

STRATEGIES TO PENETRATE AGROCHEMICALS MARKET IN VIETNAM: A CASE STUDY OF FUMIGANTS

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Abstract

This article presents key strategies to penetrate the agrochemicals market in Vietnam of agrochemicals entrepreneurs who run some agrochemical business owing to its increasing market potential with special reference to fumigants. The study investigated the factors reviewed from the literature that were asserted to be important to the entry to the fumigant market in Vietnam which are: entrepreneurs' experiences in doing a business abroad, market expansion of the industry, internationalization, country risk, cultural difference, market potential, market knowledge, and motivation to partner with some global alliance.

In order to discover key success factors that are important to strategies to penetrate the agrochemical market for fumigants and learn about the strategies used by successful entrepreneurs of fumigants in Vietnam, non-probability sampling procedure is adapted by the judgment sample which the researchers actively select the most productive sample to answer the research questions. The participants were Thai investors who registered with Board of Investment (BOI) and Thailand Overseas Investment Center (TOI) and thus 10 of the investors who specified themselves in the agrochemical industry from each database were drawn from the database between August 2014 to September 2015. With the purposive, convenience and snowball technique, the research achieved data collection from 10 key informants who were Thai exporters of fumigants to Vietnam. It was ensured that all the selected interviewees were knowledgeable, highly experienced. As a result, the selected techniques were considered to be useful and suitable for empirical study.

The selected key informants provided insightful perspectives on the identified factors which helps formulate key penetration strategies to the fumigant business in the agrochemical market in Vietnam. A comprehensive range of findings covers different marketing, managerial and operational

factors from: value-based pricing, customer relationship management, direct marketing, flexible company's infrastructure to adjust to the emerging market demand and con-stant changing rules and regulations especially on an incomplete public sector, readiness to deal business with new generation of Vietnamese entrepreneurs, ability to understand and deal with complexity of local entrepreneurial cultures, relationship management with the local distributors at different stages, and ability to develop businesses using co-opetition (cooperation and compe-tition) strategies with competitors and clients.

Keywords: Strategies to Penetrate, Agrochemicals Market.

บทคัดย่อ

บทความนี้นำเสนอกลยุทธ์ที่สำคัญในการเจาะตลาดสินค้าเคมีทางการเกษตรในประชาคมเศรษฐกิจอาเซียนของผู้ประกอบการธุรกิจสินค้าเคมีทางการเกษตรซึ่งกำลังดำเนินธุรกิจเกี่ยวกับสารเคมีทางการเกษตรประเทศที่ใช้ในการศึกษาคือเวียดนามเนื่องจากเป็นประเทศที่มีศักยภาพทางการตลาดสูงขึ้นเรื่อยๆโดยเฉพาะอย่างยิ่งสำหรับสินค้าสารรมควัน

การศึกษานี้มีเป้าหมายหลักเพื่อค้นหาปัจจัยหลักที่ค้นพบจากวรรณกรรมว่ามีความสำคัญต่อการเจาะตลาดสารรมควันในเวียดนามได้แก่ประสบการณ์ในการดำเนินธุรกิจธุรกิจในต่างประเทศของผู้ประกอบการ การขยายตลาดของอุตสาหกรรม ความสามารถในการเข้าสู่ความเป็นสากล ความสามารถในการบริหารความเสี่ยงภายในประเทศที่เข้าไปลงทุน การเข้าใจถึงความแตกต่างทางวัฒนธรรม การวิเคราะห์แนวโน้มหรือศักยภาพของตลาด ความรู้เกี่ยวกับตลาดที่เข้าไปลงทุน และแรงผลักดันในการร่วมมือกับพันธมิตรระดับโลก

ในการที่จะค้นพบปัญหาแห่งความสำเร็จที่มีความสำคัญต่อการสร้างกลยุทธ์ในการเจาะตลาดสินค้าเคมีทางการเกษตรและเรียนรู้เกี่ยวกับกลยุทธ์ที่ผู้ประกอบการที่ประสบความสำเร็จใช้อยู่ในเวียดนาม การวิจัยครั้งนี้ใช้กลุ่มตัวอย่างโดยไม่ใช้ความน่าจะเป็นโดยผู้วิจัยเลือกกลุ่มตัวอย่างโดยพิจารณาจากการตัดสินใจของผู้วิจัยเองว่ามีคุณสมบัติในการตอบคำถามได้เหมาะสมที่สุดเป็นการเลือกกลุ่มตัวอย่างแบบเจาะจงมีอาศัยความรู้ความชำนาญและประสบการณ์ในเรื่องนั้นๆโดยผู้ถูกสัมภาษณ์คือนักลงทุนไทยที่ขึ้นทะเบียนกับคณะกรรมการส่งเสริมการลงทุนและศูนย์ข้อมูลการลงทุนไทยในต่างประเทศและนักลงทุนจำนวนสิบคนที่ระบุว่าจะลงทุนในอุตสาหกรรมเคมีทางการเกษตรในฐานะข้อมูลในช่วงระหว่างเดือนสิงหาคมพ.ศ. 2557 ถึงกันยายนพ.ศ. 2558

