

VIETNAM NATIONAL UNIVERSITY, HANOI

SCHOOL OF BUSINESS



Nguyen TrungDuc

**BUILDING 03-YEAR BUSINESS STRATEGY FOR
XUAN CAU COMPANY LIMITED
IN SCOOTER TRADING BUSINESS**

Major: Business Administration

Code: 60 34 05

MASTER OF BUSINESS ADMINISTRATION THESIS

Supervisors: Dr. Nguyen Thi Phi Nga

Hanoi– 2011

ACKNOWLEDGEMENTS

I would like to express my gratitude to all those who gave me the possibility to complete this thesis.

I want to thank Xuan Cau Co. Ltd., and Piaggio Vietnam for giving me permission to do the necessary research work and to use their valuable data. I have furthermore to thank all the managers and staff at these two companies who gave and confirmed permissions and encouraged me to go ahead with my thesis.

I am deeply indebted to my supervisor Dr. Nguyen Thi Phi Nga from Hanoi National University whose patience, help, stimulating suggestions and encouragement have helped me in all the time of research and writing of this thesis.

I want to thank all of my friends from HSB-MBA 6 for all their advice, support, interest and valuable hints, especially, Mrs. Nhung, Ms. Trang, and Ms. An. Their efforts in doing thesis give me the encouragement to finish mine.

I also want to thank my close friends, Chung, Tu, Liem, Tue, and Giang, whose encouragement, endless love, and great help are always available in my difficult times.

Especially, I would like to give my special thanks to my dear Grandmothers, Grandfather, and Mother who has given me strong encouragement and love enabled me to complete this work. Their health is not good but they always make me feel unpressured. Hope their health will be improved soon. My brother, Thanh, who doesn't do much but just sometime writes in the greeting card to wish me finish my work soon.

Thank you!

ABSTRACT

BUILDING 3-YEAR BUSINESS STRATEGY FOR XUAN CAU COMPANY LIMITED IN SCOOTER TRADING BUSINESS

Nguyen Trung Duc

MBA Candidate, 2007-2009

Vietnam National University, Hanoi School of Business

Supervisor: Dr. Nguyen Thi Phi Nga

October 2011, 85 pages

Xuan Cau Co., Ltd. has achieved great success in the business of Piaggio scooters trading business. From 1996 to 2000, the Company is the 1st and only official distributor of Piaggio that sole import and distributed Piaggio Scooters, and provides repair service with genuine spare parts. Xuan Cau has helped revive an well-know European scooter, making PIAGGIO scooter market in Hanoi. Therefore, the Company has achieved rapid success and profitability in this business, build its reputation in the market. However, after setting long-term strategic investment in potential Vietnam market, PIAGGIO officially founded Piaggio Vietnam Co. Ltd., construct plant and expanded a large distribution system throughout the country with more than 74 official distributors. Xuan Cau, asleep in the victory lost the No. 1 position in the market to Topcom, emerging distributor who has strong capital resource, and large showrooms. Meanwhile, investors of Xuan Cau were familiar with small and family owned administrative style, so the Company's competitiveness has been reduced without a specific strategy to maintain competitive position compared with emerging competitors.

To support Xuan Cau in building strategy, the thesis will analyze the opportunities and threats from the market, pointing out the strengths and weaknesses of the Company in order to propose an appropriate strategy.

With the proposed strategy, if applied it will help the Company to improve its competitiveness as well as consolidate its strengths to overcome weaknesses to take advantages of the opportunities, overcome challenges in order to maintain its top position in the market.

TÓM TẮT

XÂY DỰNG CHIẾN LƯỢC KINH DOANH 3 NĂM CHO

CÔNG TY TRÁCH NHIỆM HỮU HẠN XUÂN CẦU TRONG

LĨNH VỰC KINH DOANH XE MÁY TAY GA

Nguyễn Trung Đức

Học viên MBA, 2007-2009

Đại học Quốc gia Hà Nội, Khoa Quản trị Kinh Doanh

Hướng dẫn: Tiến sĩ Nguyễn Thị Phi Nga

Tháng 10 năm 2011, 85 trang

Công ty TNHH Xuân Cầu đã gặt hái được nhiều thành công trong lĩnh vực kinh doanh xe máy tay ga của hàng PIAGGIO. Từ năm 1996 đến năm 2000, công ty là nhà phân phối chính hãng đầu tiên và duy nhất nhập khẩu và phân phối, cung cấp các dịch vụ sửa chữa với phụ tùng chính hãng. Xuân Cầu đã góp phần hình thành một dòng xe danh tiếng của Châu Âu, làm nên thị trường xe PIAGGIO tại Hà Nội. Do đó, công ty đã nhanh chóng gặt hái được thành công và lợi nhuận trong lĩnh vực kinh doanh này, gây dựng được danh tiếng trên thị trường. Tuy nhiên, sau khi có chiến lược đầu tư dài hạn vào thị trường Việt Nam đầy tiềm năng, PIAGGIO đã chính thức thành lập Công ty TNHH Piaggio Việt Nam, đầu tư xây dựng nhà máy và phát triển hệ thống phân phối rộng khắp cả nước với hơn 74 nhà phân phối chính thức. Xuân Cầu, ngụp lặn trong chiến thắng đã đánh mất vị trí số 1 trên thị trường cho Topcom, một nhà phân phối mới nổi nhưng vốn lớn, đã mở ra nhiều showroom có quy mô. Trong khi đó, chủ đầu tư của Xuân Cầu vẫn quen với cách kinh doanh nhỏ lẻ quy mô gia đình và độc quyền, vì vậy năng lực cạnh tranh bị suy giảm mà không có chiến lược cụ thể để duy trì vị trí và cạnh tranh với các đối thủ mới nổi.

Để hỗ trợ việc xây dựng chiến lược cho Xuân Cầu, luận văn sẽ phân tích các cơ hội và thách thức đến từ thị trường, chỉ ra các điểm mạnh, điểm yếu từ phía công ty để từ đó đề xuất ra chiến lược.

Với chiến lược đề xuất, nếu được áp dụng sẽ hỗ trợ công ty nâng cao năng lực cạnh tranh, củng cố các thế mạnh, khắc phục điểm yếu để từ đó dành được các cơ hội, vượt qua các thách thức nhằm duy trì được vị thế trên thị trường.

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LIST OF ABBRIVIATIONS

Xuan Cau	Xuan Cau Co. Ltd.,
PVN	Piaggio Vietnam
SBV	State Bank of Vietnam
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
SWOT	Strength, Weakness, Opportunity, Threat
GREAT	Gain, Risk, Expense, Achievable, Time
PEST	Political, Economic, Social, Technology
POS	Point of Sales

INTRODUCTION

1. The PROBLEM

After 10 years in the market, Xuan Cau Co., Ltd. has not had an official Strategy for develop and developing business yet. As the first one built up the Piaggio market in Hanoi, at first the company had no competitors. All the business was just importing and selling. Demand was extremely higher than Supply so that success was an easy achievement. In 2006, Piaggio officially entered Vietnam, developed plants and distribution network. Xuan Cau became one of 74 dealers in Piaggio Vietnam network, not the one and only as it was before. Based on the root of 10 year business, the Company still gain success, but the BODs are sleeping in the glory of the past few years while new dealers learn hard and grow fast. By the time, facilities are downgraded, sales staffs are self-satisfied, the Company's competitiveness decreased dramatically, losing their leading position in the market, became the second. Therefore, Xuan Cau Co. Ltd. needs to have an Official Strategy to increase its competitiveness and market share.

2. Objective / Aims

- Aim:

Build up an Official Strategy which could help the Company to state who and where they are right now in the market and determine its' development orientation for the next 3 years.

- Objectives:

- Analyze the Company present performance to reveal the problems under no Strategy running business.
- Analyze Xuan Cau's Vision & Mission Statement (if any) to see whether the Company has known who they are or who they want

to be or not, to see whether all the factors are enough or wisely mentioned or not. If there are any problems, hopefully I can recommend them a better one.

- Do External Analysis to find out what the Real Opportunities & Threats in the market.
 - Do Macro Analysis by using PEST+ model to find out O&T.
 - Do Micro Analysis by using 5 Forces model to see the Competitive pressure.
- Do Internal Analysis by using 2 models: Value Chain & SCA Identification Process to find out the Strengths & Weakness of the Company.
- Formulate and choose the most suitable Strategy for Xuan Cau in the next 3 years using SWOT & GREAT models.
- After choosing the Strategy, develop the Strategy Implementation to adapt.

