

The Strategy of Korean Firms to Enter Vietnam Market

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한국 기업의 베트남 유통시장 진출 전략에 관한 연구

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Abstract

The purpose of this paper is to suggest strategies for Korean companies to overcome the limitation of the international trade structure between Korea and Vietnam. This study examined foreign multinational distribution companies, Korean distribution companies and domestic distribution companies in Vietnam. A SWOT analysis conducted to propose effective strategies revealed that Saigon Mart, Vietnam's largest regional mart company, needs an O/W strategy and to capture market opportunities quickly through strategic alliances with foreign distribution companies, in order to gradually complement their core competencies internally. Lotte mart in Vietnam, one of Korea's three largest marts, needs to establish a T/S strategy in order to overcome the crisis situation in Vietnam market and succeed in business. BIG C Mart has over 40,000 diverse products needs to use a T/S strategy in order to effectively overcome the crisis situation in the Vietnamese market and to increase the possibility of business success. From the study findings and conclusions, various implications are derived. Vietnam is still very strong in socialism and regional characteristics, so it needs to build up close cooperation such as joint venture with local partners in the region and strategic alliances to increase the possibility of investment success.

Keywords: Korea and Vietnam, Entry Strategy, SWOT, Distribution Market

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I. Introduction

This paper aims to suggest strategies for Korean companies to overcome the limitation of international trade structure in between Korea and Vietnam.

Recently, Vietnam has emerged as a global production base replacing China by concluding FTAs with huge economic countries such as the US, EU and EAEU. The inflow of foreign investment to Vietnam as a production base has greatly increased to utilize access to excellent foreign markets and low-wage labor. Based on this, the Vietnamese economy achieved a steady growth of 5~6%.

Also, Korea chose Vietnam as a market replacing China and increased trade volume. Korea utilizes Vietnam market as a processing and local production base for re-exporting the third market. Capital goods and intermediate goods for production and processing accounted for 22.1% and 64% of Korea's export to Vietnam, respectively. In other words, these goods for production and processing takes up majority in Korea's export to Vietnam, while consumer goods which is consumed in Vietnam takes up 13.4% in 2016.

Export of these goods for production and processing that needs to operate production facilities in Vietnam reacts sensitively to Vietnam's currency exchange rates and economic fluctuations. Also, consumption market in Vietnam is a high potential with annual growth rate of more than 10%. As over 6% economic growth rate and purchasing power improved, the growth of consumption market has been increasing. To avoid the risk of exchange rate and economic fluctuation and create better profits, Korea needs to increase export of consumer goods and establish more effective sales strategies about distribution industry in Vietnam that consumes these export goods.

Distribution market has been completely opened and foreign companies have been allowed to establish a local subsidiary in Vietnam with a 100% stake since January 2015. This deregulation accelerated large foreign distribution enterprises to enter Vietnam market.

The Vietnamese government predicted that the proportion of new retail industry would increase to 30% by 2010 and expand to 60% by 2020, and many foreign-invest companies would actively enter the Vietnamese market.

As a result, there is intense competition among multinational distribution companies such as Metro in Germany, Big C in France, Lotte Mart in Korea, and domestic distribution companies in Vietnam. These multinational distribution companies have potential capital capabilities, high brand awareness, and partnerships with large local partners in the retail sector.

The Vietnamese market is in favor of Korean companies because of conclusion of Korea-Vietnam FTA, strengthening economic cooperation, and favorable image about Korea caused by the Korean Wave craze. So, Korean companies need to enter and expand the retail market in Vietnam using these good environments.

II. Theoretical background and Methodology

1. Theoretical background

This paper focuses on exploring strategies for entry into the Vietnamese retail market. Therefore, it is necessary to review the theoretical motives of companies' entry into overseas markets.

As industries develop, competitors increase, their markets become saturated, and

companies feel the need to decrease their risks about a single market within their own countries. The motives of companies' entry into overseas markets is stimulated by the growth limitations in the domestic market, the increase of domestic competition, the domestic economic situation, the dispersion of international exchange risk, and the marginal production of capital (Johanson, 1997; Yoo, Kwang-Yeol, 2007)

There are a monopolistic advantage theory and a resource-based theory that can explain the fundamental reasons why companies enter overseas markets. The monopolistic advantage theory is that a foreign company must have a monopolistic advantage offsetting inevitable disadvantages in competition with local company.