จากการใช้เทคนิคการสุ่มตัวอย่างแบบเจาะจงแบบสะดวกสบายและแบบลูกโซ่งานวิจัยนี้สามารถเก็บข้อมูลจากผู้ให้ข้อมูลคนสำคัญจำนวน 10 คนซึ่งเป็นผู้ส่งออกสารรมควันจากประเทศไทยไปยังประเทศเวียดนาม ส่งผลให้งานวิจัยนี้ได้ข้อมูลเชิงคุณภาพที่มีคุณค่าเพราะผู้ให้สัมภาษณ์เหล่านี้เป็นผู้รอบรู้และมีประสบการณ์สูงสามารถถ่ายทอดข้อมูลเชิงประจักษ์ได้

ผู้ให้ข้อมูลคนสำคัญกลุ่มนี้ได้เสนอมุมมองที่ชัดเจนที่ช่วยจำแนกปัจจัยที่เอื้อต่อการสร้างกลยุทธ์สำหรับธุรกิจสารรมควันในการเจาะตลาดสินค้าเคมีทางการเกษตรในเวียดนามผลการวิจัยเผยถึงการทำการตลาดที่หลากหลายและปัจจัยด้านการจัดการและการปฏิบัติการอาทิการตั้งราคาจากคุณค่าการบริหารความสัมพันธ์ลูกค้าการตลาดทางตรงความยืดหยุ่นของโครงสร้างบริษัทในการปรับตัวเพื่อรองรับอุปสงค์จากตลาดที่กำลังเกิดใหม่ซึ่งมีกฎระเบียบที่กำลังถูกเปลี่ยนแปลงโดยเฉพาะในภาคเอกชนที่ยังไม่สมบูรณ์ความพร้อมในการดำเนินธุรกิจกับผู้ประกอบการชาวเวียดนามรุ่นใหม่ความสามารถในการเข้าใจและรับมือกับความซับซ้อนของวัฒนธรรมผู้ประกอบการท้องถิ่นการจัดการความสัมพันธ์กับผู้จัดจำหน่ายในระยะต่างๆและความสามารถในการพัฒนาธุรกิจโดยใช้กลยุทธ์ผสมผสานระหว่างความร่วมมือและการแข่งขันกับคู่แข่งและลูกค้า

คำสำคัญ: กลยุทธ์การเจาะตลาด สินค้าเคมีทางการเกษตร

Introduction

Much of the impressive economic growth recorded by Thailand in the 1970s and the early 1980s was owed to the steady expansion of the agricultural sector. This sector provided adequate food for the rapidly growing population and produced substantial surpluses of some commodities for export.

Agriculture - crops, livestock, forestry, and fisheries - employed about three-quarters of the labor force, and it was estimated that some four-fifths of the total population was dependent on the sector for its livelihood. During the mid-1980s, agriculture accounted for an average of about 25 percent of GDP, and agricultural commodities accounted annually for over 60 percent of the value of all exports (National Science and Technology Development Agency, 2015).

The type of agriculture engaged in - whether cash crop, subsistence, or a combination thereof - varied from region to region and within regions. In the central plain, there were farmers whose sole activity was the raising of such cash crops as maize, sugarcane, vegetables, and fruit. In the rice bowl region of the central plain, farmers grew rice for sale as a main crop. Elsewhere, rice was raised basically for subsistence purposes, but many farmers also cultivated secondary crops for the market. As part of the growth of the agricultural sector in Thailand, fumigation continues to play a valuable role in many pest control operations; however, both the concepts and the procedures for controlling insects and other organisms are changing. With increased public concern over the adverse effects of pesticide chemicals on human health and the environment, greater emphasis is being given to

methods that can circumvent the use of these materials. Nevertheless, the need for chemical pesticides, particularly the fumigants, is likely to continue for many years to come; fumigants have unique properties and capabilities that permit use in numerous situations where other forms of control are not feasible or practical. Asia is to be the biggest exporting market of agrochemicals. According to the ranking statistics of 21 countries that export sales are over \$100 million, Asia countries accounted for nine, Thailand, Australia, Indonesia, Vietnam, India, Israel, Pakistan, Malaysia, Japan and Turkey respectively. In Thailand, the agrochemical business is growing every year. At present, there are: 236 importers of agrochemicals, 90 chemical engineers, 543 whole sellers, and 15,822 retailers, with a growth rate of 6%-7% per annum (National Science and Technology Development Agency, 2015). These companies are turnkey operators of pesticide businesses who are responsible from registration, importing, manufacturing, chemical processing and distribution. They also do other businesses vertically (using relevant know-how but for a different type of product) such as chemicals for nutrition, medical products, petrochemicals, and so forth. These companies have to face fierce competition using myriads of sales promotions in order to gain some market shares. Interestingly, many of the companies create different trade names in order to differentiate their products. For example, registering two identical products of the same chemicals and formulas and even from the same manufacturer from the same country of origin, under different names hoping to create consumer confusion and thereby have more channels of distribution instead of one.

