

Analysis of AEON's market penetration strategy in Vietnam FMCG industry

**Nguyen Hoang Tien¹, Ha Van Dung², Rewel Jiminez Santural Jose³, Bui Xuan Bien⁴, Nguyen Thi Hoang Oanh⁵,
Nguyen Thanh Vu⁶**

¹ Saigon International University, Vietnam

² Ho Chi Minh City Banking University, Vietnam

³ Saigon International University, Vietnam

⁴ Finance and Banking University in Hanoi, Vietnam

⁵ Thu Dau Mot University, Vietnam

⁶ Nguyen Tat Thanh University, Vietnam

Abstract

AEON is a Japanese corporation that penetrated the Vietnamese market in the field of fast-moving consumer goods. AEON has successfully and quickly opened its business branches in two major cities of Vietnam, Hanoi and Ho Chi Minh City. With the business strategy on commercial premises with a large area, with the size of investment capital and advantages of management capacity, few domestic enterprises can match and compete with AEON in the same way. This article will provide useful assessment results for large foreign corporations to consider whether to penetrate the Vietnamese market in this way and it entails potential opportunities and risks.

Keywords: AEON, penetration strategy, FMCG industry, Vietnam

1. Introduction

The process of entering international markets is also the process of multinational companies seeking to exploit their competitive advantages. The first reason a company wishes to enter the international market is to protect itself from the risks and instability of the domestic business cycle by establishing overseas businesses, this is the form of diversifying international business activities. The second reason is to capture and conquer the growing markets in the world. For example, as many MNCs choose the US market as the target market because of the large US population and high per capita income. The third reason is to respond to growing competition from outside competitors and to protect its market share in the world market, using the strategy: "Pursuing competitors to: winning market share from competitors; warning competitors that if they attack on the domestic market, they will be similarly retaliated in their home countries. The fourth reason comes from the motivation to reduce costs by placing the business close to customers so MNC can reduce transportation costs, respond to customer tastes and use cheap resources. The fifth reason is to overcome the tariff barriers. For example: MNC produces directly in North American free trade area (USA, Canada and Mexico) then transports goods to North American countries without any barrier if manufacturing elsewhere encounters very high taxes, strict import quotas. The sixth reason is to take advantage of the technical and technological advantages by producing goods directly abroad instead of allowing others to do so through the licensing of technology. That maybe the big risk is creating potential competitors [1, 3].

The Fast-Moving Consumer Goods (FMCG) market in Vietnam is forecast to continue to grow at an average rate of about 20% per year until 2025. However, the increase and

decrease chart as well as the fast or slow destination of FMCG also depends on its own advantages and strategic direction of the businesses. With 70% of the population aged 15-64, the total expenditure of Vietnamese people is expected to reach approximately 173 billion USD by 2020. A third of the middle-class population by 2020 with an income level increasing by 8.8% / year, with the forecast of FMCG increasing by 20% / year is an attraction for many businesses to focus on developing products, in which high-class products are considered as a driving force in the race to win market share. Vietnam is considered as one of the dynamic and attractive retail markets in Asia and around the world. The trend of market opening under bilateral and multilateral free trade agreement commitments together with the increasing participation of big retailers in the world in Vietnam has been creating opportunities, Major challenges for domestic enterprises. According to a 2014 research on the development of rural retail markets by the Ministry of Industry and Trade, rural areas are considered as a potential market for businesses to develop a large-scale and diversified goods distribution system while improving business efficiency. At the same time, there is a close link between rural and urban consumer retail markets, but the rural consumer retail market is overshadowed by the urban market due to the ongoing urbanization process. Therefore, the retail market in consumer goods in urban areas will promote the development of rural markets through "back to the countryside" activities of distributors and retailers in urban areas (Tien, 2012; Tien, 2013).

