Products they are a-changin'

How a third way marketing strategy was adopted in Vietnam

Review

How to market a new product in a developing country? This question, you would be right in thinking, is straight from the International Marketing 101 course. Any masters or MBA student will look into this at the start of their course and build from there. And they will cover the standard plays from the textbook as well. But are these the right plays for every product, every market, and every time?

Because sometimes the textbook answer does not seem enough. What if the product includes an untried technology or the cultural mix has not been tried before? This is where academic research can – or even should – come in and offer a theory that can be tried or indeed answer any questions that may arise. Good academic research will offer reviews of established ideas, and potentially tests in different environments. If you are lucky, this environment will cover something relevant to an area of interest – although this can never of course be guaranteed. Great academic research takes the question beyond previous attempts and offers a completely new solution.

Multinationals, multiple choices

If we take our example and add some details – European multinational companies (MNCs) entering the emerging market of Vietnam in the common fast-moving consumer goods (FMCG) markets – then can we see some answers from researchers? Well, two Thailand-based authors certainly think so. Beat Hans Wafler and Yousre F. Badir have completed research in this area in their article "Global products marketing strategy of two European MNCs in Vietnam". Rather than stick with the playbook, they observed two MNCs and offered a third explanation as to what happened during their time of entering the Vietnam market.

The MNCs in question were Nestle and Unilever, and their approach to Vietnam between 1995 and 2005. Both firms entered the market at roughly the same time and introduced a number of new products between in the FMCG sectors. The authors define this period in two phases – market entry (1995-2000) and maturity (2001-2005). The study looked at both firms' launches of six products each in food, personal care, and home care categories.

Stick or twist

Primary in the considerations of the authors was to understand the MNCs' approaches, given the market uncertainty and political instability by using a case study approach and interviews with executives to try and really get under the skin of the decision-making and drivers apparent at the time. For example, in the region there was the bursting of the dot com bubble, concerns of the Millennium bug, and particularly in the region the handover of Hong Kong from the UK to China. All of these factors, as well as the usual cultural contexts, had to be taken into account by firms operating in an emerging market like Vietnam at the time. In addition, other factors would also include internal and external "fit" of firms and how

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they respond to the challenge of entering a new market with limited consumer data available, and also "risk" in terms of the extent to which the risk of the unknown in a given market is balanced by the investment needed to enter the market and the potential reward of being successful.

The first two tried-and-tested plays for any MNC in a market entry situation in a developing market like Vietnam would center around standardization and adaptation. A standardized approach concerns a product marketing strategy (PMS) where the product launched into a new market is exactly the same as the product in a firm's country of origin. However, an adaptive approach is where the product is changed to suit the new market in some way – be it in flavor, color, size, or package design.

A third way

In respect to Nestle and Unilever, both MNCs used a different tack in entering some of their products into the Vietnamese market in the late 1990s, and this included what is known as a "semi-adapted" strategy. This involved a product that had been changed from that sold in Europe, but was the same as that sold in other more established regional markets, in this case in South East Asia. For example, in the case of Unilever, this included the launch of Dove shower gel into Vietnam, which while different to the brand sold in the UK or The Netherlands where the firm has its roots, was similar to the version of the brand sold in nearby countries to Vietnam.

The early phase of market entry in the late 1990s was marked by the high risk of unknowns, and both firms used a mix of standardized and semi-adaptive approaches with varying results. It seemed that the relatively high risk and instability in the region, as well as the high cost of R&D, meant that purely adaptive strategies were not chosen for entry into Vietnam. Where products were standardized, it tended to be for non-durable products, for example, an ice-cream product Unilever launched. For more durable products, risk and costs were hedged by importing semi-adapted products into Vietnam from more mature markets. For example, Nestle launched the Milo brand in Vietnam after being present in Australia for decades and successful in adjacent Asian markets.

Success and maturity

In the second phase of both the firms' market entry into Vietnam in the early 2000s, lower risk and increased market knowledge meant that some key decisions could be made about how to develop the PMS for each launch. Unsurprisingly, both adopted an "if it ain't broke don't fix it" approach to those products that had been successful, and in some cases, these had already headed to the top of their market segment.

Both firms did have to discontinue a product that had a standardized PMS, and each one used an adaptive PMS strategy after initial failings. However, the semi-adaptive approach was used and was successful in most cases, showing that for European MNCs entering into Vietnam at this time, using regional market knowledge, manufacturing bases, and product feedback was key to counter-acting the risks from political instability and uncertainty in a developing market.

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Comment

The article "Global products marketing strategy of two European MNCs in Vietnam" by Wafler and Badir (2017) is a must-read case study for any product manager seeking to launch a new product into an emerging economy where there is limited market knowledge. Both the firms analyzed in the study got some things wrong with their products, but mostly they got it very right with their semi-adaptive strategy. This is much more satisfying than the textbook approach many will have been exposed to.

Keywords:
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Reference

Wafler, B.H. and Badir, Y.F. (2017), "Global products marketing strategy of two European MNCs in Vietnam", *Journal of Product & Brand Management*, Vol. 26 No. 6, pp. 573-588.