Accordingly, this makes it very difficult for the new competitors to enter the agrochemical market in Thailand, and the existing competitors also find it hard to grow because the existing market leaders have firmly occupied the market for a long period of time. Looking for a new market would promise better opportunities.

At present, it is an era of unifying many economic zones across the globe such as EC and the world's anticipated economic zone, AEC. This allows a great number of entrepreneurs to expand their businesses internationally, particularly to expand the businesses to the Vietnamese market. Over the past years, Vietnam has gradually continued to attract many foreign direct investors to enter the market owing to relatively reasonable labor cost, good geographical location, abundant natural resources, and political stability (World Economic Forum, 2014). Large companies have settled the investment budget for over US\$14.7 billion and 283 projects have been approved by the government accounting for over US\$4.52 billion. Especially, the main export of Vietnam is rice which accounts for over 6-7 million tons per annum (Kasikorn Research Center, 2012). In this regard, entrepreneurs in the agrochemical industry will benefit tremendously, particularly fumigant and pesticide exporters who can maintain quality control, once AEC has become in effect from the beginning of 2016. Vietnam will be a good springboard for many entrepreneurs and thereby they can expand to other markets in ASEAN countries. The report "Vietnamese Pesticides Market by Category (Synthetic & Bio-Pesticides), Synthetic Pesticides (Herbicides, Insecticides, Fungicides & Others), Bio-Pesticides (Bio-Herbicides, Bio-In-

secticides, Bio-Fungicides & Others), & by Crop Type - Trends & Forecasts to 2020" reveals that the market is projected to grow at a CAGR of 4.4% from 2015 to 2020 and is projected to reach US\$1,212.5 Million by 2020 (PR News Wire, 2016).

Over the past few years, there has been a marked increase of FDI into Vietnam's agricultural sector. Previously, this area had been relatively unattractive to foreign investors; however, with the fast approaching conclusion of the Trans-Pacific Partnership (TPP) negotiations, Vietnam's agriculture industry is becoming increasingly enticing. This Free Trade Agreement (FTA) removes tariffs and other trade barriers between the signatory countries, which include the United States, Vietnam, Australia, Malaysia, Singapore, and other countries in the Asian region.

Taking advantage of favourable weather, large farming area and more than 1000 years of agricultural history, Vietnam has been deriving significant growth from agriculture. Being the world's biggest (or second biggest) exporter of rice, peppers, coffee and pangasius (fish), etc. demonstrates the country's power well on the global agriculture map. With growing global food consumption and global resources scarcity currently being burning issues, there are plenty of opportunities for Vietnam to promote its agricultural advantages (Board of Investment, 2012).

In parallel with the growth of the agricultural sector, Vietnam is facing serious challenges with respect to the amount and toxicity of the pesticides used. With hardly any domestic pesticides production, pesticide imports into Vietnam are approximately US\$500 million/year at present (Van Hoi, Mol, and Oosterveer,

2013). With just a few active ingredients produced domestically, pesticide imports into Vietnam are approximately US\$500 million/year at present. And the increasing import of newly formulated (and safer) pesticides is highly demanded because they can replace or reduce highly toxic pesticides with low efficacy. The improper use of pesticides by farmers (too high dosages, cocktailing of pesticides, inadequate pre-harvest intervals etc.) has further contributed to the environmental and health problems resulting from pesticides, especially in poorer areas where farmers have to largely rely on cheap but often old and more toxic pesticides. This is clearly a golden window of opportunity for entrepreneurs with high quality, safer fumigants and pesticides from countries with some newly formula like Thailand. Therefore, a study of strategies to penetrate agrochemicals market in Vietnam with special reference to fumigants should prove invaluable.

Literature Review

Although this research used a qualitative approach and inductive in nature, key theoretical concepts also had to be reviewed. The literature stream that underlined this study as follows.

Entrepreneurs' Experiences in Doing a Business Abroad

International new ventures or entrepreneurs (INV or IE) represent a growing and important type of start-up. An INV or IE is defined as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the

sale of out-puts in multiple countries (Oviatt and McDougall 1994; Ripolles and Blesa, 2012). Their increasing prevalence and important role in international competition indicates a need for greater understanding of the entrepreneurship in an international environment (Oviatt and McDougall, 2005a, 2005b). This is especially important for entrepreneurs from different parts of the world when they wish to penetrate the ASEAN market (Carolina, 2016; Kotler, Kartajaya, and Den Huan, 2007).

Market Expansion of the Industry

An international strategy means that internationally scattered subsidiaries act independently and operate as if they were local companies, with minimum coordination from the parent company.

In the past, global strategy leads to a wide variety of business strategies, and a high level of adaptation to the local business environment. The challenge of the school of thought then was to develop one single strategy that could be applied throughout the world while at the same time maintaining the flexibility to adapt that strategy to the local business environment when necessary (Yip G. 2002). This is perhaps because there had been series of interpretations of the early concept "Think Local, Act Global" introduced by Ohmae (1990). This is the very first concept of globalization which premised that global strategy involves a carefully crafted single strategy for the entire network of subsidiaries and partners, encompassing many countries simultaneously and leveraging synergies across many countries. However, most countries were deeply rooted with cultural values and characteristics which

require localization of international strategies. Later, this has made most professionals in social and business communities across the globe realize that to globalise the business successfully actually means “Think Global, Act Local” (Scholte, 2005; Anurit, 2002; Barlett and Ghoshal, 2002; Yi Tien and Talley, 2012).