Subhashini Kaul (2005) concludes that consumers are satisfied with high quality retail outlets. Service quality is considered as a measure of increasing value to consumers. Velitchka D. Kaltcheva and Barton A. Weitz (2006) determine the influence of environmental factors directly on

consumers created by the internal and external environments of goods that stimulate consumers' shopping behavior. Numerous studies have demonstrated that for every 5% of customer retention rates will give an increase of 25%-95% in profit (Reichheld, 1996; Reichheld & Sasser, 1990; Chi & Qu, 2007). Therefore, we decided to study how successfully AEON, such a large and dominant foreign corporation enters Vietnam FMCG market.

2. Theoretical framework

2.1. The International Strategy

International business strategy means the product is manufactured in the domestic market and marketed in other countries with the minimum adjustment required by other localities. This strategy is under less pressure to reduce costs and the pressure of local requirements (because production is primarily localized). However, it is highly sensitive to exchange rate risks and political risks. This strategy is featured by (Tien & Ngoc, 2019, 2019a, 2019b; Tien, 2019):

- Turning domestic position into competitive advantage. Value is created by moving the core of competition from the country to abroad where competitors cannot develop, respond, or maintain.

- Often follow the same pattern when expanding foreign markets

- Focusing on product development functions such as R&D in the country, manufacturing products according to local market demand.

- Establish production and marketing departments in key regions and countries where they do international business.

- Head office strictly controls marketing strategies and product lines.

- International activity ranked second after the market in the country

The only limitation of this strategy is that it may miss opportunities in local markets.

2.2. The Transnational Strategy

This is a strategy that MNC seeks to achieve global efficiency and respond locally, sharing the common mission of MNC but having activities that change according to local requirements (standardizing where possible, adapting where appropriate). Obligatory). Choosing an optimal location cannot guarantee that the quality and cost of those inputs will also be optimal. Transfer of experience can be a core resource of competitive advantage, but experience cannot be transferred automatically. This strategy is featured by (Tien & Ngoc, 2019, 2019a, 2019b; Tien, 2019):

- Competitive advantage can be developed in any operating unit of MNC.

- Achieving low cost based on regional economy, economies of scale, effective learning as well as differentiated products for customers in different areas.

- Product lines and skills can be transferred between units in MNC, focusing on promoting the development of skills at global learning institutions.

- Value created by innovation reinforces and exchanges ideas, products and processes.

Implementation of this strategy is difficult because local response increases costs. Two trends need to be avoided are: focusing the firm's activities too much on a central location, increasing the level of local adaptability across too many different locations.

2.3. The Global Strategy

Multinational companies (MNC) expand overseas markets based on standardization and competitive costs; Value is created based on product design for the global market and the most effective production and marketing. The scale of production and distribution of products has been improved, facilitating investment in development and reducing costs very positively; but difficult to meet local needs. This strategy is featured by (Tien & Ngoc, 2019, 2019a, 2019b; Tien, 2019):

- Link SBU in many countries to share cheap resources, emphasizing the guarantee of economic profit scale.

- Standardize global products to maximize profits by exploiting scale, regional strategic location.

- Not trying to meet local market demands.

- Suitable for industrial products.

The strategic goal is to pursue a low-cost strategy globally to support the aggressive pricing strategy in the world. Distribute some key and supportive activities such as production, marketing, and R&D in some of the most favorable positions on the global scale (outsourced). The only limitation is that it is not suitable in markets that need high adaptation (Tien, 2017; Tien & Anh, 2017; Tien, 2015; Tien, 2012a).

2.4. The Multi-domestic Strategy

In this strategy, business decisions and activities are broken down by business unit by country. This strategy has a high customer base but limits the exploitation of economic scale, learning process and coordinating information. This strategy is featured by (Tien & Ngoc, 2019, 2019a, 2019b; Tien, 2019):

- Focusing on competition in each market. Benefit by offering customers a product that meets the tastes of different national markets, resulting in increased product value in the local national market and pushing up product prices.

- High level of decentralization to the locality (proximity to location and culture).

- Value created by empowering the local manager to adapt to the local cultural and legal economic environment.

- Suitable when there are many branches in countries and the pressure to reduce costs is not large.