3. Scope of Works

- Size: 1 Company: Xuan Cau Ltd., Co.
- Area: Vietnam.
- Duration: from 2011 – 2013.

4. Research questions

- Who are the competitors and who is Xuan Cau now in the market?
- What are the S-W-O-T to Xuan Cau now and 3 years later?
- What changes can be made after adapting strategy to Xuan Cau?

- ➔ Change in the Company Structure?
- ➔ Change in the Company Operation?
- ➔ Change in the Company Revenue and Productivity?

5. Data sources & Processing

- Apply Strategy building theory
- Xuan Cau's and Piaggio Vietnam internal data.
- Internet Sources
- General Statistics Office of Vietnam

6. Methods / Approaches

- Market research in Vietnam Scooter Industry.
- Interview with some of the Company's Key people as the "Insiders"
- Aggregate analysis

7. Significance

- A chance for me to apply theory in practicing.
- Direct Xuan Cau to develop and to do business more effectively in the right orientation.
- Help Xuan Cau to Catch Opportunities and to Use Resources effectively.
- With a methodological Strategy, Xuan Cau can run Business more professionally.
- Increase the Company Competitive Advantages.
- If this thesis is well-done, hopefully it can become a reference for other company.

8. Limitations

- Focus only on 1 company.
- Collected data may not be accurate and out of date.
- Feasibility: the Thesis is just a thesis only, maybe the BODs of Xuan Cau won't pay attention about it so that it won't be apply in reality.

9. Expectation Results

- Collect Scooter Industry Market research data.
- Practice the knowledge learnt in class & Experience in real company.
- Propose a suitable Business Strategy to Xuan Cau.
- Compare real Changes after & before Company adapt a new Strategy.

10. Contents

I plan to perform the Thesis in this type:

Introduction

Chapter 1: Literature Review

Chapter 2: Building Business Strategy for Xuan Cau Company Limited

Chapter 3: Recommendations for Strategic Implementation Plan

CHAPTER 1: LITERATURE REVIEW

1.1. Strategy definition

1.1.1. Definition

Strategy is a long-term action plan designed in which an organization uses its knowledge and other resources to achieve its economic purpose.

Strategy is different from *tactics*. In military terms, tactics is concerned with the conduct of an engagement while strategy is concerned with how different engagements are linked. In other words, how a battle is fought is a matter of tactics: whether it should be fought at all is a matter of strategy.

In order to exist and to develop in the market, a corporation should not only base on short-term action plans, but also base on long-term one so that it can catch opportunities, reduce negative effects from external environment, overcome weaknesses and improve strengths from the internal environment.

Strategy is a future plan in which describes the corporation's operating model as well as draws up a best future far-sighted. Building on market development and consumer trends, the Companies define their strategies and drivers for growth based on their Vision, Mission and Values to maximize return across the value chain.

In general, top management sets the strategic targets for brands, sales, operations, and finance. Then, senior management evaluates alternatives and works out more detailed plans to achieve these goals:

- Entering new markets,
- Extension of the product portfolio to new channels,
- Improving the existing portfolio in the traditional channels,
- Or acquisition or selling brands.

Once the overall company plan reflects the desired strategy, an integrated business planning process will link strategic targets with tactical and operative planning on all hierarchy levels of the enterprise. All downstream plans are assigned specific business targets to ensure the adherence to strategic targets.

1.1.2. Classification

Generally speaking, there are 4 levels of strategy:

(1) *Functional-level Strategy* answers the question how/what resources the Company has to use/exploit/combine in order to create its Competitive advantages.

(2) *Business-level strategy* or *Competitive strategy* answers the question how to compete with other competitors: based on Cost leadership; or Differentiation on attribute, image, and customer service; or Focus?

(3) *Corporation-level strategy* answers the question what business and market the Company should jump into.

(4) *Global-level strategy* answers the question what international market to enter, based on what criteria and how to jump into that market.

1.1.3. Specific characteristics

Strategy defines goals and development direction of the Company in a period from 3 to 5 years.

Business strategy only sketches out long-term sense of directions. In practical business running, it is necessary to combine general long-term objectives with particular short-term objectives.

The top manager has a very important role in building, making decision, performing, controlling, evaluating, and adjusting strategy.

Building and choosing business strategy is always based on competitive advantages of the corporation.

1.2. The Role of Business Strategy

Provide a long-term vision for the Corporation managers. Especially in the case of small and medium enterprises (SMEs), when the Company operates under a long-term plan, it will improve the sustainable development instead of temporary and unstable development.

Based on it, the managers can make accurate and timely decision. The decisions will stick close to the goals of the corporation, helping it to save and use resources more effectively.

With a professional strategy, the company can gain advantages from catching Opportunities, improving Strengths, overcoming Threats and reducing Weaknesses so that it can keep or enhance its competitive advantages compared to the others.

1.3. Building Strategy Process

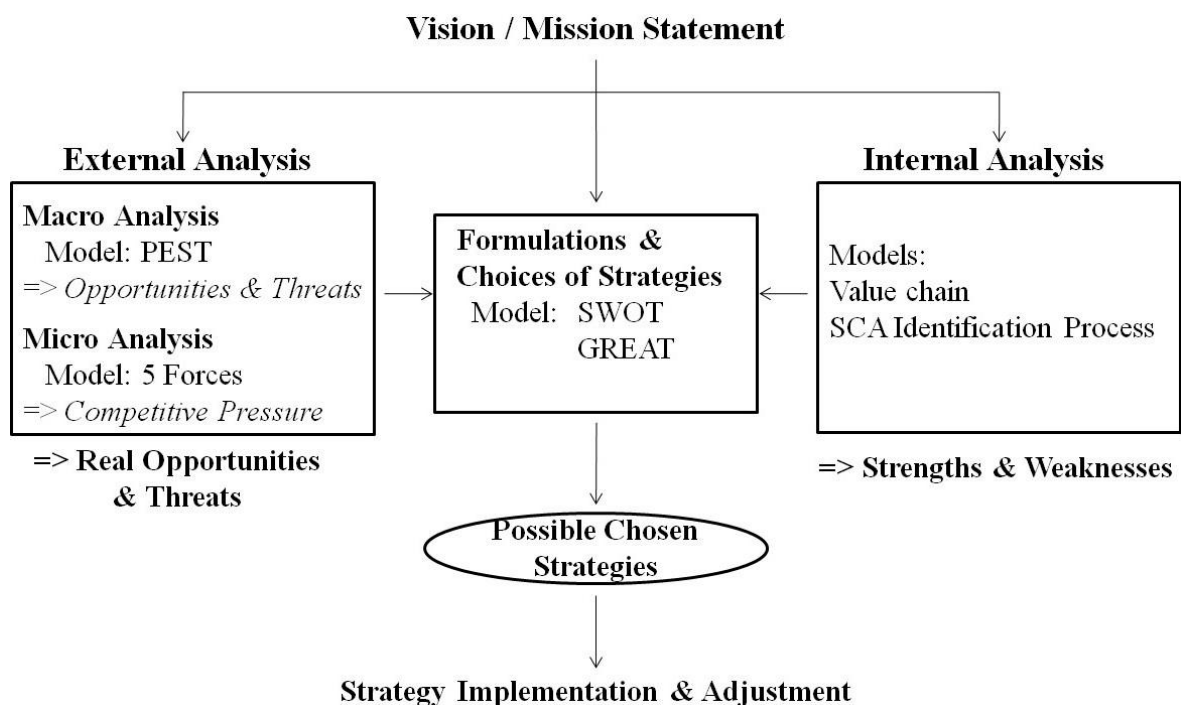


Figure 1.1: Building Strategy Process

Source: Pro. Dang Ngoc Su –Strategy Management

Figure 1.1 express the process will be used to build strategy in this thesis.

Beginning from analysis the existing *Vision/Missions Statement* of the Company or develop new ones if they haven't had yet, the building strategy process will focus on apply *SWOT matrix model* to formulate possible strategies, then *GREAT model* will help to qualify and choose the best one. After choosing a strategy, we will need to develop a *Strategy implementation and adjustment plan* to matching the organization structure to the chosen strategy as well as monitoring and evaluation of strategy implementation. In order to analyze SWOT model, we have to do *External and Internal analysis*.