Internationalisation

Today’s entrepreneurs cross borders for two reasons. One is defensive: To be competitive, many ventures have to globalize some aspects of their business - manufacturing, service delivery, capital sourcing, or talent acquisition, for instance - the moment they start up (Claiborne, 2007). The other reason is to take the offence (Gibbons, Hisrich, and DaSilva, 2014). Many new ventures are discovering that a new business opportunity spans more than one country or that they can use distance to create new products or services. However, new ventures usually lack the infrastructure to cope with dispersed operations and faraway markets.

Vietnam is a member country of ASEAN which has one of the most liberal and attractive investment regimes among developing countries. As a result, FDI penetration ratios are high compared to other developing regions and ASEAN has succeeded in attracting a disproportionate volume of FDI that flowed to the developing world. Foreign investors are attracted to ASEAN by regional and national political and social stability, sound economic fundamentals, availability of natural resources, labour and skills, infrastructure, cohesive and positive foreign investment policies, and regional trade and investment cooperation schemes.

Country Risk

In theory, one of the main benefits of financial globalization is that it should allow for more efficient international risk sharing. Different countries are likely to have different patterns of risk sharing. Indeed, only industrial countries have attained better risk sharing outcomes during the recent period of globalization (Gros Lambert, Bouchet. & Clark, 2005; Lane, 2013). Developing countries have, by and large, been shut out of this benefit. The most interesting result is that even emerging market economies like ASEAN countries, which have witnessed large increases in cross-border capital flows, have seen little change in their ability to share risk. It would be interesting to find out whether the composition of flows in country like Vietnam can help explain why emerging markets have not been able to realize this presumed benefit of financial globalization or not.

Cultural Difference

The company must keep in mind that developing countries are very different from industrial developed countries (Slater, 1968). This fact becomes very important when it comes to entering a developing country’s market because developing countries for example often do not have a well functioning infrastructure and the population is many times poor and often spend a large part of their income on food articles. The political and legal issues also become an important part when it comes to entering the market. The topic of this paper was selected because it is certainly a topic of great interest to investigate. Vietnam is a country that has evolved rapidly and is still

attracting more and more foreign companies. Thereby, a more specific and interesting question to analyze can be developed. How can the foreign companies improve its international business in the merging Vietnam?

Market Potential

Right now more than 20,000 multinationals are operating in emerging economies. Western multinationals expect to find 70% of their future growth there - 40% of it in China and India alone (Buehn and Schneider, 2009). But if the opportunity is huge, so are the obstacles to seizing it. On its 2010 Ease of Doing Business Index, the World Bank ranked China 89th, Brazil 129th, and India 133rd out of 183 countries. Summarizing the bank's conclusions, the Economist (2008) suggested the only way that companies can prosper in these markets is to cut costs relentlessly and accept profit margins close to zero.

Western companies have had entering emerging markets with difficulty to date. It is believed that they have struggled not because they cannot create viable offerings but because they get their business models wrong. Many multinationals simply import their domestic models into emerging markets. They may tinker at the edges, lowering prices - perhaps by selling smaller sizes or by using lower-cost labor, materials, or other resources. Sometimes, they even design and manufacture their products locally and hire local country managers. But their fundamental profit formulas and operating models remain unchanged, consigning these companies to selling largely in the highest income tiers, which in most emerging markets aren't big enough to generate sufficient returns. What is often missing from even the

savviest of these efforts is a systematic process for reconceiving the business model (Eyring, Johnson, and Nair, 2011).

Market Knowledge

Market orientation is a central concept in the marketing literature and its effects on innovation and performance have been studied in detail (e.g., Hurley and Hult, 1998). Some research focuses on customer and competitor orientations, which are the components of market orientation that focus of the firm's external environmental scanning efforts (Narver and Slater 1990). However, merely focusing on customers and competitors may not guarantee success. Knowing what the customers want and what competitors are doing is very important, but transforming this information into knowledge about opportunities for innovating the products knowledge may require a different set of competencies. International entrepreneurs should also focus on market knowledge competence, comprised of customer and competitor knowledge competencies. Market orientation (customer and competitor orientations) and market knowledge competence (customer and competitor knowledge competencies) may be emphasized when embarking on a market in another country (Ozkaya, Droge, Hult, Calantone, and Ozkaya, 2014).

Motivation to Partner with Some Global Alliance.

