the website of Škoda auto: www.skoda-auto.com, visited on 14th May 2011).

Concerning packaging, all models of Škoda brand in the Vietnamese market should be imported directly from the Czech Republic because based on the author's car survey, 91 percent of people in the survey desire to purchase Škoda's models from the Czech Republic and do not want to purchase models from China. According to the calling survey with two auto dealers including Euro auto and Luxury cars in Vietnam in May 2011, in the first stage of Škoda's penetration, the following color range will be chosen in the market firstly and other colors will added later to meet further requirements of local customers.

Table 16: The color range for Škoda's models in Vietnam in the launch stage

Color range	Fabia	Octavia	Yeti	Superb
Black	-	X	X	X
White	X	X	X	X
Red	X	-	-	-
Silver	X	X	X	X
Blue	X	X	X	-
Green	X	-	X	-

(Source: Own design based on the calling survey with two auto dealers including Euro auto and Luxury cars in Vietnam, 2011)

Regarding services connected to Škoda's models in the market, Škoda Auto should cooperate with its partner (World Auto Company) to provide Vietnamese customers with several services such as local financing options, aftersales support, warranty service and 24/7 technical support for the company's customers. Based on the warranty policy of Volkswagen Auto¹³³ in Vietnam, Škoda Auto should offer a comprehensive two-year-warranty without kilometer limitation via World Auto Company and its dealers in the Vietnamese market.

Price

Based on the external bench mark of Škoda's vehicles in the Chinese market, in the Indian Market as well as in the Singaporean market¹³⁴, the author recommends the following standard price for Škoda's model in the market of Vietnam.

¹³³ <http://www.volkswagen.vn/vn/en/service2/warranty.html>, visited on 13rd May 2011.

¹³⁴ In the Singaporean market, Fabia is priced between \$89,106 - \$109,106; \$135,106 (Octavia); \$145,106 (Superb) and \$106,106 (Yeti), found on www.sgcar mart.com/new_cars/newcars_adpage.php?Make=Skoda, visited on 14th May 2011.

Table 17: Recommended price for four basic models in Vietnam in 2012.

No	Model	Fuel consumption	Price
1	Fabia (1.2 TSI/63kW)	5,2L/100km	\$53,311
2	Octavia (1.4 TSI/55kW)	6,3L/100km	\$81,662
3	Yeti (1.8 TSI/118kW)	8,0L/100km	\$105,290
4	Superb (1.8 TSI/118kW4X4)	8,1L/100km	\$134,739

(Source: own design)

The recommended price above will include all import tax duties to Vietnam but not including import transportation fee from Czech Republic to Hai Phong Port, Vietnam. The author uses the car price of Autojarov, Czech Republic in Czech Koruna and exchanges them into the US currency. Table 18 explains how to calculate all import duties to import cars from the Czech Republic. When Škoda Auto officially will enter the market, the real final price including all tax duties and import transportation fee for its vehicles will be calculated exactly by World Auto Company.

Table 18: Steps to calculate the final custom duty for import car from Czech Republic to Vietnam

(Note: CZK 259,900 for a classic version of Fabia at Auto Jarov, Czech Republic, found on www.autojarov.cz, May 2011; exchange rate: 17.1 CZK per USD on www.csas.cz, May 2011)

1. Import tax = \$15,198 (Custom declared price of import car) x 82% (percentage of import tax) = \$12,462
2. Special sales tax = \$15,198 (Custom declared price of import car) + \$12,462 (import tax) x 45% (percentage of special sales tax) = \$20,805
3. VAT = 12,462 (import tax) + \$20,805 (special sales tax) + \$15,198 (custom declared price of import car) x 10% (percentage of VAT) = \$4,846
4. The final custom duty = 12,462 (import tax) + 20,805 (special sales tax) + 4,846(VAT) = \$38,113.

General speaking, the final price for Fabia in Vietnam will be \$53,311 (includes all import tax duties to Vietnam but not including import transportation fee from Czech Republic to Hai Phong Port, Vietnam).

(Source: Own design, based on the data of Auto Jarov, Czech Republic and based on a new circular No.184/2010/TT-BTC of Vietnam Finance Ministry, dated on Nov 15th, 2011)

In fact, today many car importers in the Vietnamese market lowers invoice prices than actual selling prices in the import country in order to avoid high tax obligations and to attract customers. This action is seen to be illegal, so Škoda Auto should take into accounts unfair competitions among existing importers and car dealers.