Monopolistic advantage theory is that multinational companies have their own unique and various monopolistic advantages unlike domestic corporations and they invest in overseas to maximize profits using these advantages. This monopolistic advantage theory explaining the motives of foreign direct investment was systemized by C. P. Kindleburger and S. Hymer. According to Kindleburger, foreign investment is possible only if there is a superior monopoly advantage that can offset the foreign costs that a company has to go through when entering a foreign country. This monopolistic advantage arises from the premise that market structures such as superior products and technologies that lead to superiority are imperfect. In other words, because the market for excellent products and technologies is imperfect, these products and technologies are owned by only some of the multinational companies and others cannot easily acquire these advantages.

On the other hand, resource-based theory points out the importance of the resources

and capabilities that an organization has, and the company's ongoing competitive advantage is not only the opportunity they encounter in the environment, but also the unique firm-specific based on resources / capabilities.

Here, resources refer to tangible and intangible assets such as financial assets, equipment, brand names, technical knowledge, marketing know-how, organizational operation process, etc. Capabilities are to effectively manage, utilize and extend resources by integrating their own resources. Companies have these tangible and intangible resources / capabilities to outperform their competitors in the market and gain much profit as a form of rent.

Therefore, companies can enter adjacent markets or product sectors where their resources can be used effectively by identifying their unique resources. Companies will continue to gain competitive advantages by managing and utilizing their resources (Dierickx and Cool, 1989; Wernerfelt, 1984; Barney, 1991).

In this paper, we examined distribution companies that have already entered the Vietnamese distribution market on the basis of resource-based-theory rather than monopolistic advantage theory. Because most companies enter overseas market to utilize their resources and capabilities.

Also, the motive of Korean companies' entry into the Vietnamese market was to utilize their own technology knowledge and intermediate goods as resources. They established local production base in Vietnam and utilized Vietnamese rich labor force and low wages to bypass-export to the 3rd country not focusing on Vietnamese consumption market. (Noh, Seung-hyuk, 2004). Because Vietnamese consumption market was not active and the consumption level was low before 2015 deregulation. However, Vietnamese distribution market has been completely opened and

consumption market has grown since 2015 deregulation. So, Korean companies need to focus on Vietnamese consumption market to utilize their resources.

2. Methodology

This study examined foreign multinational distribution companies, Korean distribution companies and domestic distribution companies in Vietnam and used SWOT analysis to establish effective strategies.

Situation analysis is a very important basis for establishing strategy and SWOT analysis is the developed tool for this purpose.

SWOT analysis is an analytical tool that enables the establishment of a strategy based on important factors such as the external environment and the internal environment of a company. It is practically possible to establish a strategy by analyzing the situation that has been performed without any complicated work or quantification.

In this way, SWOT analysis is a chart that shows the strength and weakness of the company internally and the opportunities and threats of the market externally. The SWOT Matrix is based on the analysis of various factors, and it can be said that it is a process to derive a strategy to win the market competition (Kotler, 1997).

The purpose of strategic situation analysis through SWOT analysis is not only to make SWOT Matrix but also to establish appropriate strategy based on SWOT analysis. The following four strategic directions are suggested when establishing market entry strategies through SWOT analysis. Companies that want to enter distribution market in Vietnam need to identify their strengths and weaknesses, target market opportunities and threats.

First is O/S strategy that all companies

want to pursue. There are both many opportunities in the market situation and many strengths of companies that can strategically utilize the opportunity internally. Companies can pursue strategies to preoccupy these market opportunities with their own capabilities and strategies to expand the market, increasing product lines.

Second is O/W strategy. The market situation is favorable to the company but lacks core competence to take advantage of this opportunity. In other words, there are many opportunities and many weaknesses of companies. In this case, companies can choose a strategy to strengthen their capabilities or a strategy to form strategic alliances and gradually complement their core competencies internally to capture their market opportunities in the short term.

Third is T/S strategy. There are relatively many threats in the market, but companies have the capacities to cope with them. Therefore, companies can take strategies to actively utilize their strengths to obtain a stable market by penetrating deeper into the previously competing markets and to prevent a variety of threats by expanding their product line.

Fourth is T/W strategy that all companies want to avoid. There are threats in the market and companies have no capacity to overcome them. If the situation is expected to deteriorate further, companies can choose a strategy to withdraw from the market for their overall survival.

