



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

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Abstract

Mega Market is a Thai corporation that penetrated the Vietnamese market in the field of fast-moving consumer goods. Mega Market has successfully and quickly opened its business branches mainly in two major cities of Vietnam, Hanoi and Ho Chi Minh City. With the business strategy on commercial premises with a large area and wholesale based business strategy, with the size of investment capital and advantages of management capacity, few domestic enterprises can match and compete with MegaMarket 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: Mega Market, penetration strategy, FMCG industry, Vietnam

1. Introduction

At present, the wholesale supermarket market is in fierce competition. In Vietnam, there is a great change in the modern sales channel. As of May 2019, the number of supermarkets in Vietnam has reached 360 supermarkets, an increase of more than 15%. The total number of coffee and milk tea chains has nearly reached 2,000. Mega Market Vietnam (formerly Metro Cash & Carry Vietnam) started its local wholesale operation in 2002 and has now grown to 19 stores nationwide. After moving from Metro Group to Thai Charoen Group (TCC), MM Mega Market Vietnam has invested heavily and continues to invest in developing commercial infrastructure as well as food safety in Vietnam. The company has trained more than 20,000 Vietnamese farmers and fishermen to increase productivity and product safety to better access modern trade practices and enhance capacity in the long term. Recently, MM Mega Market Vietnam has 19 stores, 5 platforms in 14 provinces and cities with nearly 4,000 employees (full-time & part-time employees), of which, more than 99% are Vietnamese employees. So far, the company has trained and developed more than 15,000 high quality personnel for modern trade. Every year, the Company employs up to 2,000 seasonal employees to serve customers during the New Year. In addition, Mega Market has been assisting university students in finding internships and career opportunities. As one of the largest private employers in the country, the Company was selected as the No. 1 employer in the retail / distribution sector in 2014 ^[3]. That's why we choose to write this article with the goal to gain a better understanding of international business management and to study one of Vietnam's leading and largest international and wholesale large retail markets in terms of Mega Market's market penetration strategy.

2. Theoretical framework

2.1. Market penetration strategy

Market penetration (entry) strategy is a strategy to increase market share for existing products or services of businesses through marketing efforts. Market entry strategies are often applied independently or in combination with other types of strategies. Strategies to enter the market include increasing the number of salespeople, increasing advertising costs, increasing sales promotion activities or increasing public relations efforts. A market entry strategy can become particularly effective competitive strategy in the following cases ^[11, 12, 4, 5, 6]:

- When the current market is not enthusiastic about a certain type of product or service.
- When the product usage rate of existing customers can increase significantly.
- As the main competitor's market share is declining while industry consumption is increasing.
- When sales and marketing costs in the past are strongly correlated.
- When economies of scale increase, giving enterprises basic competitive advantages.

National market penetration is a special form of development, that is, the company seeks to increase the market share of existing products in that national market by devising an aggressive mixed marketing strategy. With the goal of increasing the number of sales for existing customers, attracting customers of competitors and new customers, the company will have to increase marketing efforts such as ^[13, 14, 7, 8]:

- Launching a new and effective advertising campaign
- Replicate the number of stores, points of sale and sales network in that country.
- Discount or deferred payment
- Constantly improving product quality.

2.2 Marketing mix

Product

When planning to offer products or their products, traders need to think about the 5 levels of the product such as ^[7, 9]:

- First, core benefits
- Second joint product
- Third product expectations
- Stuff that holds the finished product
- Sixth potential product

Appearance of the product in terms of design, functional characteristics and brand name also constitutes a very lively presence and will have a major impact on customer perception images of the company. To penetrate foreign markets, the company can use product policies such as: Direct expansion policy, product adaptation policy or product creation policy.

Price

Price is the only and most flexible factor in marketing mix generating revenue. Companies manage prices in many different ways. Due to the balance of exchange, customers may find there are multiple prices for a single product. During the penetration process, price is also an important factor that the company needs to consider in order to provide the most reasonable price for the strategy. Typically, in order to increase customers and discourage existing competitors, the penetration strategy uses a penetrate-or-kill price policy, depending on the goals the company has set ^[7, 9].

Place (Distribution)

The purpose of distribution is to manage supply networks, that is, streams that add value from end user to end user. A foreign distribution strategy is a target plan, aimed at achieving the company's distribution goals in foreign markets. The overseas distribution strategy includes the rules associated with the selection, development and control of the distribution to meet the host country's environmental, market and competition conditions and objectives. The distribution channel model includes 4 channels ^[7, 9]:

- First channel: the supplier
- The second channel: procurement, production and distribution of material
- Third channel: Distribution channels
- Final channel: customers

Promotion

This is an information-driven process aimed at affecting certain audiences, such as customers in the target market, the public, and organizations. The method of communication is to amplify the mixture consists of 4 components, namely ^[9, 10]:

- Advertisement.
- Promotion.
- Propaganda.
- Sales of personalities.

All four factors are always interwoven, supporting each other to ensure the consistent allocation of time appropriate and cost-effective. The process of communication - promotion is one of the 4 components of marketing mix in the company. Those who do marketing especially International Marketing must know how to use advertising, consumption stimulation, direct marketing, public relations and direct sales to inform customers of existing goals and real value of the products. Trade promotion is especially important when the company implements a national market penetration strategy.