- Suitable for consumer products.

The only restriction of this strategy is the high cost in host countries, and the need to transfer knowledge in high-tech industries.

2.5. Overview of the FMCG market in Vietnam

FMCG products are fast-selling and relatively low-cost products. Examples include unstable household goods such as packaged foods, beverages, toiletries, over-the-counter medicines, and other consumer goods.

Many fast-moving consumer goods have a short shelf life, due to high consumer demand or as a result of rapid degradation. Some FMCGs, such as meat, fruits, vegetables, dairy products and baked goods are very perishable. Other goods, such as prepackaged foods, soft drinks, candies and toiletries have a high turnover rate. Sales are sometimes affected by vacation or seasonal time and also by discounts offered.

Packaging is very important to FMCG. In order to succeed in the dynamic and innovative FMCG segment, a company must not only get to know consumers, brands and logistics,

but also have a proper understanding of packaging and product promotion. Packaging must be both hygienic and attractive to customers. Logistics and distribution systems often require secondary and tertiary packaging to maximize efficiency. Packaging or packaging protects the product and extends shelf life and provides product information to consumers.

Profit margins on FMCG products may be relatively small, but they are often sold in large quantities; therefore, the accumulated profits on such products can be significant. According to BASES, 84% of professionals working for fast-moving consumer goods are under more pressure to quickly bring new products to market than they were five or ten years ago. With this in mind, 47% of those surveyed admitted that product testing was most affected when the shelf life was accelerated.

The growth of the internet in the last quarter century and the rise of the brand community phenomenon have contributed greatly to the demand for FMCG. For example, according to the internet data of Germany's AGOF research group, 73% of the German population is online. In addition, 83.7% of internet users claimed to use the web to search for information and 68.3% to shop online. However, most FMCG products are not ordered online because most consumers choose the convenience of stores that are really close to home for the products in this category.

3. Research results and discussion

3.1. About AEON corporation

AEON is currently one of the largest retail trade groups in the world with 179 joint ventures inside and outside Japan. Established in 1758, with a history spanning over 250 years, AEON Group is one of the oldest retailers in Japan. During its operation, AEON Group maintains an unaltered commitment to always set the criteria of "Customer first". The basic principle of AEON Group is towards a prosperous, stable and peaceful society through retail activities. With that responsibility, AEON Group has gained customers' trust as well as expanded business activities not only in Japan but also in other countries in Asia for a long time.

AEON officially started operating in Vietnam in 2009 in the form of Representative Office (December 1, 2009 - July 10, 2012). October 7, 2011: Approved by Ho Chi Minh City People's Committee, AEON Vietnam Co., Ltd. was formally established investing in construction, organization,

management and business activities such as modern trade centers, general department stores and supermarkets. This is considered the AEON's main business direction. In addition, AEON also conducts other business activities related to import, export, trade and research. Along with the establishment of the company, AEON is also officially awarded investment licenses for two major projects:

- Investment certificate of October 7, 2011 for AEON - Tan Phu Celadon Shopping Center in Ho Chi Minh City, scheduled to open in January 2014.
- Investment certificate of May 25, 2012 for AEON - Binh Duong Canary Shopping Center in Binh Duong, scheduled to open in October 2014.

Over the past 29 years, AEON Group has established and operated many business branches in Japan and in many countries such as Malaysia, Thailand, Hong Kong, China, Vietnam, Indonesia, Laos, Myanmar, Kazakhstan, South Korea, Philippines, India and Cambodia. In addition to expanding its business network and gaining experience throughout its operations, AEON Group has received numerous awards and honors for its outstanding business activities. The most recent title received by the International Trade Center Council was awarded to AEON Lake Town - a commercial center located in Koshigaya, Japan. AEON Lake Town has won both awards: Award for Sustainable Business Model and Gold Award in the Advanced Business Model category and developing a new retail center with an area of more than 500,000 square feet of retail space.

Development of shopping centers.