3. Precedent research

Nguyen Thuy Linh (2011) analyzed the impact of service quality on customer satisfaction in the Vietnamese market, focusing on large-scale marts. This paper presented a

Table 1. Detailed strategy direction based on SWOT analysis

Division	Opportunity	Threat
Strength	O/S Strategy <ul style="list-style-type: none"> • Market Opportunity Preemption Strategy • Market / Product Diversification Strategy 	T/S Strategy <ul style="list-style-type: none"> • Market penetration strategy • Product expansion strategy
Weakness	O/W Strategy <ul style="list-style-type: none"> • Core Competency Strengthening Strategy • Strategic Alliance 	T/W Strategy <ul style="list-style-type: none"> • Withdrawal strategy

Source: Han, Sang-Man et al.(2007), Marketing Strategy, Park Young-Sa, pp. 127-133

comprehensive analysis of the characteristics, current status and prospects of the Vietnamese retail market, and correlation among the quality of large discount stores, customer satisfaction, word of mouth effect and intention to reuse.

Lee, Ho-Jong (2012) analyzed the success factors of Saigon Co.opmart and Trung Nguyen Coffee franchise. This paper suggested that Korean companies can have a great deal of implication for establishing a strategy to enter the Vietnamese market.

Sa, Yoo-Yo (2013) analyzed the characteristics of the Chinese retail market and the current status of the retail market in China. And this paper presented and compared strategies of Carrefour, Wal-Mart, Ito-Yokado, and E-Mart which has already entered Chinese market. In particular, it suggested appropriate strategies by analyzing the failure factors of Korean companies and successful factors of foreign retailers for Chinese market.

Ryu, Soo-jin (2013) studied things to consider when entering Chinese market such as selection of areas, field, network, and marketing. Also, it mentioned the policy direction of the government including the development of high-value-added products through strengthening R & D support, the securing of sales channels, and the

implementation of policies related to the training of professional manpower.

Duong, Thi Hang (2014) suggested a strategy for Korean companies to enter Vietnamese distribution markets by analyzing actual entry cases from five foreign distribution enterprises, Korean distribution enterprises, and Vietnam domestic distribution enterprises.

Hoai, Vu Thi Thu (2016) focused on Lotte Shopping Group and Parkson Retail Asia Case studies. The difference between Lotte Shopping and other retailers is that they have a shopping center complex service including shopping and entertainment. Moreover, they have diverse shopping channels such as offline stores, online and TV home shopping stores.

Nguyen Manh Cuong (2017) analyzed three representative retailers and suggested some rational overseas entry strategy through problems and risk factors of entry into the Vietnamese market.

Although this study has not fundamentally deviated from the limit of exploratory research, it tried to find practical strategies to match the situation of Vietnamese market by analyzing companies' entry cases in connection with SWOT analysis and drawing implications. It has made some practical contribution in that it has tried to draw up a practical

Table 2. Economic and Social Overview of Vietnam

Div.	Detailed index	Goal
economy	GDP Growth rate	6.7%
	Consumer Price Index (CPI) Growth Rate	4%
	Total trade volume growth rate	6-7%
	Trade deficit (ratio of imports to exports)	About 3/5%
Social	Percentage of workers receiving vocational training	55-57%
	Percentage of Health Insurance Members	82.2%
	Urban unemployment rate	Less than 4%
	Proportion of industrial processing plants equipped with wastewater treatment system	87%
	Forest coverage rate	41-45%

Source: Resolution No.23/2016/QH14

strategy that meets the reality of Korean companies.

III. Findings

1. Current status of Vietnamese distribution market

1) Overview of the Vietnamese market

Korea's export and investment to Vietnam have accelerated since conclusion of Korea-Vietnam FTA in December 2015. Diplomatic, economic and cultural cooperation between the two countries would expect to further expand with the 25th anniversary of Korea-Vietnam diplomatic relations, in 2017. International status of Vietnam has elevated because of Vietnam was selected as the host of the Asia-Pacific Economic Cooperation (APEC) Summit in 2017. Therefore, Korean companies need to carefully examine market trends such as investment attract and industrialization promotion policies, infrastructure construction

and construction project in Vietnam and establish strategies to enter the market.

2) Vietnam's distribution structure

(1) Retail Market Sector

Vietnam's traditional distribution sector has about 8,000 markets throughout Vietnam and the form of private ownership is common. Stores don't have variety of products and face lack of refrigeration facilities, modern features, and its unique features. The modern distribution sector is expanding at a rapid rate of more than 20% annually by utilizing the latest technology, equipment and strong financial resources. Traditional distribution channels still occupy a high share (40.9%) in the overall market and there are still few modern facilities and urbanization. Bic C, a French company, and Lotte Mart, a Korean company are the fastest-growing distributors in Vietnam. Local companies are competing with world brands by strengthening competitiveness and distribution system.