External analysis includes: *Macro analysis*, using *PEST+* framework to have an overall view of all the Threats and Opportunities affecting the Company; *Micro analysis*, or in another word Industry or Competitive analysis, using *Michael Porter 5 forces model* to evaluate the Competitive pressure in the market. After all, the External analysis will draw out the real Threats and Opportunities to put into SWOT analysis.

Internal analysis is based on *Value chain analysis* to have an over view of the performance, resources, and capabilities of the Company, then find out what are critical capabilities/core competencies compared to competitors (*Comparative analysis*) to identify distinctive competencies, which are short and long-term Strengths and Weaknesses. Among short-term Strengths and Weaknesses are there special factors that can be Key Success Factors, creating *Sustainable Competitive Advantages* which are long-term Strengths and Weaknesses of the Company. These are what we have to discovery then rank them to put into SWOT analysis.

1.3.1. External Analysis

The External Analysis examines opportunities and threats that exist in the environment. Both opportunities and threats exist independently of the firm. The way to differentiate between a strength or weakness from an opportunity or threat is to ask: Would this issue exist if the company did not exist? If the answer is yes, it should be considered external to the firm. Opportunities refer to favorable

conditions in the environment that could produce rewards for the organization if acted upon properly. That is, opportunities are situations that exist but must be acted on if the firm is to benefit from them. Threats refer to conditions or barriers that may prevent the firms from reaching its objectives.

1.3.1.1. Macro analysis

Environmental trends and events can have potential affect to strategy. This analysis should identify such trends and events and the estimate their likelihood and impact. When conducting this type of analysis, it is easy to get bogged down in an extensive, broad survey of trends. It is necessary to restrict the analysis to those areas relevant enough to have significant impact on strategy.

Some critical external factor affecting organizations include: political, legal, economic, technological, socio-cultural (PEST), diversity, global issues, future, and other factors which made all of these PEST+.

Economic: what economic trends might have an impact on business activity? (Interest rates, inflation, unemployment levels, energy availability, disposable income, etc.)

Technological: To what extent are existing technologies maturing? What technological developments or trends are affecting or could affect our industry?

Policy and Political issues: What changes in regulation are possible? What will their impact be on our industry? What tax or other incentives are being developed that might affect strategy development? Is there any political or government stability risks?

Sociocultural: What are the current or emerging trends in lifestyle, fashions, and other components of culture? What are there implications? What demographic trends will affect the market size of the industry? (Growth rate, income, population shifts). Do these trends represent an opportunity or a threat?

Future: What are significant trends and future events? What are the key areas of uncertainty as to trends or events that have the potential to impact strategy?

1.3.1.2. Micro analysis

Micro/Industry/Competitive analysis is based on Michael Porter 5 forces model to:

Identify

- Against whom do we compete?
- Who are our most intense competitors? Less intense?
- Makers of substitute products?
- Can these competitors be grouped into strategic groups on the basis of assets, competencies, or strategies?
- Who are potential competitive entrants? What are their barriers to entry?

Evaluate

- What are their objectives and strategies?
- What is their cost structure? Do they have a cost advantage or disadvantage?
- What is their image and positioning strategy?
- Which are the most successful/unsuccessful competitors over time? Why?
- What are the strengths and weaknesses of each competitor?
- Evaluate competitors with respect to their assets and competencies.

Michael Porter described a concept that has become known as the "five forces model". This concept involves a relationship between competitors within an industry, potential competitors, suppliers, buyers and alternative solutions to the problem being addressed.

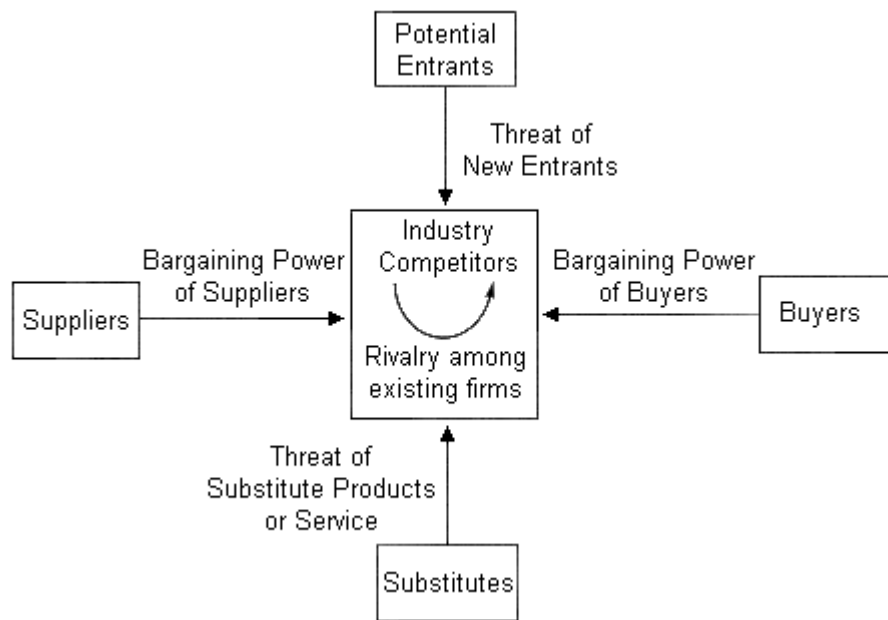


Figure 1.2: Michael Porter 5 forces model

Source: Sources: Michael E. Porter - "Competitive Strategy" (1980).

Porter referred to these forces as the micro environment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a company to re-assess the marketplace. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competences, business model or network to achieve a profit above the industry average.

The threat of substitute products: The existence of close substitute products increases the propensity of customers to switch to alternatives in response to price increases (high elasticity of demand).

- Buyer propensity to substitute.
- Relative price performance of substitutes.
- Buyer switching costs.
- Perceived level of product differentiation.

The threat of the entry of new competitors: Profitable markets that yield high returns will draw firms. This results in many new entrants, which will effectively decrease profitability. Unless the entry of new firms can be blocked by incumbents, the profit rate will fall towards a competitive level (perfect competition).

- The existence of barriers to entry (patents, rights, etc.)
- Economies of product differences.
- Brand equity.
- Switching costs or sunk costs.
- Capital requirements.
- Access to distribution.
- Absolute cost advantages.
- Learning curve advantages.
- Expected retaliation by incumbents.
- Government policies.

The intensity of competitive rivalry: For most industries, this is the major determinant of the competitiveness of the industry. Sometimes rivals compete aggressively and sometimes rivals compete in non-price dimensions such as innovation, marketing, etc.

- Number of competitors.
- Rate of industry growth.
- Intermittent industry overcapacity.
- Exit barriers.
- Diversity of competitors.
- Informational complexity and asymmetry.
- Fixed cost allocation per value added.
- Level of advertising expense* Economies of scale.
- Sustainable competitive advantage through improvisation.

The bargaining power of customers: Also described as the market of outputs. The ability of customers to put the firm under pressure and it also affects the customer's sensitivity to price changes.

- Buyer concentration to firm concentration ratio.
- Degree of dependency upon existing channels of distribution.
- Bargaining leverage, particularly in industries with high fixed costs.
- Buyer volume.
- Buyer switching costs relative to firm switching costs.
- Buyer information availability.
- Ability to backward integrate.
- Availability of existing substitutes products.
- Buyer price sensitivity.
- Differential advantage (uniqueness) of industry products.

The bargaining power of suppliers: Also described as market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm. Suppliers may refuse to work with the firm, or e.g. charge excessively high prices for unique resources.

- Supplier switching costs relative to firm switching costs.
- Degree of differentiation of inputs.
- Presence of substitute inputs.
- Supplier concentration to firm concentration ratio.
- Employee solidarity (e.g. labor unions).
- Threat of forward integration by suppliers relative to the threat of backward integration by firms.
- Cost of inputs relative to selling price of the product.

1.3.2. Internal analysis

The Internal Analysis of strengths and weaknesses focuses on internal factors that give an organization certain advantages and disadvantages in meeting the needs of its target market. Strengths refer to core competencies that give the firm an advantage in meeting the needs of its target markets. Any analysis of company strengths should be market oriented/customer focused because strengths are only meaningful when they assist the firm in meeting customer needs. Weaknesses refer to any limitations a company faces in developing or implementing a strategy. Weaknesses should also be examined from a customer perspective because customers often perceive weaknesses that a company cannot see. Being market focused when analyzing strengths and weaknesses does not mean that non-market oriented strengths and weaknesses should be forgotten. Rather, it suggests that all firms should tie their strengths and weaknesses to customer requirements. Only those strengths that relate to satisfying a customer need should be considered true core competencies.