In the last two decades, alliances have become a central part of most companies' competitive and growth strategies (Kale and Singh, 2009). Alliances help firms strengthen their competitive position by enhancing mar-

ket power (Kogut, 1991), increasing efficiencies (Ahuja, 2000), accessing new or critical resources or capabilities (Rothaermel and Boeker, 2008), and entering new markets (Garcia-Canal, Duarte, Criado, & Llana, 2002). By the turn of this century many of the world's largest companies had over 20% of their assets, and over 30% of their annual research expenditures, tied up in such relationships (Ernst, 2004). A study by Partner Alliances reported that over 80% of Fortune 1000 CEOs believed that alliances would account for almost 26% of their companies' revenues in 2007-08 (Kale, Singh, and Bell, 2009). Nevertheless, alliances also tend to exhibit high failure rates (Dyer, Kale, and Singh, 2001). Studies have shown that between 30% and 70% of alliances fail; in other words, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford, Gomes-Casseres, & Robinson, 2004). Alliance termination rates are reportedly over 50% (Lunnan and Haugland, 2008), and in many cases forming such relationships has resulted in shareholder value destruction for the companies that engage in them (Kale, Dyer, and Singh, 2002). Since strategic alliance is a purposive relationship between two or more independent firms that involves the exchange, sharing, or co-development of resources or capabilities to achieve mutually relevant benefits (Gulati, 1995). A research into how strategic alliance should span one or more parts of the value chain and have a variety of organizational configurations should be based (for example, joint venture may represent one type of an equity-based alliance) in emerging countries like Vietnam is needed.

Research Objective

To study how entrepreneurs' experiences in doing some business abroad, market expansion of the industry, internationalization, country risk, cultural difference, market potential, market knowledge, and motivation to partner with some global alliance, can be deployed to penetrate the agrochemical market for fumigants in Vietnam.

Research Methodology

In order to discover key success factors that are important to strategies to penetrate the agrochemical market for fumigants and learn about the strategies used by successful entrepreneurs of fumigants in Vietnam, the qualitative approach was applied because it escalated the research to closer understanding of the entrepreneurs' beliefs, attitudes, values how they perceived and organize their business activities and routines in subjective meaningful ways and generating rich information for deeper understandings of their experience (Lieber, 2009). Both primary and secondary data were collected. The primary data were collected using formal and informal interviews and direct observations by the researchers. While the secondary data were collected from recent reports, journals, online resources and others, which were useful in informing the primary data collection process, and were also used to interrogate the findings.

Non-probability sampling procedure is adapted by the judgment sample which the researchers actively select the most productive sample to answer the research questions. The participants were Thai investors who registered with Board of Investment (BOI) and Thailand Overseas Investment Center (TOI) and 10

investors who specified themselves in the agrochemical industry from each database were drawn from the database from August 2014 to September 2015. This is necessary because enough time had to be allowed to ensure cost effectiveness and project completion (Tanoury and Pease, 2002; Ingevaldson, 2009). With the purposive, convenience and snowball technique, the research achieved data collection from 10 key informants who were Thai exporters of fumigants to Vietnam. It was ensured that all the selected interviewees were knowledgeable, highly experienced. As a result, the selected techniques were considered to be useful and suitable for this research.

The sampling design for the qualitative study started with an identification of sampling units who were Thai entrepreneurs (who owned an import-export company) who registered with BOI and TOI in Thailand. Initially, the targeted units were purposely contacted through email and telephone requesting for collection of the data in relation to their exporting and business experiences in Vietnam. The email letters and guidelines of required information were attached together in order to create understanding about the interview objectives and information which would be collected and recorded by the researchers. Each in-depth interview took around 30-40 minutes and subject to the availability of the informants.

The research instrument was a semi-structured interview guideline which was not framed into any particular conceptual model. Instead, the interviewees were interacted and questioned within the scope of the study. The interviewed guideline was prepared and

proved by the advisor before the interview took place in order to make appropriate questions for the target groups. Also, the interviews are designed to direct both the content and focus of the interview. By asking specifically worded questions in a predetermined order, a certain level of consistency was ensured when conducting the interviews. In overall, the interviewees were encouraged to share their strategies how to penetrate the agrochemical market for fumigants in Vietnam.

Qualitative data were content analyzed using the research objectives as a guideline for analysis each of which was sectioned separately. Interesting quotes from the interviewees recorded during the interviews were highlighted to support the findings.

Research Findings and Discussions: Viewpoints from Thai Fumigant Entrepreneurs in Vietnam on factors identified from the literature review

Twenty agrochemical business entrepreneurs gave some important viewpoints during the interviews on their entrepreneurs' experiences in doing a business abroad, market expansion of the industry, internationalization, country risk, cultural difference, market potential, market knowledge, and motivation to partner with some global alliance. In turn, it was revealed that a combination of important factors that help formulate successful fumigant market penetration strategies in the agrochemical industry in Vietnam are: mode of entry; international market entry; competitive advantage strategy; and product, market, and technological process innovation. In-sightful findings and discussions follow.

Entrepreneurs' Experiences in Doing a Business Abroad

Greater understanding of the entrepreneurship in usually portrayed in an international environment (Oviatt and McDougall 1994). To operate a fumigant business in Vietnam successfully starts from setting the right price for the right target customers because they may come from either private or government sectors and the pricing strategy to be used should be “value-pricing” rather than “cost-leadership” pricing: that is, to set prices primarily, but not exclusively, on the value, perceived or estimated, to the customer rather than on the cost of the product or historical prices (see Kotler and Keller, 2014).