Vietnam's traditional distribution market is dominated by traditional markets, but

Table 3. Vietnam's leading online shopping mall

Shopping mall	Key Features
Lazada(www.lazada.vn)	<ul style="list-style-type: none"> • Lazada Vietnam is a comprehensive shopping mall launched by the German Rocket Internet Group in March 2012 and accelerating business expansion in Southeast Asia. • Number 1 Vietnamese online shopping mall
ChoDienTu.vn(www.chodientu.vn)	<ul style="list-style-type: none"> • 29% market share in Vietnam online shopping market
Yes24 VN (www.yes24.vn)	<ul style="list-style-type: none"> • Vietnam's first 100% invested online distributor with the approval of investment permission from the Vietnamese government in 2009 • Many Korean products sell through it.

Source: Writing by author

supermarkets and shopping centers have been spreading rapidly since the influx of foreign companies. Especially, convenience stores and small-scale mart industries have high potential due to the busy industrial environment and urban traffic problems.

Large retailers are entering the heart of the city's distribution system with the latest technology, equipment and strong funding and are gradually importing goods directly from foreign suppliers. 18-20% of imported high quality goods were sold through modern outlets.

(2) Online shopping market

As the number of Internet users in Vietnam increases, it is expected that foreign companies will actively enter the online shopping market in Vietnam. Clothing, footwear, and cosmetics accounted for 60% of total online shopping volume as the top selling items in the Internet shopping mall.

Consumers are satisfied with the Internet shopping service, but it is still necessary to build a system and infrastructure for the development of the Internet shopping industry in Vietnam. Online distribution market such as home shopping, internet, and shopping mall is expanding very rapidly with the

changes in the offline distribution market. Korea's CJ O Shopping, GS Home Shopping and Lotte Home Shopping are already in business, and Hyundai Home Shopping started broadcasting in January 2016. Yes24 has entered the Internet shopping mall, competing with companies such as Lazada in Germany and Sendo in Vietnam. In Vietnam, the online distribution market has grown rapidly from 540 million US dollars in 2012 to about 3,2 billion US dollars in 2015. There are many factors to enable growth such as high internet penetration rate, convenience of online shopping. Cash on delivery (COD) system is the main factor that activated the online distribution market among them. COD is becoming popular in Vietnam, where credit card penetration rate is low and Internet banking is at its early stage because buyers can pay for the goods after confirming the goods without paying them in advance.

(3) Showroom and drugstore

A sole store is called a showroom in the Vietnamese market. The concept of a showroom is not so different from that of a general brand store, but it creates a comfortable and trustful environment by creating a

Table 4. SWOT analysis of SAIGON Mart

Strength	Weakness
<ul style="list-style-type: none"> • Domestic distribution companies and vast market area • High degree of cooperation with large enterprises in distribution field / securing professional manpower • Build good image and reputation in mind of consumers • Good marketing and service • Government support • High understanding of Vietnamese market and consumer culture 	<ul style="list-style-type: none"> • Weak price competitiveness • Lack of distribution infrastructure and system DB • Poor advertising strategy • The gap between Vietnam and other foreign distributors • Narrow store size • Lack of available managers when opening new stores • Weak capital
Opportunity	Threats
<ul style="list-style-type: none"> • Continuous increase in sales • Consumption demand and shopping increase caused by economic development • Government's stimulus package • Familiar with supermarket shopping culture of domestic consumers • Government tax incentive policies in cooperation with foreign companies 	<ul style="list-style-type: none"> • Competition with foreign distribution companies • Competitiveness is not ready yet • Difficulty for Good rental • Merger of large supermarkets • The global economic crisis has a negative impact on the purchasing power of Vietnamese consumers

Source: <http://www.co.opmart.com.vn>

demonstration atmosphere. Companies that are already building high brand awareness or want to increase their brand awareness are launching a stand-alone showroom.

Drugstore is a place to sell simple merchandise like Olive Young in Korea. Drugstores in Vietnam have not been active compared to neighboring Thailand. The representative drug store in Vietnam are Guardian, which operates 24 stores in Ho Chi Minh and 3 stores in Hanoi and distributes global famous brand products mainly.