Understanding a business in depth is the goal of internal analysis. This analysis is based resources and capabilities of the firm.

1.3.2.1. Resources

A good starting point to identify company resources is to look at tangible, intangible and human resources.

Tangible resources are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm's financial statements.

Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (proprietary technology and know-how).

Human resources or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.

1.3.2.2. Capabilities

Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm's capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal functional areas.

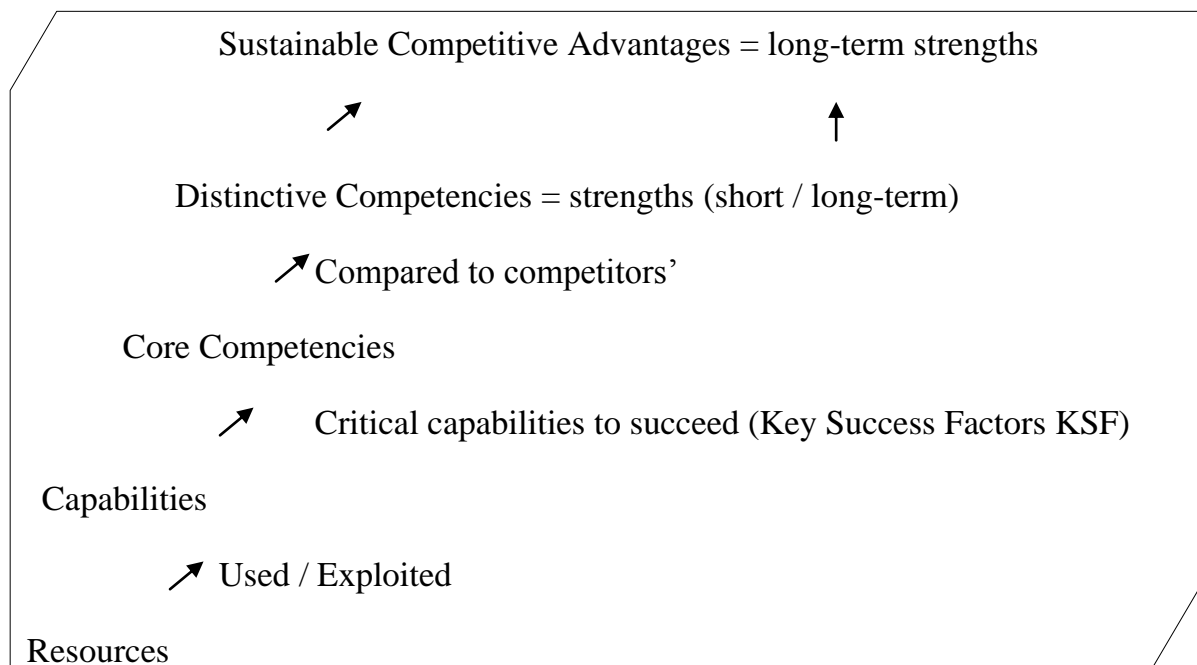


Figure 1.3: Relationship between Resources, Capabilities, Core Competencies, Distinctive Competencies, and Sustainable Competitive Advantages

Source: Pro. Dang Ngoc Su –Strategy Management

Figure 1.3 shows us the relationship between critical factors so that we can find out the long-term Strengths and Weaknesses of the Company as the purpose of Internal analysis.

But most of all, to have an over view about the Company, its resources and capabilities, we have to do the Value Chain analysis.

1.3.2.3. Value Chain model

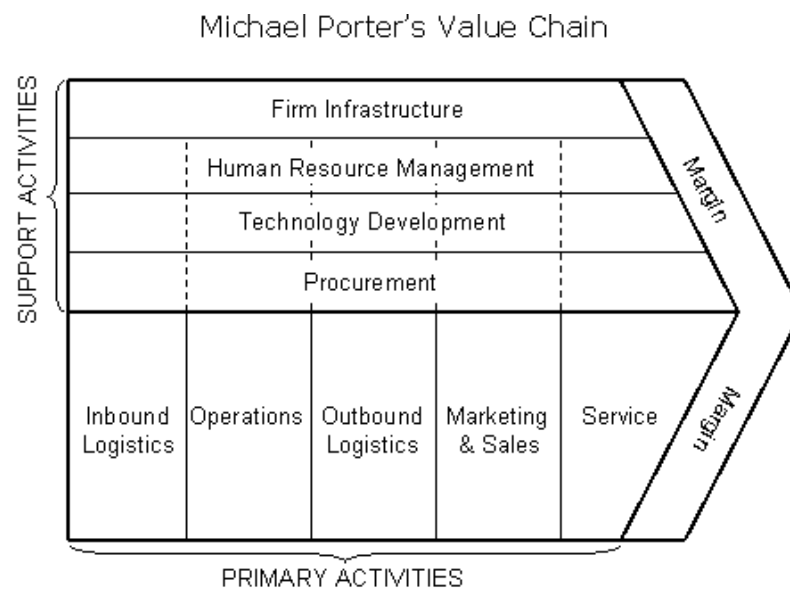


Figure 1.4: Value chain model

Sources: Michael E. Porter - "Competitive Advantage: Creating and Sustaining superior Performance" (1985).

The term “Value Chain” was used by Michael E. Porter in his book "Competitive Advantage: Creating and Sustaining superior Performance" (1985). In his opinion “The value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors”. A firm is profitable if the value it commands exceeds the costs involved in creating the product. Creating value for buyers that exceeds the cost of doing so is the goal of any generic strategy.

Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organization. Therefore, it evaluates which value each particular activity adds to the organizations products or services. The ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage.

Michael Porter proposed the value chain as “a tool for identifying ways to create more customer value”. Every firm is a synthesis of activities that are performed to design, produce, and market, deliver, and support its product. The value chain displays total value, and consists of value activities and margin. Value activities are the physically and technologically distinct activities a firm performs. These are the building blocks by which a firm creates a product valuable to its buyers. Margin is the difference between total value and the collective cost of performing the value activities. The value chain identifies nine strategically relevant activities that create value and cost in a specific business. This nine value creating activities consist of five primary activities and four support activities as we can see in Figure 1.4.

Primary activities

Inbound logistics: Refers to goods being obtained from the organization’s suppliers ready to be used for producing the end product.

Operations: The raw materials and goods obtained are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.

Outbound logistics: Once the products have been manufactured they are ready to be distributed to distribution centers, wholesalers, retailers or customers.

Marketing and Sales: Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group by the use of the promotional mix.

Services: After the product/service has been sold what support services does the organization have to offer. This may come in the form of after sales training, guarantees and warranties.

Support Activities

The support activities assist the primary activities in helping the organization achieve its competitive advantage. They include:

Procurement: This department must source raw materials for the organization and obtain the best price for doing so. For the price they must obtain the best possible quality.

Technology development: The use of technology to obtain a competitive advantage within the organization. This is very important in today's technological driven environment. Technology can be used in production to reduce cost thus add value, or in research and development to develop new products, or via the use of the internet so customers have access to online facilities.

Human resource management: The organization will have to recruit, train and develop the correct people for the organization if they are to succeed in their objectives. Staff will have to be motivated and paid the "market rate" if they are to stay with the organization and add value to it over their duration of employment. Within the service sector e.g. airlines it is the 'staff' who may offer the competitive advantage that is needed within the field.

Firm infrastructure: Every organization needs to ensure that their finances, legal structure and management structure works efficiently and helps drive the organization forward.

As you can see the value chain encompasses the whole organization and looks at how primary and support activities can work together effectively and efficiently to help gain the organization a superior competitive advantage.

1.3.3. SWOT analysis

In SWOT analysis, SWOT matrix and GREAT model will be used. SWOT matrix provides an overall view of External factors (Opportunities versus Threats) affect the business and Internal factors (Strengths versus Weaknesses) of the Company. After that, the leaders can determine some strategies to archive their goals. GREAT models will then help the leaders to evaluate each strategy in order to set priority to which strategy should be applied first, which latter to take advantages of opportunities and avoid threats.