Promotion

As referred in some previous chapters, promotion is understood as the communication links between buyer and seller. Main functions of promotion are to inform, persuade and influence a consumer's purchase decision. Despite the fact that Škoda Auto Group will deliver its vehicles through World Auto Company in the first stage of penetration, the author suggests that World Auto Company should use all of five basic disciples of the communication mix such as advertising, direct marketing, sales promotion, public relations, personal selling with the goal of promoting Škoda's models and its image in this high potential market.

Because the fact that Škoda brand will still not well known by local consumers, compared with Toyota, Hyundai, Ford, Mercedes-Benz, BMW or Volkswagen, so advertising should be used on the list of priorities in the first step of the company penetration. Advertising campaigns should be implemented such as television, radio and print media and outdoor media to advertise new models of Škoda in the market as well as to influence local consumers' attitude towards its brand name.

Regarding direct marketing campaigns, different media should be taken into accounts including website, direct mail, telemarketing or online advertising. A website should be created and can be linked directly to the main website of the group, so it will help consumers to learn more about the value of the company. Online advertising should appear on the most famous websites of Vietnam such as www.dantri.vn and www.vnexpress.net.

Concerning sales promotion, World Auto should use a common strategy in Vietnam such paying for vehicle registration fees if they purchase a Škoda car or giving presents with company logo to customers. The company should provide its customers with Škoda membership card. Customers can use this membership card to earn points from the purchase of parts and services at Škoda's dealers. Points earned by customers can be paid for all purchase transactions instead of using cash (see figure 33)

Figure 33: Example of Škoda's membership card



(Source: Own design, 2011)

A Public Relations (PR) team should be formed to deliver company's messages to its publics through press release, press conference and events. World Auto Company should hold an event to introduce main models of Škoda's models in order to create awareness about Škoda brand.

In the automotive industry, personal selling is regarded as an effective strategy to perform various communication objectives. Through sales persons, Škoda's vehicles can be not only well informed to its target audiences but also become an element to influence in customers' decision making. Besides, the company should participate in local exhibitions and trade fairs because it will help the company to learn about its target audiences, its competitors and relative information. Vietnam Moto Show¹³⁵, held annually in Vietnam is known as the most famous exhibition on the automotive industry in the country with more than 120,000 visitors each year, so World Auto Company should consider participating to advertise Škoda's cars.

Alongside traditional marketing communications above, World Auto Company should focus on new trends of communications such as buzz marketing, viral marketing and social media (facebook, youtube, twitter, etc.) According to the car survey of the author, 45 percent of people in the survey decide to buy a car based on word of mouth's information from their friends or colleagues while 48 percent people choose internet and social media networks as an information source of their purchasing behavior while only 7 percent of people are interested in sales persons at Car dealers' showrooms. Consequently, World Auto Company must take into accounts buzz marketing as well as social media networks in order to create brand awareness as well as attract local customers to purchase cars of Škoda brand.

¹³⁵ <http://www.vietnammotorshow.vn/homeel.asp>, visited on 15th May 2011.

Place

Based on the market share and customers' base, Škoda Auto group should use the exclusive distribution strategy. The exclusive distribution strategy means that Škoda Auto will offer exclusive obligations for World Auto Company¹³⁶ to deliver its vehicles to local customers in Vietnam. The exclusivity will bring the assistance for Škoda's brand image and helps to obtain higher markups. Moreover, in the exclusive distribution, the cooperation between Škoda Auto Group and World Auto Company should be closely in term of designing prices, promotion, advertising and services.

World Auto Company is a member of VMGROUP VIETNAM, located in Ho Chi Minh City. Since 2009, World Auto Company officially become an exclusive authorized importer of Volkswagen Group's vehicles in the market of Vietnam. Currently, the company delivers main models with Volkswagen's brand name including New Beetle, Passat, CC, Tiguan and Touareg. The company has two biggest flagship showrooms in Hanoi Capital and Ho Chi Minh City. The first flagship showroom with 3,000 square metre in Hanoi providing Customers with sales support, maintenance services, etc. The second showroom in Ho Chi Minh city is responsible for delivering Volkswagen's vehicles to customers in the South region of Vietnam as well as maintenance services following the global standards of Volkswagens Group. World Auto Company has three biggest dealers such as Vietnam Motors Branch, Global Auto in Ho Chi Minh City and German Auto Ltd in Hanoi Capital.