2. SWOT analysis of Vietnam distribution companies

1) SAIGON CO.OP Mart, VIETNAM

Vietnam Saigon CO.Op Mart is Vietnam's largest regional mart company established in 1989 and is a state-owned distribution

company in Vietnam. At present, there are about 80 discount stores in Vietnam (mostly in Ho Chi Minh, others in other areas), which accounts for the largest number of stores in Vietnam. SAIGON Mart entered a new stage of development from 1998 to 2003. The cooperative law was enacted in January 1997, and SAIGON Mart was evaluated as a good example of cooperative operation. SAIGON Mart created a cooperative supermarket chain in Ho Chi Minh by benchmarking experiences from KF Systems (Sweden), NTUC Fair Price (Singapore) and CO.Op (Japan).

In 1998, SAIGON Mart invested a lot of resources in retail activities, restructuring the organization and manpower. SWOT analysis reveals that SAIGON Mart has an advantage in Vietnam's distribution market environment, but it lacks its core competence to take advantage of this opportunity. In other words, SAIGON Mart as a domestic distribution

company has advantages in terms of consumer awareness and a wide sales area as compared with foreign companies and being recognized as an attractive cooperative partner for foreign distribution companies. But, it has weaknesses in terms of weak price competitiveness, shortage of distribution infrastructure and system database, ineffective advertising strategy, existence of competitiveness gap with other foreign distribution companies, narrow stores, weak capital, etc. Although SAIGON Mart has high recognition to consumers in the southern part of Vietnam, a favorable position, and their cheap price image of goods, it has a difficulty in increasing sales because the proportion of imported goods is low. In addition, it is analyzed that because the store space is narrow and complicated, they act as an obstacle for promoting sales in the store.

According to O/W strategy, first, it needs to strengthen its capacity to utilize market opportunities to the fullest. 2nd, it needs to capture market opportunities through strategic alliances with foreign distribution companies in a short period of time, gradually complementing their core competencies internally.

2) LOTTE Mart in Vietnam

LOTTE Mart is one of Korea's three largest marts and operates a total of 244 stores in 2013. LOTTE Mart started with the name 'LOTTE MAGNET' at the time of its first opening but changed its name to 'LOTTE Mart' which is the current name of mart since June 2002. LOTTE Mart as a global distribution company is growing not only in Korea but also global market, attracting 1 million customers every day in Vietnam and elsewhere. Lotte Mart is aiming to become the first Asian distribution company in 2018. In the case of LOTTE Mart, which has entered Vietnam,

sales analysis showed a 50% increase in sales for the fourth consecutive year and the sales of six stores exceeded 100 billion won and the sales growth rate exceeded 55%.

SWOT analysis shows that Lotte Mart needs to establish T/S strategy in order to overcome the crisis situation in Vietnam market and succeed in business.

In other words, although Lotte Mart has a relatively large number of threats in the Vietnamese market, it has accumulated enough capacity to cope with it, making full use of its strengths. Lotte Mart are choosing strategies to actively utilize their strengths to obtain a stable market by penetrating deeper into the previously competing markets and to prevent a variety of threats by expanding their product line.

Considering these strategic directions, Lotte Mart needs to complement the following detailed strategies to reduce risks. First of all, efforts should be made to promote sales by actively utilizing younger employees, expanding market share, and establishing a stable supply chain. In the long term, it is necessary to emphasize having cooperative relationship with the Vietnamese government and a similar culture and contributing to regional development by investing. In order to overcome inflation, it is necessary to secure price competitiveness through price discount promotion policy and respond appropriately and promptly to Vietnamese consumer brands that are being upgraded day by day. Also, LOTTE Mart needs to actively employ and train local Vietnamese workers in order to establish 60 stores by 2020.

3) BIG C Mart of France in Vietnam

Casino Group, the predecessor(VIDEMIA), of BIG C Mart, entered the Vietnamese

Table 5. SWOT analysis of Vietnam LOTTE Mart

Strengths	Weakness
<ul style="list-style-type: none"> • Sufficient funds • Investment in early Vietnam • Consumer culture has many similarities between Vietnam and Korea • Abundance of domestic marketing know-how 	<ul style="list-style-type: none"> • Global management firms and lack of experience • Consumer awareness that supermarket prices are high • Difficulty in securing a store site due to high rent • Its own brand (Private Brand) is more suitable for Korean emotion than Vietnam
Opportunities	Threats
<ul style="list-style-type: none"> • Vietnam's income rise • Growth potential not yet preempted High untapped market • Young consumers' desire for high consumption (overseas brand preference) and modern consumption tendency • Low expertise of local retailers in Vietnam • Role as a base for Southeast Asian market entry 	<ul style="list-style-type: none"> • Continuous inflation • Competitor's entry into Vietnam • Poor distribution infrastructure (high logistics costs, excessive distribution cost, lack of professional staff) • Lack of credit and trust • Inevitable competition of foreign distribution discount store