1.3.3.1 SWOT matrix

SWOT is an acronym used to describe the particular Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a specific company. A SWOT analysis should not only result in the identification of a corporation's core competencies, but also in the identification of opportunities that the firm is not currently able to take advantage of due to a lack of appropriate resources. The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection.

Strengths: A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

- Patents.
- Strong brand names.
- Good reputation among customers.
- Cost advantages from proprietary know-how.
- Exclusive access to high grade natural resources.
- Favorable access to distribution networks.

Weaknesses: The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- Lack of patent protection.
- A weak brand name.
- Poor reputation among customers.
- High cost structure.
- Lack of access to the best natural resources
- Lack of access to key distribution channels

Opportunities: The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- An unfulfilled customer need.
- Arrival of new technologies.
- Loosening of regulations.
- Removal of international trade barriers

Threats: Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- Shifts in consumer tastes away from the firm's products.
- Emergence of substitute products.
- New regulations
- Increased trade barriers.

With all the Strengths, Weaknesses, Opportunities, and Threats that we have found out after doing Internal and External analysis, we put them into SWOT matrix to formulate possible chosen strategies.

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The *SWOT matrix* is shown below:

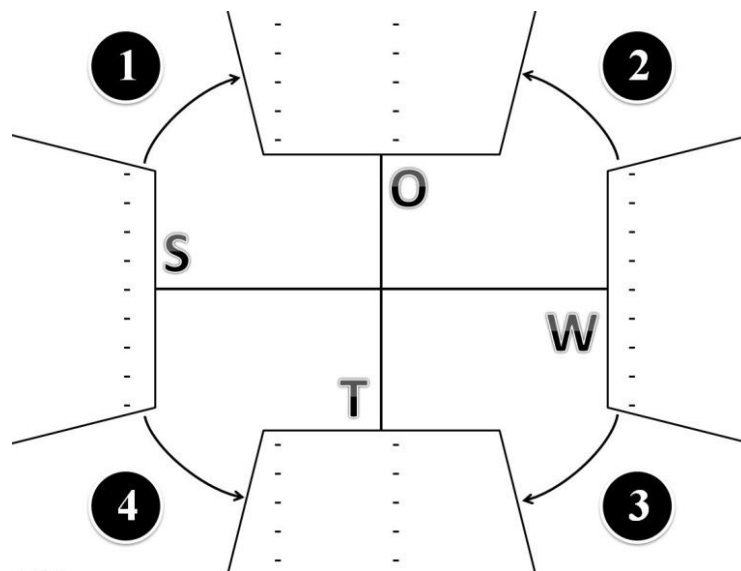


Figure 1.5: SWOT matrix

Source: Prof. Dang Ngoc Su –Strategy Management

- (1) *S-O strategies* pursue opportunities that are a good fit to the company's strengths.
- (2) *W-O strategies* overcome weaknesses to pursue opportunities.
- (3) *W-T strategies* establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.
- (4) *S-T strategies* identify ways that the firm can use its strengths to reduce its vulnerability to external threats.

(1): generic strategy: Cost leadership, Differentiation, or Focus.

(2), (3), (4): functional strategy.

1.3.3.2 GREAT model

GREAT model evaluate five criteria, which are Gain, Risk, Expense, Achievable and Time of each possible chosen strategy, by setting point from 1 to 5. 1 is the worst, 3 is medium and 5 is the best. After the evaluation, the Company is suggested to choose the strategy that has higher mark.

Criteria	Weight	Strategy 1		Strategy 2		Strategy 3		Strategy 4	
		Unwiehght Score	Weighted Score	Unwiehght Score	Weighted Score	Unwiehght Score	Weighted Score	Unwiehght Score	Weighted Score
Gain									
Risk									
Expense									
Achievable									
Time									
Total									

Table 1.1: GREAT Model

1.4. Strategy Selection

1.4.1 Generic Strategy

Generic strategies were used initially in the early 1980s, and seem to be even more popular today. They outline the three main strategic options open to organization that wish to achieve a sustainable competitive advantage. Each of the three options is considered within the context of two aspects of the competitive environment:

- Sources of competitive advantage - *are the products differentiated in any way, or are they the lowest cost producer in an industry?*
- Competitive scope of the market - *does the company target a wide market, or does it focus on a very narrow, niche market?*



Figure 1.6: Porter's Generic Strategies

Source: www.marketingteacher.com

The generic strategies are: (1) *Cost leadership*, (2) *Differentiation*, and (3) *Focus*.

Cost Leadership: The low cost leader in any market gains competitive advantage from being able to produce at the lowest cost. Factories are built and maintained; labor is recruited and trained to deliver the lowest possible costs of production. "Cost advantage" is the focus. Costs are shaved off every element of the value chain. Products tend to be "no frills". However, low cost does not always lead to low price. Producers could price at competitive parity, exploiting the benefits of a bigger margin than competitors.

Differentiation: Differentiated goods and services satisfy the needs of customers through a sustainable competitive advantage. This allows companies to desensitize prices and focus on value that generates a comparatively higher price and a better margin. The benefits of differentiation require producers to segment markets in order to target goods and services at specific segments, generating a higher than average price.

The differentiating organization will incur additional costs in creating their competitive advantage. These costs must be offset by the increase in revenue generated by sales. Costs must be recovered. There is also the chance that any differentiation could be copied by competitors. Therefore there is always an incentive to innovate and continuously improve.

Focus or Niche strategy: The focus strategy is also known as a "niche" strategy. Where an organization can afford neither a wide scope cost leadership nor a wide scope differentiation strategy, a niche strategy could be more suitable. Here an organization focuses effort and resources on a narrow, defined segment of a market. Competitive advantage is generated specifically for the niche. A niche strategy is often used by smaller firms. A company could use either a cost focus or a differentiation focus.

With a cost focus a firm aims at being the lowest cost producer in that niche or segment. With a differentiation focus a firm creates competitive advantage through differentiation within the niche or segment. There are potentially problems with the niche approach. Small, specialist niches could disappear in the long term. Cost focus is unachievable with an industry depending upon economies of scale e.g. telecommunications.

1.4.2. Functional Strategy

Functional strategy is understood as Organizational plan for human resources, marketing, research, development, and other functional areas. The functional strategy of a company is customized to a specific industry and is used to back up other corporate and business strategies. Functional strategy is the approach a functional area takes to achieve corporate and business unit objectives and strategy by maximizing resource productivity.

1.5. Strategy Implementation and Evaluation

In order to implement the selected strategy, the Company must have detail action plan including specific time duration, internal and external resources for each step. This requires people who involve in this strategy following the plan exactly. The managers' roles are very important in motivating the employees, supervising the activities and managing every change during the strategy implementation. If there is any missing participant or any uncooperative departments during goal achievement, the strategy implementation process will break down easily.

Strategy Evaluation helps the Company to verify the strategy's implementation and the effectiveness of this process as well. If any problems arise that affect the application of strategic steps, this process will immediately detect and adjust activities to ensure the success of the selected strategy.

Chapter summary

This chapter provides Xuan Cau managers an overview of each step to formulate and choose a strategy in theory. Building strategy is based on analyzing the company's external factors to point out the threats and opportunities, and then combine with the Company's goals, internal factors to clarify the strengths and weakness. Each of these steps will specify the strategy building process and draw out the results to choose a suitable strategy as well as the solutions to implement it into the Company's business.

CHAPTER 2: BUILDING BUSINESS STRATEGY FOR XUAN CAU COMPANY LIMITED

2.1. Overview of Vietnam Scooter Market – PIAGGIO Market in Hanoi

2.1.1. Overview of Vietnam Scooter Market

In Vietnam, there are five main FDI motorbike manufacturers which are Honda, SYM, Piaggio and Yamaha. All of them have covered large increasing market share in the motorbike market.