Based on the same strategy of Volkswagens Group in the Vietnamese market, Škoda Auto should sign an exclusive distribution agreement with World Auto Co Ltd. World Auto Company should be responsible for selling Škoda's vehicles; supplying after-sales service, warranty service, genuine parts & accessories, technical support and all other relatives services for Vietnamese customers in the market. Škoda's customers will be able to use all relative services at different premises of Škoda's authorized dealers, following the global standards of Škoda Auto Group.

All Škoda's models such as Fabia, Octavia, Yeti and Superb should be available in two biggest showrooms of World Auto Company in Hanoi Capital and Ho Chi Minh City as well as in the authorized dealer network of World Auto Company throughout the country. Škoda Auto Group should discuss with World Auto Company to adapt a united design for Škoda's vehicles appearance at two biggest showrooms of World Auto Company and at dealers'

¹³⁶ The author chooses World Auto Company because at present, the company is a successful car authorized importer of Volkswagen Group in the Vietnamese market. Furthermore, based on benchmark of the Chinese market, Škoda's vehicles are also distributed through Shanghai Volkswagen Automotive Company, so World Auto Company should be chosen to be a authorized importer of Škoda Auto Group.

showroom in the Vietnamese market because it will enable Škoda's brand name to be more valuable and attractive for its target audiences.

3.6. Action plan

After implementation all steps above, the author recommends a timetable for performing different activities. Table 19 names first activities that need to be completed when Škoda Auto Group penetrates into the Vietnamese market. Except the activities, the table contains the responsibility for every named activity and time framework for completing the activities such as signing agreement, registering trademark of Škoda Auto Group in Vietnam, completing procedures to import car from Czech Republic, redesigning showrooms, training sales teams, advertising campaigns' implementation, launch event establishment and sales implementation. Basically, the plan will begin from the month of January 2012 to June 2012.

Table 19: Action plan timetable

No	Activity	Place	Responsibility	Period
1	Signing the exclusive authorized agreement	Ho Chi Minh	Škoda Auto Group, World Auto Company	January 2012
2	Registering Škoda's trademark at National Office of Intellectual Property of Vietnam	Ho Chi Minh	World Auto Company	January - March 2012
3	Importing cars from Czech republic	Ho Chi Minh	Škoda Auto Group, World Auto Company,	March - May 2012
4	Redecorating flagship showrooms	Ho Chi Minh, Hanoi	World Auto Group	Feb – May 2012
5	Training sales team and technical team	Ho Chi Minh, Hanoi	Škoda Auto Group, World Auto Group	March - May 2012
6	Advertising campaigns	Ho Chi Minh, Hanoi	World Auto Group	May - June 2012
7	Organizing Škoda's launch event	Ho Chi Minh, Hanoi	World Auto Group, Škoda Auto Group	June 2012
8	Sales implementation	Ho Chi Minh, Hanoi	World Auto Company	Jun 2012

(Source: Author, 2011)