Source: Lotte Mart homepage data citation (<http://lottomart.co.kr>)

Table 6. French Retailer BIG C Mart SWOT analysis

Strengths	Weakness
<ul style="list-style-type: none"> • Modern facilities • Brand recognition is high • Securing price competitiveness • Securing variety of handling products • Employee expertise 	<ul style="list-style-type: none"> • Small stores • Slow payment system • Unstable quality level • Lack of promptness and grasping consumer needs
Opportunities	Threats
<ul style="list-style-type: none"> • Improved the living standards of Vietnamese people • Entry into the WTO • Continuous distribution market growth • Strengthening government support for companies using domestic products in Vietnam • Vietnam's economic stimulus package • Government protection policy for domestic distributors through ENT (Economic Needs Test) regulation 	<ul style="list-style-type: none"> • Consumer price increases due to persistent inflation • Competition intensifies in distribution market after joining WTO • Vendor's weak supply system • Due to the rapid growth of home shopping in Vietnam, • Continuous increase of competition among distribution companies

Source: www.biqc.vn

market in 1998, considering that the growth potential of the Vietnamese distribution market is greater than other markets, BIC C Mart opened its first store in Dong Nai, Vietnam, but failed to expand sales due to

ineffective management strategy and 'VIDEMIA' changed its name to 'BIG C Mart' in 2003.

Each store in BIG C Mart has over 40,000 diverse products to satisfy consumers' needs,

Table 7. SWOT Analysis of Vietnam entry

Strengths	Opportunities
<ul style="list-style-type: none"> • Relatively low labor costs and young population structure • Wide territory and abundant resources • A geographical advantage that is bordered by China and easy access to major markets such as the US through the eastern maritime route • Expansion of market through various economic integration including TPP, AEC, EV FTA 	<ul style="list-style-type: none"> • Market expansion with 90 million people and income increase • KV FTA, TPP, EVFTA concluded, AEC launch, etc. • Government-led infrastructure construction projects and public procurement demand • M&A market revitalization due to government deregulation and privatization of public corporations
Weaknesses	Threats
<ul style="list-style-type: none"> • Vulnerable industries (raw subsidiary material, parts material, etc.) • Lack of financial resources of Vietnamese government and state-owned enterprises • Lack of transparency and consistency in administration and law, and unclear laws and regulations • Inadequate IP protection • Lack of skilled labor 	<ul style="list-style-type: none"> • Intensifying competition in Vietnam due to accelerated market opening, • High public debt ratio to GDP • Vietnam's economic instability due to high export dependence

Source: KOTRA (2017), "Strategy to enter Vietnam in 2017", Hanoi Trade Center

BIG C Mart provides customers with a modern shopping space, effective customer service, thorough quality control, reasonable prices and a wide range of products. BIG C MART aimed at supplying products superior in quality and competitive in price compared to competitors' products in order to secure competitiveness after entering Vietnam. But, BIG C MART is facing difficulty in achieving the goal due to Vietnam's consumer culture, vulnerable infrastructure, foreign investment laws, and poor market conditions for the investment environment.

In this situation, it is necessary to use T/S strategy in order to effectively overcome the crisis situation in the Vietnamese market and to increase the possibility of business success through the SWOT analysis. In other words, BIG C Mart has a relatively large number of threats, but it has chosen strategies to prevent threats by expanding product lines and

obtain a stable market by penetrating deeper into existing competitive markets.

IV. Entry strategies of Korean enterprises into Vietnamese distribution market

It needs to utilize various online and offline distribution channels such as e-commerce, large distribution networks and TV home shopping in order to enter rapidly growing consumer market in Vietnam. Also, it needs to enhance the quality, technology and brand image, and establish customized marketing strategy. It is recommended to build infrastructures through networks and win public procurement projects with major clients and agents. It is necessary to build corporate image as a partner to grow together with Vietnam through CSV.

1. Localization Strategy for Trust-based Korea-Vietnam Business Cooperation

These days, Vietnam is in a period of new economic growth so that more reliable socio-economic upgrade is demanded not only at the government level but also at the level of public recognition. As social recognition level and purchasing power of Vietnam grow, it is necessary to establish new strategies for a new upgraded level.