AEON is currently very active on the path of developing Shopping Centers based on the criteria of harmonizing with the surrounding community not only in Japan but also in other countries. We have been striving to improve the quality of our services and facilities in response to changes over time, the environment as well as the increasingly diverse needs of our customers.

In Vietnam, under the model of the most advanced shopping center, AEON offers customers an integrated shopping mall, where customers have an enjoyable and fun shopping experience, especially enjoy relaxing moments with family, relatives and friends benefiting from a variety of entertainment and culinary activities.

3.2. SWOT analysis of AEON Group's market penetration strategy in Vietnam

Table 1

SWOT	Strengths (S)	Weaknesses (W)
	<ul style="list-style-type: none"> + Experience in operating and managing retail systems + AEON- Japan brand is known by consumers <ul style="list-style-type: none"> + Large facilities are invested + Professional trained staff + Diverse product structure + Quality goods comply with Japanese standards + Services for families shopping, playing, choosing model Mori + New retail model (one stop complex mall) + General events (including big promotions) organized by Aeon for tenants + Location AEON commercial center is located far from the city center + Affordable and high-end product price 	<ul style="list-style-type: none"> + High prices for imported products + Frequent overload, slow payment <ul style="list-style-type: none"> + The distribution and supply system is limited + Small market share + Slow development of chain stores

	segment	
<p>Opportunities (O)</p> <ul style="list-style-type: none"> + Vietnam joined the WTO, expanded integration + Consumer demand of people is increasing <ul style="list-style-type: none"> + The retail market is growing + The economic growth of the country <ul style="list-style-type: none"> + Customers like the new + Vietnam market has a rapid growth 	<p>Aeon expanded nationwide Join new markets by brand</p>	<p>Improve distribution and supply systems</p>
<p>Threats (T)</p> <ul style="list-style-type: none"> + The competition is getting fiercer + Shopping habits of consumers <ul style="list-style-type: none"> + Economic crisis + Supply of goods from supermarkets + Barriers on customs procedures and mechanisms, import and export + The exchange rate and interest rates of banks in Vietnam fluctuate, affecting directly to businesses 	<p>Improve services to build long-term relationships between businesses and customers Maintain a lower price</p>	<p>Beware of competitors' changes when offering a better service Provide large space to store many product items</p>

3.3. Marketing Mix Strategy
Product

AEON General Merchandise Store with 16,000 m² of sales area, providing more than 12,000 daily essentials, meeting all shopping needs of customers. From food items, daily consumption in the supermarket area, to fashion stalls for adults and children, as well as household items that meet change. In the rental area of AEON Mall's booth, it can be divided into 5 large areas to meet all customer needs:

- Fashion clothing area, with international fashion brands.
- Specialized sales area, providing daily consumer products, electronics, home furnishings.
- Food area with the largest area in Ho Chi Minh City includes: restaurant, fast food, food-court.
- Play area includes: children's play area, cinema.
- Service area with beauty care centers.

In the early stage of entering Vietnam, AEON mainly sells food products and consumer goods imported from Thailand, Malaysia and Japan, the proportion of domestic goods is still low. After that, AEON will cooperate with domestic suppliers to develop products under AEON's own order, Topvalu's own brand. AEON's current flagship products are food items, most notably fast food processed and consumed by Aeon during the day. The characteristics of this type of product are diverse in types and cheaper than similar products in the market to attract as well as create brand awareness to target customers who are young household. Products that make AEON different are entertainment services, beauty care services such as beauty salon, fitness areas, etc. Another special feature of AEON is that the seating system is located everywhere AEON encourages customers to take time to visit the entire shopping center, so AEON also provides a place for customers to rest. In addition, AEON also provides phone chargers for visitors and computer systems to search the product catalog. With a diverse product strategy and constantly changing according to consumer needs as well as exclusive competitive advantages from services, Aeon not only meets all shopping needs of consumers but also providing additional entertainment services that no other commercial center in Vietnam can provide to this day.

