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Immature Brand Management of Electronics Retail Stores in Vietnam: New Explanation of Predicament of Japanese Companies in Emerging Markets

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Abstract: This paper discusses the immature brand management in electronic retail stores in Vietnam by conducting field research. Previous studies have suggested that Japanese companies find themselves in a predicament with other emerging markets, mainly because their products are relatively high in price. This paper presents the findings that such a predicament results from not only high pricing but also local stores' inabilities of underlining the high quality and functions of high-priced products. Therefore, to become successful, Japanese companies are required to lower their product prices as well as increase awareness and accurate understanding of the high quality and functions of the high-priced products using their sales channels.

Keywords: Japanese companies, emerging markets, electronic retail stores, Vietnam, brand management

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1. Introduction

In recent years, emerging markets, particularly BRICS, have been attracting considerable attention (Li, 2009, 2010; London & Hart, 2004; Wright, Filatotchev, Hoskisson, & Peng, 2005). Japanese companies are also expected to respond to emerging markets by shifting their strategic focus from developed countries to emerging countries (Delios & Henisz, 2000; Horn, Forsans, & Cross, 2010).

In reality, however, Japanese companies are not making progress in shifting their focus to such emerging markets. For instance, Japanese companies used to have a large market share in the television (TV) industry (Shintaku, 2005), but now Korean companies have gained a larger pie of the market share in many areas including emerging countries.[1] Chinese companies have begun to show a strong presence in the automobile industry, especially in emerging markets (Li, 2009).

Certain reasons have been pointed out as to why Japanese companies have experienced predicaments in emerging markets; differences in business practices between developed and emerging markets have been considered as one of them. For example, the wage level in emerging countries is lower than that of developed countries, and Japanese products are regarded relatively expensive in emerging countries (Horn, Forsans, & Cross, 2010; Shintaku & Amano, 2009, 2012). In other words, Japanese companies have lost their market share to their Korean and Chinese counterparts that are able to sell products at reasonable prices with certain quality (Shintaku & Amano, 2009).

This paper clarifies the other reasons that Japanese companies experience predicaments in the emerging countries by conducting field research. This paper proves that Japanese companies are

[1] According to Q1 2010, Samsung ships the highest number of flat panel TVs worldwide, and LG ranks second.

unable to promote the high quality and functions of their products effectively in emerging markets. Thus, through field research conducted at electronic retail stores in Vietnam, this paper clarifies the issues associated with local retailers in emerging markets.

For this study, field research was conducted in two electronic retail stores, Store A and B, in Ho Chi Minh, Vietnam on December 18, 2009. Store A was a medium-scale electronics retail store, while Store B was the largest electronics retail store in Ho Chi Minh. In addition, to make clear distinctions, research was conducted at two other electronic retail stores: the Sony shop, a retail store directly managed by Sony, and the Sony center, a retail store that sells Sony products only, although its owner is not Sony. Vietnam was selected as the target country for this study because it has the third largest population in South East Asia, after Indonesia and the Philippines, and is now viewed as one of the most promising emerging countries. Field research included interviews with salespeople and investigations on how TVs were being displayed on the sales floor, all of which took 30 minutes at each store.

2. Sales in Vietnam

In 2008, Vietnam has a mixed TV market with both LCD TVs and CRT TVs (tube TVs). Since Korean companies had shown expansion of its market share in the CRT TVs market from the mid-2000s, Japanese companies had decided to direct more focus toward LCD TV sales. At that time, however, Japanese companies, other than Sony, did not have a large market share in the LCD TV market; the LCD TV sales ratio ranked Samsung first, Sony second, and LG third, with these three companies accounting for 75% of total LCD TV sales. This paper examines how Japanese products are being sold to clarify the cause of this predicament of Japanese companies.

2.1. Store A

Store A, located in the suburbs of Ho Chi Minh, was selling both CRT and LCD TVs.