It is important to form a 'Trust KOREA' image in order to maintain a one-stage upgraded co-evolution relationship with Vietnam. Vietnamese people are responding positively to the Korean Wave by getting acquainted with Korean movies, dramas, and music, and recognize that "Koreans are pretty, sophisticated, well-paid, smart, and culturally very similar."

It is also positive that large companies such as Samsung, LG, and Lotte have entered the market and are leading the way in job creation and export in Vietnam. For example, although there was a Samsung Galaxy Note 7 accident, there were many reactions that it would be resolved rather than worrying and Samsung would continue to buy Samsung products in Vietnam.

On the other hand, it was mentioned that Vietnam people can change their attitude if Korean companies discriminate product quality between domestic products for Vietnamese consumers and export products for other countries and in case there are environmental pollution and labor exploitation.

As a result, Korean companies need to reinforce the icon of trust as "reliable products" and "great place to work." In addition, it is necessary to prepare certifications and eco-friendly marks required at the level of

developed countries, and to practice environmental management and fair management.

2. Market Segmentation Strategy with Geographical Difference

Vietnam is a country with a large land area. It has a different life style, consumption culture, and commercial practice in each region, and its business style is not based on the national scale but based on regional business style. Therefore, it is also necessary to establish a detailed strategy for entry into Vietnam, not the whole Vietnam when establishing a marketing strategy.

It is desirable to adapt and accumulate stable sales results in a certain area for a period of time and then expand the sales network to other regions rather than establishing a sales network in Vietnam at the same time.

Vietnam is a gigantic market with a population of 94 million and the area is twice as big as Korea so that a huge entry cost is needed. It needs to set up a target market through segmentation of the market in order to select a market that can maximize Korean companies' experience and capacity.

3. Product differentiation strategy

As foreign distributors already dominate the Vietnamese market, it is essential for Korean companies to establish appropriate positioning strategies to differentiate their products from existing ones in terms of product composition, price, and operating system.

It is not easy to establish brand power in Vietnam when global brands have already entered the market. Therefore, only a few large and medium-sized companies that already have globalized technology and

brands will be able to enter the market relatively easy.

When entering the Vietnamese distribution market, it is better not to handle low-priced products as much as possible. Korean companies cannot compete with Vietnamese domestic distribution companies in terms of price. Also, if the market is targeted only by luxury goods, the probability of success will be low because foreign multinational distribution companies have secured customer preference in high-priced products. As a result, Korean companies will eventually have to compete for mid-and high-priced products.

Although the brand is not known, if quality and price are not inferior to luxury goods, it can cause interest of Vietnamese consumers. It is essential to have a mid-and high-priced policy even if we see 'Choco Pie' which is called the most successful company in Vietnam or 'Nong Shim' which succeeded even though it is a late runner.

What is needed to enter the Vietnamese market is not a better and cheaper product, but a new concept product or service. Based on the long-established know-how of the domestic market, Korean food companies are constantly introducing new concept products.

In addition, competitiveness should be secured through cooperation with Korean manufacturer and logistics companies in Vietnam. Korean companies are able to secure stable supply of products through cooperation with competitive manufacturer in electronic products, household appliances, and consumer products areas. In cooperation with Korean logistics companies, Korean companies can solve the problems caused by the lack of infrastructure industry and manage the efficient logistics system such as transportation, storage, and inventory management, so that it is possible to adjust the order schedule and product quantity appropriately.

Collaboration with manufacturers and logistics companies enables retailers to enter the Vietnamese market with consumer confidence and differentiated goods supply. Korean companies should strive to increase their brand value by winning their skills rather than quality and price. By constantly developing and selling excellent products, Korean companies must enhance the image of Korean companies, and expand and cultivate professional workers such as product planners who have the ability to plan and sell differentiated products.

4. On-line distribution market strategy

Vietnam's online distribution market can be used as a niche market strategy to avoid competition with large companies. Although the online market size is still small, the share of the entire distribution market is steadily increasing, reaching 0.36% in 2012 and 0.92% in 2016. According to the "2016-2020 e-commerce development plan," the Vietnamese government plans to increase its e-commerce sales to 10 billion US dollars, about 5% of total retail sales by 2020. In 2016, Vietnam's online distribution market grew 31% year-on-year by approximately 838.7 million US dollars.

The key factor is price to Vietnamese consumers in on-line market. Especially, the main purchase items in online market are household goods, fashion and beauty products which have big price elasticity product. So, caution is needed when setting prices.