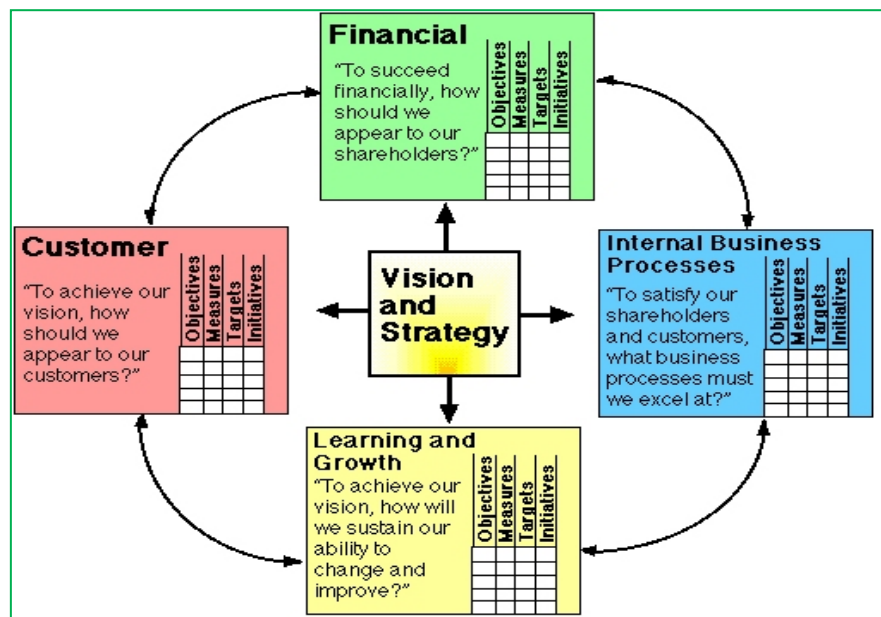
3.7. Evaluation and Control

Marketing evaluation and marketing control are regarded as important processes of analyzing, evaluating and monitoring the effectiveness and the success of a marketing plan. It is obvious that the aim of the marketing plan for Škoda Auto's market entry is to achieve sales goals, to create brand awareness and influence local consumers' buying behavior. Because World Auto Company should be chosen as the exclusive authorized dealer of Škoda Auto Group in the Vietnamese market, so the evaluation and control of the Škoda Auto's marketing plan should be based on following data of World Auto Company in 2012 including market share, sales revenue, level of brand awareness and custom satisfaction level.

At the side of World Auto Company, every six months the company should summarize and directly report to the headquarter of Škoda Auto Group in Czech Republic all relative information such as annual sales revenues, expenses incurred, level of consumer satisfaction, market share and communication achievements. In the first stage of penetration, every six months human resource (HR) specialists, technical specialists and marketing specialists should come from the office of Škoda Auto of Europe to visit World Auto Company. HR specialists should see how the company develops the human relations and will also make trainings for the employees. Marketing specialists will help local managers to monitor and evaluate how the company is adjusting the Škoda Auto's marketing strategy. They will also measure the speed of gaining bigger marketshare and achieving the highest possible profit. Besides these activities, all specialist will review the current business situation of the Vietnamese market to adapt suitable marketing strategies locally.

Today, the balanced scorecard is used very popular in many international companies in the automotive industry such as Toyota, Ford and Volkswagen Auto Group. Consequently, the author suggests World Auto Company to use this instrument to measure its performance in the Vietnamese market based on four major dimensions such as finance, customer, internal processes and growth and learning for employees (see figure 34). In each dimension, there should be four key performance indicators such as objectives, measure, targets and initiatives and the company can use them to examine its performance.

Figure 34: The balanced scorecard for World Auto Company in Vietnam



(Source: found on http://www.valuebasedmanagement.net/methods_balancedscorecard.html, visited on 13rd May 2011)

With the goal of evaluating and measuring carefully and precisely, World Auto Company should appoint a analysis team with members from sales & marketing (S&L) department, public relations (PR) department, financial department and technical department.

CONCLUSION

Thanks to the achievements of Vietnam in the process of innovation, standards of living have improved significantly. Correspondingly, today Vietnamese people can afford to purchase their own car, so nearly all famous car brands have opened offices in Vietnam including Volkswagen, Audi, Mercedes-Benz, Ford, Toyota, Nissan, Fiat, Citroen and Hyundai. The data indicate that car sales in 2010 reached 166,065 units including both domestic produced vehicles and imported vehicles. This fact reflects that Vietnam can be an attractive market and a profitable region for Škoda Auto Group to enter in the upcoming years.

The aim of the thesis was to develop marketing strategies for the market entry of Škoda Auto Group to the Vietnamese market as well as to help the company to decide to enter the automotive industry of Vietnam.

The author divided the thesis into three main parts such as the theoretical approach to international marketing (chapter 1), Škoda Auto Group's background (Chapter 2) and Marketing Strategies for the market entry of Škoda Auto Group to the Vietnamese market (Chapter 3).

In the *chapter 1*, the author provided a basic knowledge of international marketing to readers. The main aim of this chapter was to analyze the marketing environment such as PEST analysis, SWOT analysis and Porter's Five Forces as well as the market analysis including segmentation, targeting and positioning. Continued from these analyses above, marketing mix strategies was used in this chapter including product strategy, promotion strategy, price strategy and place strategy. The final part of this chapter was the marketing implementation & control.

Based on the online data of Škoda Auto Group, in the *chapter 2* the author described the overall background of the company. The background consisted of important information including the history of the company throughout period, the history of the company's logo, the mission of the company, the product portfolio, and the company's market share, the financial status of the company and sales performance of the company in 2010.

The *chapter 3* was a core of the thesis. In this chapter, the author explained comprehensive information about the development of marketing strategies for Škoda Auto Group.

Based on data from Vietnam Automobile Manufacturers' Association (VAMA) as well as from different online sources, the author provided basic information about the automotive

industry of Vietnam such as the market size, sales figures, the purchasing habits of Vietnamese consumers and several popular car brand names in the market.