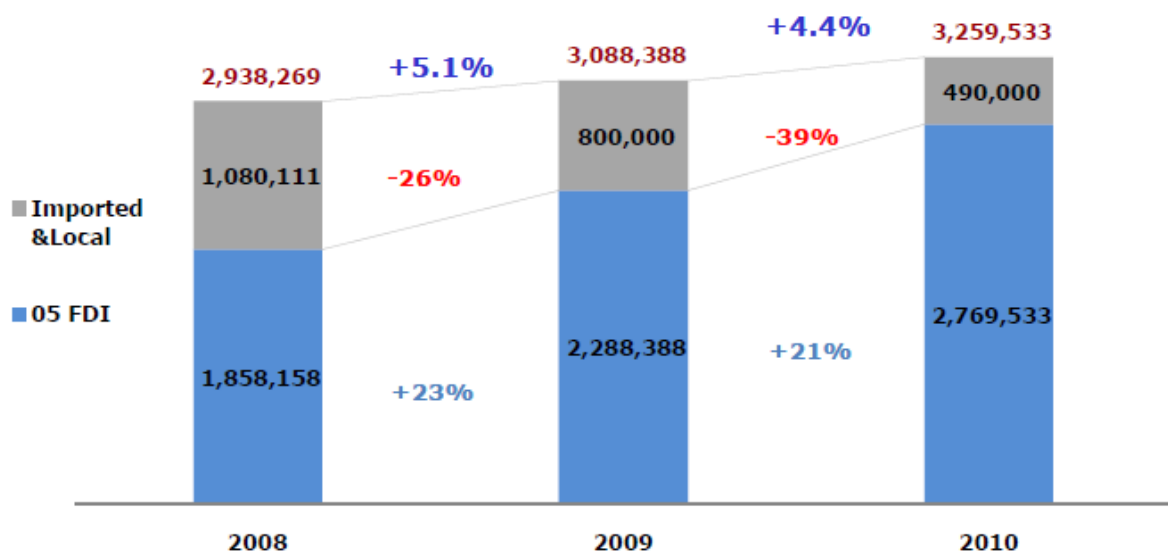


Figure 2.1: Sales of Motorbike manufacturers in Vietnam from 2008 to 2010

Source: Piaggio Vietnam

As we can see in figure 2.1, while the market has grown by 5,1% (2008 – 2009) and 4,4% (2009 – 2010), the Imported and Local manufacturers have decreased sales by 26% (2008 – 2009) and 39% (2009 – 2010). With the strengths of technology and capital, five main FDI motorbike manufacturers continue to maintain their decisive role in the industry.

According to the General Office of Statistics, in the first five months of the year, Vietnam imported 46,000 motorbikes. The total value of imported motorbikes and motorbike parts was \$355 million. The number of import motorbike decreased by

27.3 percent, but the import revenue increased by 44.7 percent in comparison with the same period last year. However, sales of imported motorbikes have decreased.

Since 2009, motorbike manufacturers have focused on developing scooter models due to their characteristics of luxury, convenient, stylish and fashionable. The appearance of the luxury Vespa LX-125cc, manufactured by Piaggio, has forced other manufacturers to compete and create a new trend in the market: the trend of Local assembling scooter.

Compete with the imported models, local ones have lower price, better maintenance service, weather adaptation, and still have the new foreign technology so since 2009, these models have earned the popularity of the customers.

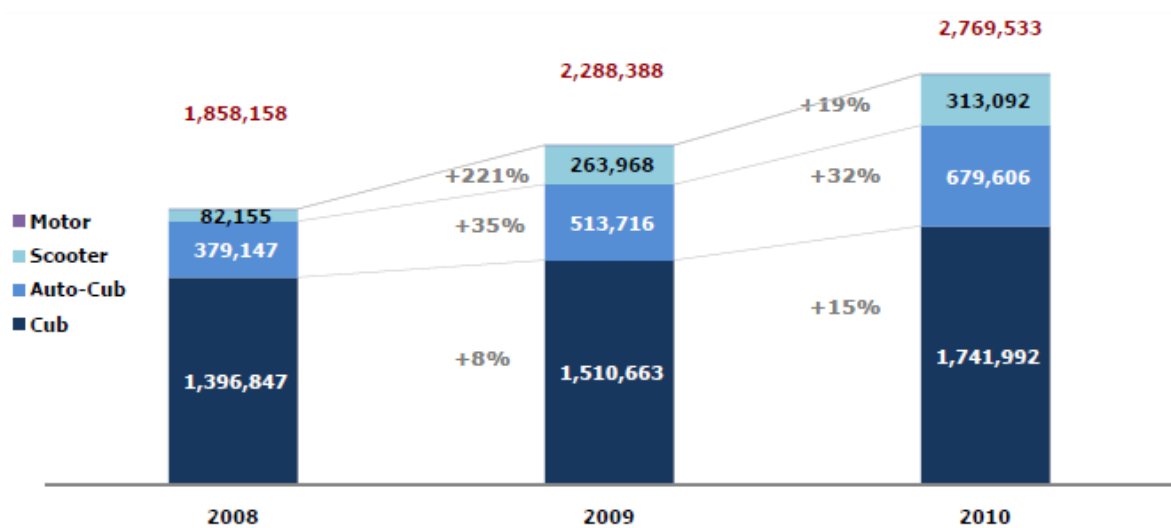


Figure 2.2: Sales by Segments of 5 main FDI Motorbike manufacturers in Vietnam from 2008 to 2010

Source: Piaggio Vietnam

The impressive Scooter segment growth rate of 221% in 2009 is due to the fact that PVN has invested in a factory to assemble scooter in Vietnam and Honda Vietnam also has increased their capacity. Both have released new models of local assembled scooters. In 2010, the trend still grew fast with the figure of 19%.

Foresee the high growth rate, FDI manufacturers have made heavy investment in their assembling plants in Vietnam and now can meet 70-80 percent of the domestic demand for scooters. Honda Vietnam has invested 70 million USD in two plants to increase the production to 500.000 scooters / year. Piaggio also invested 15 million USD to spread their assembling line to 300.000 scooters / year.

To date, domestic manufacturers have marketed many different models of scooters. Honda Vietnam has the SH-125cc/150cc, PCX, AirBlade, Click, Vision while SYM has the Shark 125cc, Yamaha has Nouvou LX...

Currently, manufacturers are trying to make different types of products which target different classes in the society. Piaggio, for example, has launched the Vespa LX-125cc for women and the Vespa S-125cc for men. Honda Vietnam has also been trying to attract women by launching the Click 2010 for women.

Manufacturers have also launched models targeting teenagers. AirBlade Repsol, Nouvo RC (Racing), Click Play and Mio Classico have become the well-known brands among teenagers. Meanwhile, SYM has spent money to advertise a model with high femininity — Attila Elizabeth.

The scooter market can be divided into two main groups: The medium class products priced at 25-40million VND and high class products costing 80-120 million VND. Besides, there are also the models which have sale prices at the average levels of 45-70 million VND, like Honda PCX, SYM's Shark 125cc or Piaggio Fly, Piaggio Liberty Vespa LX, Vespa S.

In Vietnam, people consider scooters with sale prices of 80-150 million VND to be luxury scooters. Now in the market, only Honda and Piaggio compete in making luxury scooters. Meanwhile, other manufacturers still cannot assemble luxury scooters in Vietnam, and they are still luxury import products.

Piaggio, though having an assembling factory in Vietnam already, is still importing new models to sell domestically.

2.1.2. Overview of PIAGGIO Market in Vietnam

Piaggio is an Italian scooter manufacturer well-known to the Vietnamese with the two scooter product lines: Piaggio (same brand name with the Company) and Vespa. In the early 50s', many Vespa scooters had run across Saigon as a symbol of wealthy and stylish. After the event of April 30th 1975 and the crisis of Piaggio itself, these types of scooters disappeared and all that remained were the old models which surprisingly made them a symbol of playboy's fashionable toy.

In 1996, Mr. To Dzung, a businessman indulges in Vespa, brought Piaggio back to Vietnam, firstly in Hanoi in the name of Xuan Cau Ltd, Co. As the only Piaggio official distributor, the business gained success rapidly and reborn an old legend.

10 years later, Piaggio succeed in the scooter segment and classified products as "Scooter of the Boss", which emphasized the customer is rich, successful and fashionable one. Foresee the potential growing market, Piaggio decided to move the Asia Pacific headquarter in Singapore to Vietnam and made a heavy investment plant in Vinh Phuc province, developed a large distribution network in all over Vietnam with 74 dealers.

After the event of launching the 1st Vespa LX assembled in Vietnam in 2009, Piaggio has dominated large market share in high and middle class scooter with four high-wheel models (Piaggio Beverly, Liberty, Fly and Zip) and four low-wheel models (Vespa LX, S, LXV, GTS) as we can see in Figure 2.3. From 2008 to 2010, the most popular model is low-wheel scooters in low price (smaller than USD 2.000). These scooters are from Honda, Yamaha and SYM. 8 models of Piaggio in the low-wheel and high-wheel scooters segments with middle and high price (larger than USD 2.000) even though are not the most popular but they are majority.