Price

AEON's pricing strategy always goes hand in hand and constantly changes according to the product strategy. Therefore, the prices of products are quite diverse, tends to

spread evenly from low to high. But in general, in the first phase of joining the Vietnamese market, prices of Aeon's products were still higher than those of the market because the main source of goods at this time was imported goods from abroad. Knowing the weaknesses and the reason why, after a few months of operation, Aeon has strengthened its association with Vietnamese manufacturers to offer Aeon's own branded products at prices suitable to product quality as well as the people's needs and pockets. Thereby, AEON has implemented a flexible price strategy to change product structure and market situation.

Place

The ground is always a big challenge for shopping centers and AEON has advocated choosing for itself a "prime location" in its own opinion. Here are some of AEON's placement features:

- Large area, located in potential urban areas.
- Not to disadvantage away from the city center, AEON creates every opportunity for customers to access and shop at their shopping centers in many different ways:
- Spacious parking for both cars and special motorbikes with no parking fee.
- Placing signs within a 5km radius for customers to easily identify the location.
- Building private bus routes for people who need shopping in AEON.

Promotion

AEON has invested in extremely aggressive promotion both before and after entering the Vietnamese market. Specifically, the simultaneous implementation of the program on all aspects such as the press, social community and culture.

□ Advertising: on the mass media (newspaper, Internet): this form of advertising costs a lot, so the company only focuses on using it at the beginning stage when the new company goes into operation. The later stages will subside and move on to other advertising activities. The main purpose is for customers to know the AEON brand.

□ Promotion: promotion activities are needed to stimulate consumer demand and increase customers' purchasing power. Some types of promotions that the company will use:

- + Frequent discount programs.
- + Distributing loyalty cards to customers and loyal customers.
- + Lucky draw.
- Public relations:
 - + Organizing cultural and sports events, celebrations.
 - + Release publications introducing the company and products that the company is selling.

- + Implement charitable activities such as supporting families in difficult circumstances, contributing to building schools, kindergartens.
- + Opening scholarships, encouraging studying and giving gifts to disadvantaged pupils and students.
- + Building gratitude houses, taking care of Vietnamese mothers for a lifetime.
- + Organizing consulting sessions, product introduction to help customers have more information about the product, and these activities will also contribute to the demand orientation, stimulate customers' purchasing power.
- + Organizing events (events) such as childhood festivals, world day without cavities, inauguration or starting a project with the witness of senior leaders, launching new items with the appearance of the famous artists participating in introducing products, organizing trial use (drinking, eating, going to try, etc.) for customers but not yet selling products, making customers' demands increase and more and more want products or that service right away.

3.4. Discussion

In fact, with a strong promotion strategy, AEON has achieved initial success, attracting both customers and media, thereby increasing the brand awareness and coverage on the national market by:

- Overcoming the disadvantages of high prices in the early stages as well as increasing customer satisfaction.
- Creating trust as well as reputation in the hearts of customers with a modern professional image and community-oriented.
- Better understanding the culture and consumption habits of local people through linkages with local authorities.

4. Conclusion and recommendation

4.1. Conclusion

Established in 1758, AEON is one of the largest retail trade groups in the world with 179 domestic and foreign joint ventures in Japan. It is a new brand that entered Vietnam's market. Thanks to the market penetration strategy associated with the right brand strategy, meeting the needs with market characteristics and competition, the positioning is consistent with customer insight from which offers product and distribution strategies. Especially, the price and suitable promotion of AEON have been completely successful with the strategy to penetrate the Vietnam market.

While many rivals are suffering huge losses in order to gain a foothold in the Vietnamese retail market, AEON Mall Vietnam system has been profitable only after 3 years of operation. Not too noisy to publish information like many other multinational retail groups, AEON chose to gradually increase its presence in the Vietnam market through the silent operation of major shopping centers, creeping into every urban corner. The business motto of the Japanese retail giant is "slow but sure". AEON is accelerating its presence in all segments of the retail market, thereby increasing brand awareness and gradually dominating the retail market in Vietnam.