3. Research results and discussion

3.1. All about Megamarket

As a country developing with stable economy in Asia Vietnam is a promising point for investors. Vietnam is receiving favor and investment from many different countries around the world. Typically, Metro, one of the leading international wholesale groups, METRO Cash & Carry decided to invest, set up METRO Cash & Carry Vietnam and opened its first center in Vietnam. Ho Chi Minh City in 2002. Currently, METRO Cash & Carry Vietnam has all 19 wholesale centers operating nationwide, with: 03 in Ho Chi Minh City, 03 in Hanoi, and 01 center in Bien Hoa, Binh Duong, Vung Tau, Can Tho, Long Xuyen, Qui Nhon, Da Nang, Hai Phong, Vinh, Ha Long, Nha Trang, Buon Ma Thuot, Rach Gia and the latest Ha Bronze. In addition, in order to improve product quality when delivered to customers, METRO also has two centers for fruit and vegetable distribution and distribution in Lam Dong and fresh fish in Can Tho.

Through the process of branding and long-term business in Vietnam, until January 2016, TCC Group acquired all wholesale establishments of Metro Group in Vietnam including all 19 centers and Related real estate is valued at 655 million euros. After more than a year of completing all transfers from Metro Group to TCC Group, on January 10, TCC Group officially announced the change of its brand name from Metro Cash & Carry Vietnam Co., Ltd. (Metro Vietnam) to become Mega Market Vietnam Co., Ltd (Mega Market Vietnam).

Currently, Mega Market Co., Ltd. has 19 warehouses corresponding to 19 organizational apparatuses as well as 19 branches on the whole system but all of the above small organizational apparatuses are operated under the same statutes and subject to the direct management of the General Director. In order to successfully accomplish the business and the goals set out in the future, the company operates according to a separate organizational mechanism in each warehouse and is under the direct management of the warehouse manager based. general standards and regulations of the company. Known to consumers as a wholesale and distribution company, Mega Market has identified a stable number of customers along with potential customers. They buy products in bulk or buy quantities in Mega Market units.

▪ *HORECA customers*

Hotels, restaurants, canteen are a big customer, having frequent goods demand to serve business needs. This group often uses the products of the dry food group, fresh foods, chemicals, kitchen utensils, sewing products for rooms, rooms and uniforms for employees. HORECA (Hotels, Restaurants and Canteen) customers account for only about 20% of Mega Market's total customer base, but revenue from this customer group accounts for 65% of Mega Market's total sales. However, in difficult

economic conditions, restaurants, hotels are trending to cut spending at Mega Market. This is one of the difficulties and great challenges for Mega Market. Therefore, the company needs to come up with new strategies to attract and maintain its sales and profits in times of crisis ^[1, 2, 3].

- *Companies, offices, schools*

This type of customers needs to buy goods for internal use, so the main products of this group are stationery supplies. However, the number of purchases is not regular but the value of each order belongs to this group of customers is often large. Because this customer group belongs to the group with stable spending and sizable consumption even when the economy is in crisis, Mega Market is focusing on promoting sales strategies to this group ^[1, 2, 3].

- *Traders*

Simply understood as merchants, they buy in bulk and retail outside the market. This customer group is also the main customer group of Mega Market and it accounts for 60% of the total number of customers of the company. A special feature is that this group of people does not have time to buy in a specific cycle, but their buying time depends on the consumption of the market ^[1, 2, 3].

- *Families*

This is not the customer group that Mega Market wants to target and it is not the target customer group. However, in fact, because the work is too busy and does not have time to regularly go shopping for family, the housewives tend to shop at the supermarket tends to grow. According to the company's statistics, these are potential customers and have a large amount of shopping. Therefore, the company needs to have reasonable strategies to boost its purchases ^[1, 2, 3].

3.2. MegaMarket marketing mix

Product

Mega Market is a retail supermarket system, focusing on restaurants, cafes, grocery, community cafeteria. The products that Mega Market favored the most are agricultural products such as vegetables, processed materials, fresh products such as meat, fish, seafood, etc. Mega Market products have 95% of their products in Vietnam, which is also a strong point for the Vietnamese people with leading trend of "Vietnamese people use Vietnamese goods". Mega Market always puts food safety on top priority and is always supported by customers, as evidenced by Mega Market being trusted to be chosen as a partner to provide food for resorts, 5-star hotels, and restaurants. large, collective kitchen. In particular, Mega Market was selected as a partner to provide fresh food to many hotels serving important international events of the country.

Price

As a wholesale supermarket, the price of the Mega Market is very reasonable. Up to 70% of Mega Market products are cheaper than products on the market.

Promotion

Began building the first food supply chain in 2005, so far, Mega Market operates four transfer stations that are considered to be the leading large-scale in Vietnam, including the Fruit and Vegetable Hub in Da Lat, fish transfer station in Can Tho, pork transfer station in Dong Nai and Ben Tre fruit transfer station. At

these four food hubs, Mega Market applies VietGap standards in production and HACCP standards to control and minimize risks in all processing stages, from the beginning being raw materials. materials until the final steps such as packaging, storage, storage and distribution of products. At the food transshipment stations, Mega Market's agricultural engineers work directly with farmers and cooperatives from seed selection, production planning, harvesting to direct transportation. to transfer stations. Farmers participating in the cooperation will have a production diary, which records in detail the history of pesticide use, harvest time and must conduct periodic testing according to Mega Market standards. At present, Mega Market's vegetable and fruit transfer station is considered as one of the transfer stations meeting food hygiene and safety conditions for the best fruit and vegetable products in Vietnam.

4. Conclusion

We can see that since the transfer of Metro to the Mega Market, Mega Market has developed dynamically, becoming one of the largest supermarket chains in Vietnam, both for retails and for wholesales. Since becoming Mega Market, there have been many suitable market entry strategies that have been successful and entered deeply into the mind and the heart of Vietnamese customers. Mega Market could become the first role model for wholesale supermarket in Vietnam to be followed by other foreign potential competitors. When it comes to retail supermarkets, customers always think of Mega Market as their beloved supermarket where they would like to spend time for shopping with their families.

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