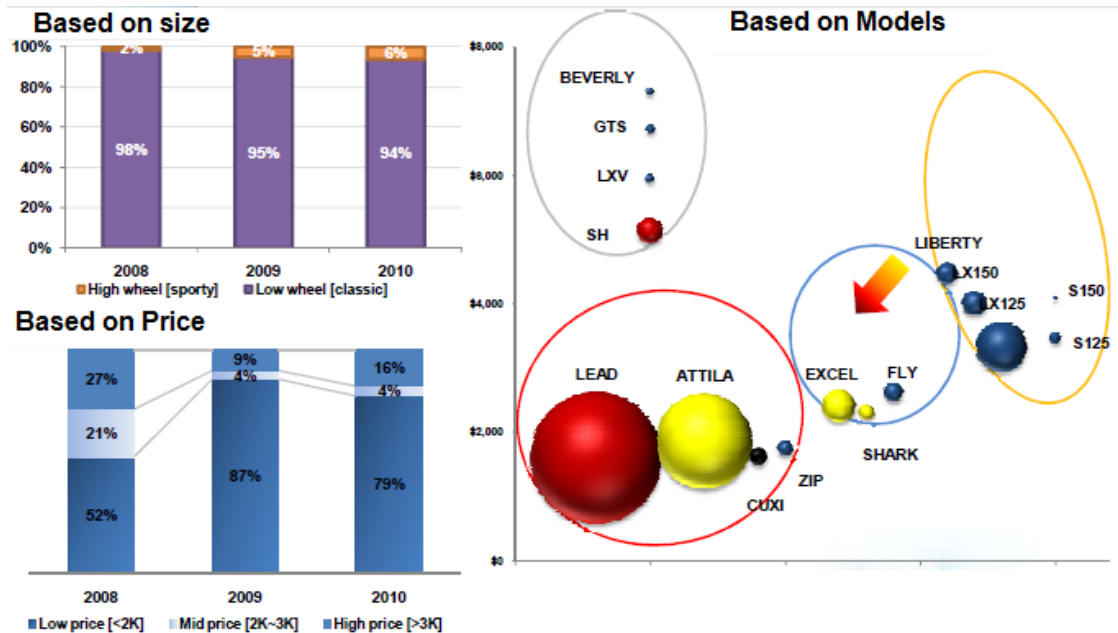


Figure 2.3: Vietnam Scooter Market from 2008 to 2010

Source: Piaggio Vietnam

With reasonable unchanged price and fashionable style, Piaggio sales after 3 months reached 100.000 then by the end of 2009 gained 26.091. In 2010, sales continued to increase 19% to 313.092 scooters. In 2 years of business, this is an incredible development. Piaggio also forced other competitors to compete in the new trend of local assembled scooter.

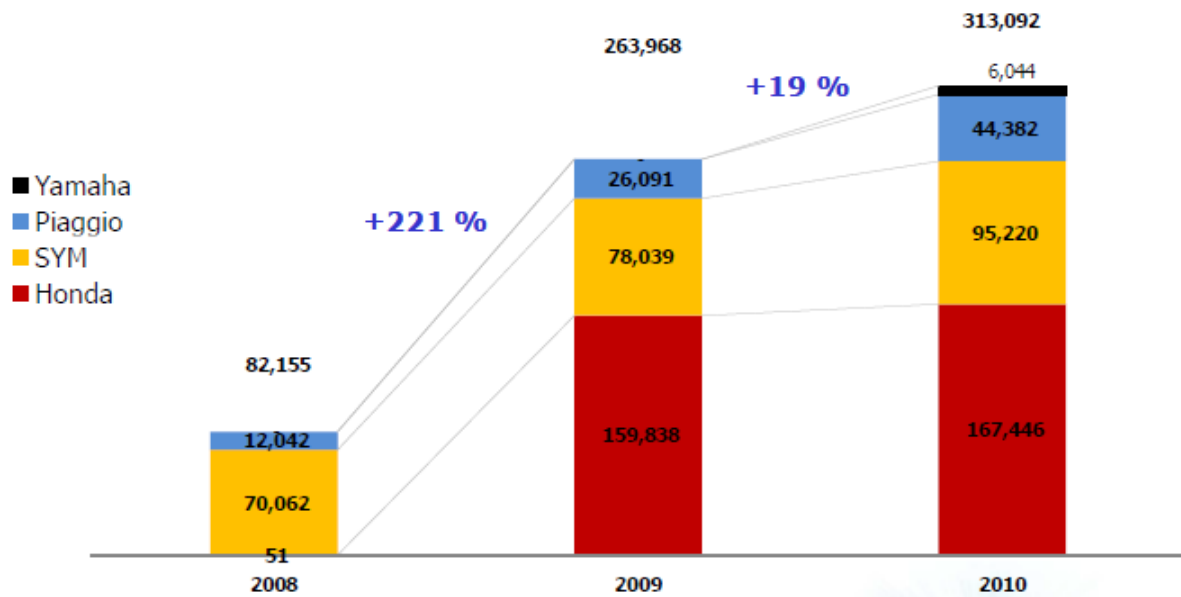


Figure 2.4: Increasing sales of 5 FDI manufacturers from 2008 to 2010

Source: Piaggio Vietnam

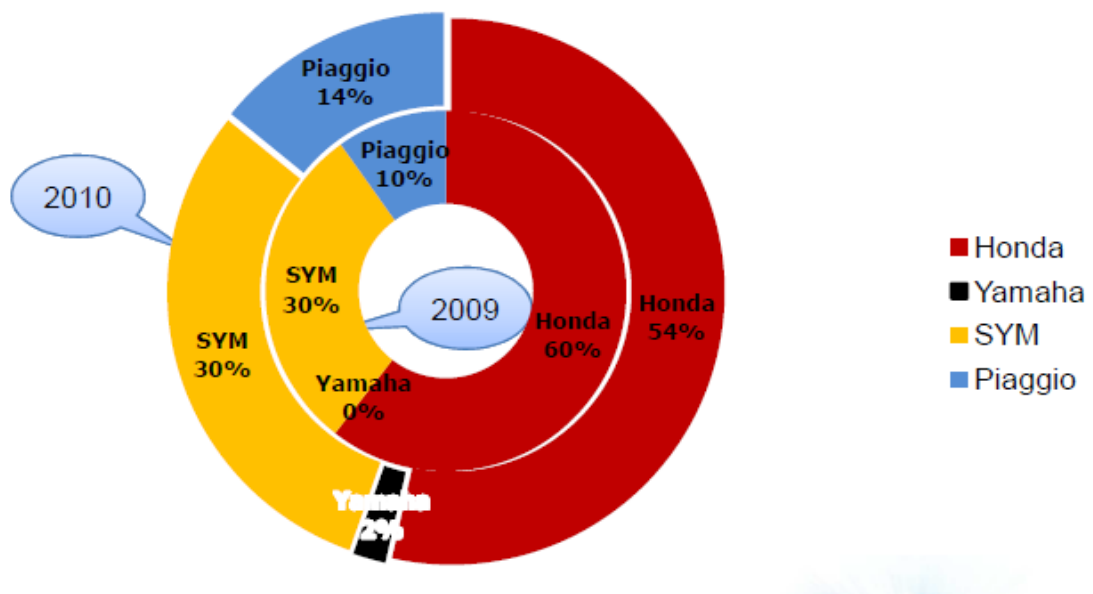


Figure 2.5: 5 FDI manufacturers' market share from 2009 - 2010

Source: Piaggio Vietnam

According to the statistic figure, from 2009 to 2010, Honda has lost market share to Piaggio (4%) and Yamaha (2%). Yamaha has entered scooter market with model Nouvo LX. This product has target at teenagers and 20s' male customers who like racing style so Yamaha's market share is still not too much compared with Piaggio.

Besides, Yamaha follows Honda with the unfixed price strategy which makes the customer unpleasant. Lack of product and prices higher than published rates are common stories of both Yamaha and Honda in recent years. Each time when new model released, customer and the press right away have topic to tell.

Piaggio products have fashionable design, fix with customers of all age and style, and the most important thing they have learnt from Honda is the lesson of committing the price to customers. This helped Piaggio to gain 4% market share in return. To do this, Piaggio and Dealers has to make strong cooperation and commitment to control the market as well as earn back profit.