Next is customer relationship management. In the current scenario, it is most essential for any business organization to retain their potential consumers otherwise the rivalries would attract them. Global slowdown in the growth of the economy, maximizing rate of inflation, maximizing rate of interests are some reasons of the firms to think differently for maintaining their sales and profit in countries like Vietnam. In addition to that, entrepreneurs from Thailand are struggling for their sustainable growth and survival. Thus, firms are attempting to perform something by which they could retain their customers through the relationship marketing (see Yadav, 2012). If customer relationship is well managed, this will create trustworthiness which is considered as an added value in Vietnamese business culture. Trust as an added value in the industry could be achieved through adjusting the related processes for matching the consumer needs. In developing measures of added value, it has to keep in mind that all such decisions would

result in additional costs. Therefore, before undertaking such decisions it is significant to identify if recovery of potential consumers would be profitable. This applies only to the relationship profitability which could be assessed based on the lifetime value of the customer. If such processes reach among customers, then it would persuade them to buy products.

According to the findings above, it implies that research and development for a new chemical compound for the global market becomes necessary. This creates an obvious incentive to consolidate and gain scale economies and the incentive is working. Clearly, the industry is moving more toward an oligopoly market structure. This has been in line with the farmer's point of view, most experts agree that the concentration of the firms has been positive with chemical input prices dropping and yields increasing during the period of consolidation (Clay, 2001).

Market Expansion of the Industry

The agricultural sector in Vietnam has played the leading role in the transition to a market economy. Economic liberalization began with the realization that, with a population growing faster than food production and national income, Vietnam would soon be in a position where it could not guarantee its own food supply. With the dismantling of the communes and the liberalization of markets, not only has the food supply become adequate, but a surplus has become available for export, propelling Vietnam from a net importer to one of the three leading rice exporters in the world.

Rice is the most important crop, but rubber, peanuts, jute, sugarcane, soybeans, coconuts, coffee, and tea are important in-

dustrial crops. The agricultural policy aimed at self-sufficiency in food and development of the export market resulted in intensified production, which led to the use of required inputs, including pesticides.

Learning from the experiences of other countries, Vietnam immediately revised its plant protection policy and adopted IPM as its main program for plant protection. Where pesticides are to be used, the Ministry of Agriculture and Food Industries conducts research and training to guide the farmers on their pest management practices.

The use of pesticides has been reduced during the last four years; this reduction is primarily attributable to the removal of pesticide subsidies. Farmers now have to purchase their own pesticides and are more concerned about their judicious use. The policy with farmers has changed; money for pest control is now provided to farmers directly rather than through a cooperative become more selective in pest control methods, resulting in trends toward more effective and less expensive methods to maximize profit.

There are procedures to undertake when starting a business in Vietnam, making it among the most complex start-up environments in the world. What is more, many tasks facing new corporate entities may be unfamiliar to overseas companies, making the task far more rigorous.

A local partner and thorough research are essential to doing business successfully in this emerging market.

- **An evolving legal framework with frequent changes to laws and regulations** – There are numerous ‘grey areas’ in Vietnamese laws. This may cause difficulties in interpre-

tation, application and compliance. It would be worthwhile finding a local partner early on who can help the entrepreneur to understand and deal with the regulations, permits and laws.

- **Do the research and plan carefully** – As in most emerging markets, the level of bureaucracy can be challenging. This impacts many investors when considering business in Vietnam. The entrepreneurs should do some research beforehand in order to get an understanding of the most critical permits they will need. They should ensure that they fully understand how to comply with all the local regulations.

- **Infrastructure is simple but evolving quickly** – It is likely that the entrepreneurs may encounter basic infrastructure in the more regional parts of Vietnam. They must ensure that their plans account for this, and that they have a decent understanding of the limitations they may face. In urban centers, infrastructure is relatively modern.

The findings above show that to expand the fumigant business successfully requires an effective, appropriate business model. The establishment of direct marketing routes is anticipated to unify the brand image for a new fumigant product and would give impetus to a sales expansion in Vietnam. The model allows entrepreneurs to plan to further build up its sales network and to push ahead with market cultivation, aiming to boost its annual pesticide sales in this emerging market in the forecasted years.

Internationalization

Whilst older generation of Vietnamese entrepreneurs are very traditional and less international, there are increasingly more

and more significant traits and motives for entrepreneurship of young people in Vietnam. The youth now are more materialistic, but also possess traits of very high responsibility in their work and life. They are open-minded and enthusiastic. This is partly the influence of globalization and a more open society.

Different to their parents, the new generation have a higher desire of physical needs in a consumption society. This trait has both positive and negative effects. On the positive side, it creates opportunity for business, and establishes new ventures. On the negative side, it may increase materialism that make people more focused on satisfying physical needs rather than mental ones. However, young people now are more community responsible and honest. These personality traits will limit the negative effect of materialism. With being strong in adaptation, optimism, enthusiasm and open-mindedness, the young people will be good source of entrepreneurs to introduce the changes in Vietnamese economy.