In order to help Škoda Auto Group to visualize the Vietnamese market, the author used PEST analysis in the second part of this chapter. After using PEST analysis, SWOT analysis and Porter's Five Forces analysis were implemented by the author. The goal of SWOT analysis is to evaluate internal factors including strengths & weaknesses as well as its external factors of Škoda Auto Group such as threats and opportunities while the goal of Porter's Five Forces analysis is to evaluate competitive and attractive forces in Vietnamese automotive industry.

The author did an online car survey with 45 people who are living in Vietnam with the aim of collecting data from them and used this data for developing marketing strategies for the market entry of Škoda Auto Group. Thanks to that survey, the author adapted suitable marketing mix strategies for Škoda Auto Group's market entry in an actual way and effective way.

After segmentation, targeting and positioning strategies are used, the author designed several objectives for the market entry of Škoda Auto Group. The first objective was to enter the Vietnamese market in 2012 and the other objectives were to create brand awareness for local consumers as well as increase the market share of Škoda Auto Group from 1% in 2012 to 3% in 2016.

Marketing mix strategies were used in this chapter including price, product, place and promotion. The author set standard prices for first imported models of Škoda Auto Group from the Czech Republic. Additionally, the author also chose four main models of the company to the Vietnamese market in 2012 such as Fabia, Octavia, Yeti and Superb.

Continued from marketing mix strategies was action plan. In this part, the author recommended a timetable for implementing different activities in the Vietnamese market. After performing all relative activities of the action plan, the evaluation and control were used by the author with the goal of evaluating the effectiveness of the market entry of Škoda Auto Group in Vietnam in 2012.

Generally speaking, based on the market size and customers' base of Vietnam, I can suggest that Škoda Auto Group should enter the Vietnamese market in 2012. Although the automotive industry of Vietnam is smaller than China or India, Vietnam still has a strong position in the automotive market of South East Asian region, compared with Thailand, Malaysia or Indonesia. As I mentioned above, nearly all famous car makers appeared in the Vietnamese market, so the automotive industry of Vietnam is quite competitive. However,

with all competitive advantages of a traditional Czech car maker, Škoda Auto Group will successfully enter the Vietnamese market.

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Appendix

The author did an online car survey with 45 Vietnamese people aged 25-60 years old to answer 14 questions about Škoda Auto as well as Vietnamese automotive market. The survey was opened on 7th May 2011 and closed on 15th May 2011.

Questionnaire	Result	
	Person	Percentage
1. In which city do you live? a. Hanoi b. Ho Chi Minh c. Other	37 6 2	82% 14% 4
2. What is your age? a. Less than 25 b. Between 25-40 c. Between 40-60 d. More than 60	12 31 2 0	26% 69% 5% 0%
3. Sex a. Male b. Female	29 16	64% 36%
4. What is your monthly salary? a. Less than \$1,000 b. More than \$1,000	36 9	80% 20%
5. Do you own a private car? a. Yes b. No	6 38	13% 84%
6. Which car brand do you like the most in Vietnam?	TOYOTA, BMW, KIA, HYUNDAI, MERCEDES- BENZ, FORD, HONDA.	
7. Which car is preferable? a. An imported car b. A domestically produced car	39 6	87% 13%
8. For what purpose do you plan to use your? a. For work b. For family purposes c. For rental service	15 28 2	33% 62% 4%

9. What is your preference when buying a car?		
a. Design and functionality	28	64%
b. Brand	20	45%
c. Price	21	48%
d. Fuel consumption	22	50%
e. Origin	13	30%
10. Which sources of information will influence your car purchase?		
a. Word of mouth	21	47%
b. Sales persons at the showroom of car dealer	3	7%
c. Internet and social media networks	21	47%
d. Advertising	0	0%
11. How much do you want to spend on your purchase?		
a. \$15,000 – \$30,000	27	60%
b. \$30,000 - \$40,000	10	22%
c. \$40,000 - \$50,000	4	9%
d. More than \$50,000	4	9%
12. Are you familiar with Škoda Auto Group?		
a. No, I am not	30	67%
b. Yes, I am	14	31%
13. Which model do you prefer the most via the website: http://www.skoda-auto.com/COM/Pages/homepage.aspx ?		
a. Fabia	9	20%
b. Octavia	12	27%
c. Yeti	3	7%
d. Praktik	2	4%
e. Superb	13	29%
14. Which country of manufactured origin of Škoda cars do you prefer?		
a. Czech Republic	40	91%
b. India	7	16%
c. China	0	0%

Source: Author, 2011.