It is also important to have experienced local shipping partners because Vietnamese consumers are sensitive to product delivery delays. The role of logistics and delivery in e-commerce is very important, but the level

of logistics infrastructure in Vietnam still does not meet the expectations of local companies and consumers.

Vietnam e-commerce is preferred COD payment method and 85-90% of all transactions are made by cash settlement. Because the on-line market in Vietnam is still at an early stage, and the reliability of product quality purchased through online is low. Retailers are also lukewarm to invest in card and online payment systems, and many consumers are alarmed by electronic payment fraud cases. On the other hand, mobile shopping trend is spreading recently with the focus on the so-called "TechSavvy" group, young and understanding of technology. Retailers, including LAZADA, the largest e-commerce company in Vietnam, are making efforts to attract mobile payments by offering mobile discount coupons when making web payments. It is recommended that Vietnamese e-commerce web sites have to link Facebook, which induce website visit and product purchase. Linking Google is also effective and need to utilize marketing tools such as Google Edwards and SEO(Search Engine Optimization).

V. Conclusions & Implications

The Vietnamese market has many advantages, such as rapid economic growth, attracting foreign investment, increased exports and imports, reduced inflation, and increased population density. However, it should not be overlooked that there are still disadvantages such as poor logistics infrastructure and government intervention. The Vietnamese distribution industry is expected to expand further due to its rich market potential and aggressive foreign investment policy.

Since the opening of the distribution

market in Vietnam, the expansion of multinational distributors, Vietnamese distributors, and Korean distributors has been greatly expanded. Intense competition is anticipated over the market share among these companies in the Vietnamese market, so a tight entry strategy can be established to reduce the risk of entry and increase the possibility of business success.

In this paper, the SWOT analysis of BIG C Mart, Saigon Mart, and Lotte Mart, which entered the Vietnamese distribution market, was conducted to find a strategic way for Korean companies to enter the Vietnamese market in the future. According to the SWOT analysis, Saigon Mart, Vietnam's largest regional mart company needs to O/W strategy. It needs to capture market opportunities through strategic alliances with foreign distribution companies in a short period of time, gradually complementing their core competencies internally. Lotte mart in Vietnam, one of Korea's three largest marts needs to establish T/S strategy in order to overcome the crisis situation in Vietnam market and succeed in business. BIG C Mart has over 40,000 diverse products needs to use T/S strategy in order to effectively overcome the crisis situation in the Vietnamese market and to increase the possibility of business success.

The followings are the implications of the researcher based on the findings and conclusions of this study. Korean companies need to make every effort to avoid potential market barriers and reduce risks by preparing advanced strategies based on thorough market research to successfully enter the Vietnamese distribution market.

Vietnam has a vast land area and different lifestyles, unique custom and cultural habits by each ethnic minority. It needs a market segmentation strategy based on customer characteristics because it is not easy to target consumers with a single distribution strategy.

Also, Vietnam is still very strong in socialism and regional characteristics, so it needs to build up close cooperation such as joint venture with local partners in the region and strategic alliances to increase the possibility of investment success.

Korean companies cannot compete with Vietnamese domestic distribution companies in terms of price. Also, if the market is targeted only by luxury goods, the probability of success will be low because foreign multinational distribution companies have secured customer preference in high-priced products. As a result, Korean companies are required to differentiate their price as a mid-and high-priced policy and sales promotion as new concept products to secure their competitiveness. Besides, Korean companies can use marketing strategies utilizing the Korean Wave craze.

Korean companies' entry into the Vietnamese market not only benefits price competitiveness thanks to Vietnam's low labor costs, but also

provides opportunities for entry into the ASEAN market. Despite rising incomes, Vietnam has a low average purchasing power, creating a market that is sensitive to price. In particular, consumer goods can simultaneously target the domestic market and the neighboring ASEAN region by establishing production bases in Vietnam. Most products produced in Vietnam can be subject to tariff-free if they are exported to neighboring ASEAN countries such as Indonesia, Malaysia, Singapore, the Philippines and Thailand. Vietnam's exports to ASEAN rose to \$17.1 billion in 2012 from \$5.7 billion in 2005 after the signing of the agreement in 2006 due to the ASEAN Trade Agreement, a tariff exemption agreement among ASEAN member states.

The strategy presented in this study is difficult to generalize the SWOT analysis cases of the three distributors entering the Vietnamese market. The limitation is that it is too difficult to apply to all companies that want to enter this strategy.

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