AEON does not hesitate to set a goal of opening 20 shopping centers and supermarkets from now to 2020, which means that on average, AEON will have to build and open about 3 supermarkets each year. This ambitious goal is clearly putting a lot of pressure on AEON, because they also have to consider many other problems such as investment capital, time of capital recovery, land fund, purchasing power of Vietnamese consumers.

4.2. Recommendation

- Invest capital in marketing activities to promote the brand

widely to consumers.

- Continue to promote research and diversify products to increase competitiveness.
- Always update the market information to promptly adapt to fluctuations.
- Vietnam's legal system is incomplete, requiring businesses to manage brand well.
- The instability of the macro economy requires businesses to quickly come up with reasonable strategies to adapt promptly.
- Expanding the "one-stop" shopping center, businesses should increase their experience and meet the changing needs of local customers.

5. References

1. Address of aeon mall in Vietnam <<https://duanromanplaza.vn/dia-chi-trung-tam-thuong-mai-aeon-mall-tai-viet-nam/>>. [Access date: November 8, 2019].
2. Aeon formation history <<https://www.aeon.com.vn/lich-su-hinh-thanh/>>. [Access date: November 8, 2019].
3. Ministry of Industry and Trade (2014), Developing the retail market for consumer goods in rural Vietnam
4. <<http://ir.inflibnet.ac.in:8080/jspui/bitstream/10603/245213/8/ch%202.pdf>> [Access date: November 8, 2019].
5. Larke R., Causton M. (2005) Japan: A Modern Retail Superpower. In: Japan - A Modern Retail Superpower. Palgrave Macmillan, London
6. Tien, N. H., & Ngoc, N. M. (2019), Comparative Analysis of Advantages and Disadvantages of the Modes of Entering the International Market. "INTERNATIONAL JOURNAL OF ADVANCED RESEARCH IN ENGINEERING AND MANAGEMENT", Vol. 5, No. 7, 29-36. <http://www.ijarem.org/papers/v5-i7/1.IJAREM-D5055.pdf>
7. Tien, N. H., & Ngoc, N. M. (2019a), Coping with Challenges and Taking Opportunities in International Business Strategy of Foreign Enterprises in Vietnam. "INTERNATIONAL JOURNAL OF ADVANCED RESEARCH IN ENGINEERING AND MANAGEMENT", Vol. 5, No. 7, 18-23. <http://www.ijarem.org/papers/v5-i7/1.IJAREM-D5053.pdf>
8. Tien, N. H., & Ngoc, N. M. (2019b), Related and Non-related Diversification Strategy of Domestic Business Groups in Vietnam. "INTERNATIONAL JOURNAL OF ADVANCED RESEARCH IN ENGINEERING AND MANAGEMENT", Vol. 5, No. 7, 12-17. <http://www.ijarem.org/papers/v5-i7/1.IJAREM-D5052.pdf>
9. Tien, N. H. (2019). International Economics, Business and Management Strategy. Academic Publications, Dehli.
10. Tien, N. H., Anh, D. B. H., & Thuc, T. D. (2019). Global Supply Chain and Logistics Management. Academic Publications, Dehli.
11. Tien, N. H., & Anh, D. B. H. (2017). Global Strategic Marketing Management. Ementon, Warsaw.
12. Tien, N. H. (2017). Strategic International Human Resource Management. Ementon, Warsaw.
13. Tien, N. H. (2015). Leadership in Socially Responsible Enterprises. Ementon, Warsaw.
14. Tien, N. H. (2013). Competitiveness of Vietnam's Economy – Modeling Analysis. PTM Publisher (Wydawnictwo Menedzerskie), Warsaw
15. Tien, N. H. (2012). Competitiveness of Enterprises in a Knowledge Based Economy. PTM Publisher (Wydawnictwo Menedzerskie), Warsaw
16. Tien, N. H. (2012a). Change Management in a Modern Economy – Modeling Approach. PTM Publisher (Wydawnictwo Menedzerskie), Warsaw