Vietnamese young people have good traits and motivations for becoming entrepreneurs. Support for young entrepreneurs is the government long-term strategy for economic development. Entrepreneurship education will soon be added in both high-school and higher education programs. Many college students now seek to be equipped with creative thinking, knowledge of entrepreneurship, skills of business planning and opportunities to accumulate experience. In fact, some universities have provided courses on Entrepreneurship but it is still very limited. And high school programs rarely include topics about business or entrepreneurship. Therefore, younger entrepreneurs are more open and adaptive to new ways of

doing business and internationalization.

This implies that young farmers lack experience, training and technical knowledge and skills to make farming more productive. These may include knowhow and skills in agricultural production, farm management, agri-enterprise business development and marketing. There may also be a general lack of motivation among young people in farming as an occupation. They do not find farming as a profitable business; subsistence-oriented agriculture also discourage the youth to go into farming. Agriculture is also seen by young people as hard, back-breaking work and drudgery since many small family farms are not mechanized. Moreover, young farmers feel discriminated against and have low self-esteem due to a general low regard for farming. In the Philippines and Thailand, for instance, farming is seen as a form of punishment for children who do not do well in school. Youth have become disenchanted towards agriculture because there is a lack of role models to motivate young farmers. On the other hand, note should be taken on the innovativeness of young people and the growing renewed interest in agriculture where young people are excited about becoming agronomists, agripreneurs, chefs and cooks, and so forth.

Country Risk

Governance remains the country's Achilles heel and is a risk in terms of its appeal to foreign investors. The main shortcomings concern respect for the law and corruption, which, despite the reforms undertaken, remains widespread within political and economic circles as the Vishanin case shows or, more recently, suspicions about the management of the

company Electricity of Vietnam (EVN). Meanwhile, the Communist Party still controls the country's entire political, economic and social life. Finally, Japan and the United States are providing increased support to Vietnam, while relations with China continue to be strained. Summary of strengths and weaknesses of Vietnamese market is provided below:

Strengths

- Skilled, cheap labour
- Solid agricultural potential and natural resources
- Development strategy based on economic openness and diversification

Weaknesses

- Country specialises too much on competitiveness of low value-added products
- Persistent shortcomings in business environment
- Lack of infrastructure
- Incomplete public sector reform
- Deepening inequalities
- Weak banking system

Cultural Difference

Vietnamese business contacts are mostly referrals; essentially a business relationship is struck based on another business associate recommendation. The best prices and deals often comes from a strong recommendation. However, it is common today for cold calls and direct contacts, given the availability of the internet and the competitive nature of Vietnamese businesses. An entrepreneur may source from the internet, trade fairs, catalogues and brochures, advertisements and approach

the Vietnamese companies directly through a call or email. Alternatively, if entrepreneurs are seeking to invest in a factory in Vietnam, they may approach Vietnam Chamber of commerce and industry (VCCI) or a business advisory directly. They will be able to advise on the best location based on the entrepreneur's industry, raw material and manpower needs.

Vietnamese business relationship inevitably becomes a social relationship after a while. Unlike Western business relationship which remains professional and perhaps, aloof, even after a long time, Vietnamese business relationship becomes a social one. The more a Vietnamese shares his or her personal life, including family, hobbies, political views, aspirations, the closer he or she is in the business relationship. Sometimes, a lot of time is spent discussing matters outside of business, but then a lot of time, the other party is also making up his mind about the deal based on how much he or she sees the entrepreneur's personal relationship with him or her.

Seniority is very important to the Vietnam especially if an entrepreneur deals with a State owned or government body. Instead of addressing the other party as Mr or Mrs so and so, it is always appropriate to address the other party by his designation for example Chairman Triet, Director Dung or Manager So and So. When giving out business card or brochures, an entrepreneur needs to start with the most senior person before moving down the line. When giving out a business card or receiving one, ensure that the entrepreneur stretches out with both hands with the card. Remember to face the card giving out in a manner such that the receiving party gets it facing him correctly.

Giving face is a very important concept in Vietnam. It is important to give the appropriate respect according to rank and seniority. For example, if an entrepreneur is buying gifts for an initial contact, make sure he or she buys better gifts for the senior managers instead of buying similar gifts across the board. Similarly, sitting positions in a meeting room or a dining table is accorded accordingly to rank, importance and seniority. It is good to seek advice before embarking on the first meeting with Vietnamese business contacts to avoid making the wrong move.

Most business luncheons and dinners are held in hotels, restaurants, or government facilities. Usually the host (the client) will arrange for a dinner during the early part of the visit. An entrepreneur is expected to reciprocate by arranging for a return dinner, possibly in the hotel or at a well-known restaurant. If no formal dinner is indicated on the itinerary, the entrepreneur should still try to invite the hosts (clients) to dinner to show a sincere thanks and appreciation for the arrangements. Business is not usually discussed at dinners, although it may be at luncheons.

Market Potential

Vietnam is a high potential market for agricultural business with over 7 million ha plantation areas of rice and millions ha of other crops such as: vegetable, fruits, coffee, rubber, beans, and so forth. Furthermore, Vietnamese growers willing to invest more and more to meet demands of high yield and good quality of agro-products.