Store prices for a 21-inch CRT TV, which was a well-selling product in Vietnam, were as follows: VND 1,690,000 (by local firms), VND 1,790,000 (TCL), VND 1,890,000 (low-price products by Japanese and Korean companies), and VND 1,990,000 (for high-price products by Japanese and Korean companies). On the other hand, advertising prices on the handbill, for a 32-inch LCD TV were VND 6,490,000 (Sanyo and LG), VND 6,890,000 (Sharp), VND 8,990,000 (Phillips), and VND 10,900,000 (Sony). This comparative price distribution in the Vietnamese TV market can lead to the confirmation that pricing increases as per the following order: from local brands, which is the lowest, to Chinese, Korean, and then Japanese brands, which is the highest.

In their displays, 21-inch CRT TVs were being placed on the shelves at the CRT TV section. Each shelf had three TVs and these shelves continued for 15 meters (Figure 1). These shelves displayed,

Figure 1. Display of CRT TVs in Store A

sequentially from left to right, TVs of local companies (Vietnamese companies), TCL (Chinese companies), Japanese companies, and Korean companies.

The number of display shelves used for the TVs varies depending on the brand name. Samsung had six shelves with 18 of its TVs on them; TLC, 4.5 shelves; LG, 3; JVC, 3; Toshiba, 2; Panasonic, 1; and Sony, less than one shelf. The store also had Sanyo TVs on two shelves placed near the TVs produced by VTB, a local company.

However, the shelves were not strictly divided according to their brand. Many different brands were displayed on the same shelves. As noted earlier, Sanyo products were placed together with other manufacturers' brands. Even imitation Japanese products were found on the same shelf as authentic Japanese brands. For example, TVs with logo called "PENSONIC" were placed right below the Panasonic TVs.

Brand management for the LCD TV section was found similar to that of the CRT TV. For example, Phillips and Toshiba TVs were placed on stands displaying Sony Bravia TVs. Thus, brand

Figure 2. A Philips LCD TV on a Bravia TV stand in Store A

management at Store A was found to be inconsistent and inadequate (Figure 2).

In addition, for both CRT TVs and LCD TVs, it was found that specific brand's demo videos did not even match with the screen of their own TVs. Stores generally project the brand's original demo videos on the TV screen to display image qualities to customers. Even in case of no demo videos available, the stores in Japan generally show videos prepared by them or the TV programs on air. However, Store A was showing the demo videos of other brands on the TVs produced by different manufactures. For example, they were showing TCL demo videos on Toshiba CRT TVs and LG demo videos on Sony LCD TVs.

It should be noted, however, that not all brands in Store A were managed inconsistently. In fact, the store did have distinctive brand management for Korean products. The Samsung section, for example, was located close to the entrance on the first floor, where the store was intensively displaying Samsung products, such as their LCD TVs (Figure 3). In addition, in the back of this section, there was the LG section, where various LG products were being displayed.

Figure 3. Samsung section in Store A

2.2. Store B

The biggest difference between the TV sales floor of Stores A and B was that Store B had a smaller area for CRT TVs. Store B mainly sells high quality products, with LCD TVs as its core items.

Store B displayed Japanese products more effectively than Store A; brand classification of Store B was clearer than that of Store A. According to a president of a Japanese electronics sales company in Vietnam, Store B salespeople are highly skilled and well versed in the products they deal with. Store B can thus be considered a store with high sales capability.

Nonetheless, Store B also had poor brand management. Sony products, for example, were displayed at the JVC section on the LCD TV sales floor, and were placed under the JVC signboard. A local salesperson at Store B gave the following explanation for such a display:

"We know that this is the JVC section, but we sometimes display brands other than JVC just like this, because if we do not have any new items to display, then we feel we might as well fill in that empty

Figure 4. Display of LCD TVs in Store B

space with some other brands."

Figure 4 shows such a situation in the Panasonic section, in which there is considerable space and insufficient TVs on the display. Store B regarded this situation as rather embarrassing, and thus displayed Sony items at the JVC section as a solution.

Similar to Store A, Store B had no uniform practice of using demo videos that corresponded to TV's brand; they sometimes showed the demo videos of one brand on the TV screen of another.

2.3. Sony Shop and Sony Center

The Sony Shop that Sony directly manages had uniform lines-ups with Sony products and highlighted Sony brand. For example, a mock room was created with various Sony products, such as its LCD TVs, and video and audio items, along with comfortable sofas and other interior items (Figure 5). In such a room, customers could enjoy Sony products and imagine "life with Sony products." Such a display helped customers understand the contribution of Sony products to their daily life.

Another Sony store, called the Sony center, operates as a Sony

Figure 5. Display of products in a Sony Shop

specialty store. The Sony center is located close to Store B. The display of the Sony center is almost the same as that of the Sony shop. The Sony center was once an individual electrical retail store, however, the owner of the store entered into a contract with Sony, and on August 15, 2005, changed the store into a Sony center. Since then, the Sony center has seen steady growth in sales as well as overall performance.

Both the Sony shop and Sony center placed importance on staff training. Particularly, the Sony center's commitment to staff training is notable; the center requires its sales staffs to undergo a three-month product training, followed by a test. If they do not pass the test, they are not able to work as salespeople.

3. Discussion

Electronics retail stores in Vietnam were found to have no clear classifications according to manufacturer brands for product displays. It is also true that retail stores in developed countries often have no special sections for anything other than best-selling brands; however, they seldom place an item of one brand on the section of another, or show demo videos of one brand on the TV screen of another. Therefore, brand management at electronics retail stores in emerging countries is still underdeveloped, compared with that of developed countries.

This inadequate brand management causes harm especially to Japanese companies that sell products at relatively higher prices in emerging countries. When selling high-price products, salespeople are required to provide complete information about the high quality and functions of the products to the customers; thus explaining the high price. At electronic retail stores in Vietnam, however, such attempts are not easy because of the current immature brand management. In other words, placing products of certain brands along with those of other brands or even under the wrong brand section; placing imitation brands right beside original Japanese products; and displaying demo videos of one brand on the TV screen of another, makes it difficult for stores to demonstrate the quality and functions of high-priced products.

In emerging countries, in particular, due to local consumers' lack of product knowledge, when choosing products, the consumers tend to take product brand and origin very seriously, rather than product features and functions (Batra, 1997; Essoussi & Merunka, 2007). Such immature brand management practiced by the local retail stores may be hindering the sales of Japanese brands, because the high quality and functions of their products are not well promoted to the local consumers.

The findings presented in this study may explain Japanese companies' predicaments in emerging markets. Prior studies have suggested that products of companies in developed countries such as Japan have difficulty in gaining popularity in emerging markets due to the high pricing of their products (London & Hart, 2004; Shintaku & Amano, 2009). This paper argues, however, that issues of local retail stores can preclude the high quality and functions of such products from being fairly recognized and promoted by customers.

These findings imply amendments in the strategies of Japanese companies in emerging markets. Prior research has suggested that Japanese companies should make their efforts to lower their products prices based on the assumption that the high quality and functions of Japanese products have already been well recognized by customers (Shintaku & Amano, 2009). At the same time, other studies argue that many Japanese companies have gone into the premium segment by emphasizing the high quality and functions of their products (Horn, Forsans, & Cross, 2010). However, If the high quality and functions of Japanese companies' products are still not identified in emerging countries because of inadequate brand management, Japanese companies should actively engage in brand management with sales channel in which they can effectively deliver the right message about their products to local customers.

In fact, some companies have been successful in focusing on building brand management through the sales channel in Vietnam. Korean companies (Samsung and LG) have local electronic retail stores plan the sections exclusively for their products; Sony sells only its own products in its directly managed stores and specialty stores. Reasons for these three companies' large market share in Vietnam may come from their active involvements in building brand management through the sales channel.

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