With an increasing over 12% annually of market size, Vietnam agrochemical is a promising market for a long term investment. There

are many multinational companies as well as manufacturers from China, India and other countries are playing in this market. Successful entrepreneurs need good understanding of market and local staffs. They must co-operate with agrochemical manufacturers and traders around the world to develop and maximize product's potential in Vietnam market by:

(1) Pre-sale stage:

- Providing market information
- Providing feasible studies for new product development
- Following up related procedures for product registration in Vietnam.

(2) Sale stage:

- Co-operating for finding right distributors
- Creating and running marketing campaign.
- Free sale to other distributors to maximize product potential
- Supporting local distributors with technical sides and quality problem

(3) Post-sale stage;

- Following up payment matters with local distributors

A good relationship with distributors system in Vietnam will bring a big potential to develop well free sale in this competitive market.

Market Knowledge

Singapore may be leading the entrepreneurial ecosystem in South East Asia but Vietnam entrepreneurs are learning fast, moving forward and away from its leader's shadow. With an available pool of entrepreneurial talent within its roaring population of 92 million, Vietnam boasts a gold mine of voraciously

determined entrepreneurs who are stretching their wings to make their name in Asia's technology world.

With its young generation aged below 35 years old making up the vast majority of Vietnam's population, Vietnam cities of Hanoi and Ho Chi Minh City pride themselves as harbours of young talented programmers who are shaping the future of Vietnam's start-up scene. To some foreign and local investors and venture capitalists, it is only a matter of time before Vietnamese entrepreneurs head its own start-up hub catering to its own huge market. But Vietnamese entrepreneurs in the start-up scene emanate a similar entrepreneurial vibe as China and India: they possess self-learning skills and ability to do things even better. The country, with time and guidance, will blossom into an entrepreneurial hub like no other where its local entrepreneurs "run the show" without the need for external economic forces.

In face with the intensive competition from globalisation, Vietnamese entrepreneurs began to recognise the critical role of marketing, sustainability and the need for improving knowledge and competitiveness. Such complex attributes of culture and developmental history in Vietnam should provide strong influences on the way organisations manage, capture, share and transfer their knowledge. To take advantage of the hybrid features of culture, Vietnamese entrepreneurs may incorporate Confucian philosophy, socialist market philosophy and carefully adapt new managerial approaches and innovative ideas plus 'belief reference system'.

Motivation to Partner with Some Global Business Alliance

Business alliances from other countries tend to be existing partners of local companies in Vietnam. These can also be large clients for companies in both government and private sectors. Furthermore, competitors may sometime become cooperators if the product or standard can be differentiated. For example, a Thai company may be accepted as a partner after it has partnered with suppliers of fumigants from China and Germany. In this sense, newer and better product in terms of quality and country-of-origin expertise become a great advantage.

Conclusions and Recommendations

The main attraction of emerging economies is their high economic growth and the corresponding expectation of rapidly increasing demand for consumer goods. These markets pose unique challenges due to their less sophisticated institutional environment and the weak resource endowment of local firms. Fumigant business entrepreneurs may have to understand the right market penetration strategies or customised a new appropriate business model.

This paper provides insightful findings from the interviews with 20 key Thai entrepreneurs in the agrochemical industry in Vietnam. The market penetration strategies in the fumigant business may be formulated with a comprehensive range of different marketing, managerial and operational factors from: value-based pricing, customer relationship management, direct marketing, flexible company's infrastructure to adjust to the emerging market demand and constant changing rules

and regulations especially on an incomplete public sector, readiness to deal business with new generation of Vietnamese entrepreneurs, ability to understand and deal with complexity of local entrepreneurial cultures, relationship management with the local distributors at different stages, and ability to develop businesses using co-opetition (cooperation and competition) strategies with competitors and clients.

Emerging economies are highly volatile due to frequent changes in institutions, industry structure and the macro-economy. Economic growth may be high, but crises are frequent. Yet, the market and consumer are dynamic - constantly changing and evolving similarly to other markets in the region and the rest of the world. The volatility provides competitive advantage to firms with the strategic flexibility to react to changing circumstances and to grab new business opportunities. Many of the capabilities needed to compete in emerging economies are context-specific. Local firms and individuals have to develop their capabilities to suit the specific context, to reduce barriers to entry to Vietnam.

Entrepreneurship has been critically important for both prosperity and sustainability of the Viet-nameese economy in the long-run. If a foreign partner is willing to provide a Vietnamese business owner with finance, technology, and management resources to make the business a further success – the foreigner needs to understand the goals of the Vietnamese entrepreneur. For example, the Vietnamese partner may present high interest in expansion plans but, first and foremost, a portion of his business has to transform (very quickly) into cash. If it does not, the Vietnamese partner

may soon exit, leaving the foreigner once again baffled, or worse.

Before coming to Vietnam, good preparation is essential. Get to know about the country and its culture, as well as the economic and political climate. Make good use of the knowledge and services available from branch organizations and government authorities. Talk to entrepreneurs with experience of doing business in Vietnam. Building and maintaining good relationships is essential for doing business in Vietnam. A reliable local partner can speed up the preparatory work considerably during the startup process.

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