2.1.3. Overview of PIAGGIO Market in Hanoi

As the main market of Xuan Cau Ltd, Co. is in Hanoi, the scope of this thesis just refers to this market.

Hanoi is the main market of Piaggio in Vietnam with approximately 70% of sales. Both Piaggio and Vespa product lines succeed in this market. In other markets, only the Vespa product line has the awareness of the customers. Piaggio is still a new brand name which sometimes makes people misunderstand.

Piaggio Vietnam has launched many Promotion campaigns to promote and create the awareness of the two products lines in all over the country, but theses campaigns seem not to be efficiency. Most of the customers still can't distinguish Piaggio and Vespa brand name. Vespa brand maintains the awareness and gain success in Vietnam. However, Piaggio brand has just succeeded in Hanoi market. The taste of Hanoi customers has accepted Piaggio style, especially Liberty model, is one of the key factors creating the impress increasing of Piaggio this year.

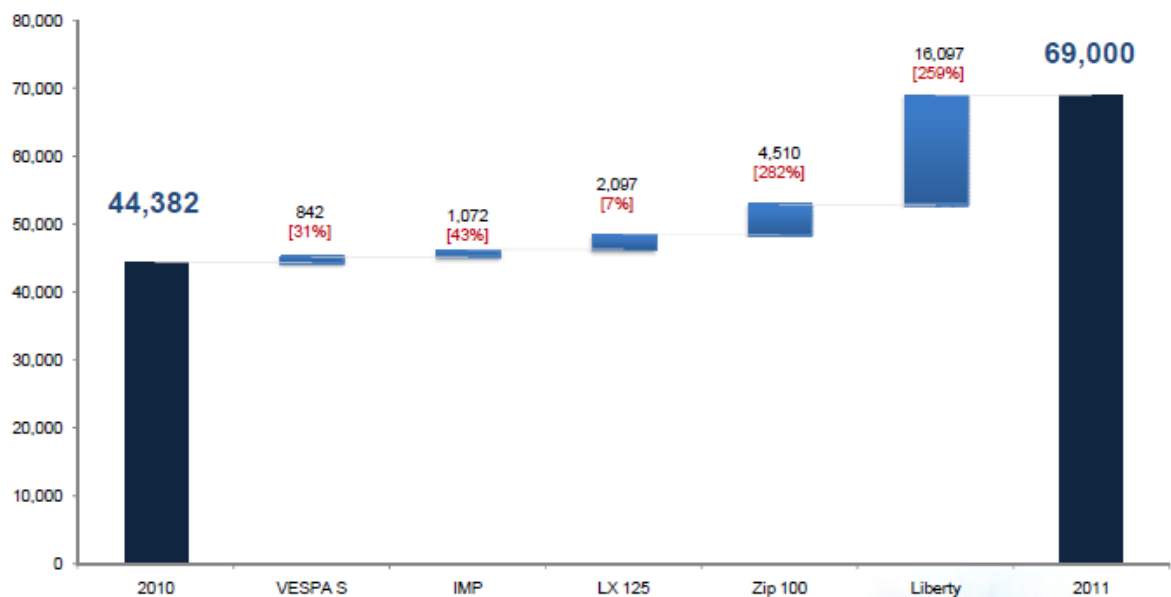


Figure 2.6: Piaggio Sales increase by Models by the first 6 months of 2011

Source: Piaggio Vietnam

2011 is the year of Piaggio product line. Figure 2.6 show that Liberty has accounted the most in the increase number by the first 6 months of 2011.

		2010			2011		
	Models	Hanoi	Others	Total	Hanoi	Others	Total
Vespa	LX125	19,969	8,558	28,527	20,999	9,000	29,999
	LX150	1,994	854	2,848	2,431	1,042	3,473
	S125	1,914	478	2,392	2,238	559	2,797
	S150	241	60	301	590	148	738
	GTS	571	170	741	695	207	902
	LXV	305	72	377	686	161	847
	PX				315	170	485
	Sub-Total	24,993	10,193	35,186	27,954	11,287	39,241
Piaggio	Liberty 125	5,103	1,120	6,223	15,760	6,560	22,320
	Zip	1,179	418	1,597	4,200	1,907	6,107
	Fly	1,201	128	1,329	510	109	619
	Beverly	29	18	47	512	201	713
	Sub-Total	7,512	1,684	9,196	20,982	8,777	29,759
	Grand Total	32,505	11,877	44,382	48,936	20,064	69,000

Table 2.1: Piaggio Sales by Models and Region from 2010 to 2011

Source: Piaggio Vietnam

Taking all the Models into account, Piaggio product line Market is almost in Hanoi. In general, Piaggio and Vespa sales in Hanoi combine together making Hanoi a main market for Piaggio in Vietnam.

2.2. Characteristics of a PIAGGIO Dealer

Dealer is the definition of a Piaggio official distributor. As an official distributor, dealer buys all product lines and spare parts form Piaggio, transports and warehouse them, then resells to the customers. Dealer has to provide strong manpower, cash support to Piaggio and a range of services such as product information, estimate, technical support, after-sales services, credit... to customers. Through this definition, all Piaggio Dealers have the same characteristics as follow: Manufacturer-dependence, Location-dependence, Heavy Investment, Risk-taker, and Internal Competitiveness.

Manufacturer-Dependence

A distributor depends on the manufacturer in terms of regulations, policies and products.

To become an official distributor, Dealer must meet some requirements set by manufacturer such as financial capacity, investment commitment, facilities, appointed suppliers etc... All these requirements are written in the Dealer Agreement and must be strictly followed. These are used to limit the range of investors and only the best one can be chosen to assure the best service to the customers as well as lower the risk.

After becoming Piaggio official distributor, based on Dealer's sales capacity, Piaggio will set the sell-in and sell-out target to each Dealer. Even Dealer knows the market well and want to order less, Piaggio still has the right to decide the number and the profit Dealer could gain. If Dealer wants to order more in case of high demand, Dealer is still depended on Piaggio production capacity.

As a mother company, Piaggio does almost the research about market and products, decide all the strategy and promotion campaigns. Dealers can be asked for comment but cannot decide even they are the closest to market. Each dealer can have own strategy and promotion campaign but it cannot violent Piaggio's while they still have to follow Piaggio's.

Location-dependence

Location plays an important role in scooter retail business. The showroom must be placed in an easy-recognized position, crowded area. Downtown central business districts are usually premium locations with high rent rate, but narrow ground. Outside the center is wider and cheaper, but the market may be not potential to cover the cost. In both cases, it's still hard to estimate the potential sales due to the consumption custom and income of the local population.

Heavy Investment

Piaggio products are middle and high price scooters and spare parts so that buy-in rate is very high. Each daily order can be billions VND. Dealer must have strong financial capacity first to meet the requirement to be Piaggio distributor (has at least VND 100 billion working capital) and then to order products.

Dealer also has to provide transportation means to transport products, then large warehouse to store, and large well-equipped showroom to sell them. Hiring cost, construction cost, and maintenance cost in big city is expensive and increases annually. Distribute high-class scooter means that Dealer has to have professional high-class sales and service staffs, high-class showrooms, and varieties of high-class services. That means comprehensively heavy investment.

Investing in manpower is very important. All the equipment is just the preparation for a trade which is depended much on sales and service staffs. Customers of high-class scooters are picky and difficult. It takes approximately 2 years to train a sales staff professional and even more to train a service staffs. This requires heavy investment in human resource to meet the standards of Piaggio and to increase the company competitive advantages.

Risk-taker

Dealer is an intermediate channel between manufacturer and customers. Dealer buys in a large number of valuable scooters, stores in showroom and warehouse, invests in facilities, manpower, promotion campaigns and expects uncertain sell-outs in a high competitive market. As the result of the three characteristics above, Dealer has to depend on both sides and invest much, so Dealer takes risk much from both sides. However, “high risk, high returns”.

Internal Competitiveness

As these four characteristics above combine together, Dealers have not many things to deal with external competitors (Honda, Yamaha, SYM) because Dealers cannot effect to the strategy and policies of Piaggio. This is the matter of Piaggio Vietnam to deal peer-to-peer with its competitors. The matter of Dealer is competing with each other. With the large number of dealers in all over the country, each one dominates its own sector. However, to enhance the power of the manufacturer and improve the service quality, some Dealers can be allowed to explorer the same large, high-population market likes Hanoi and Hochiminh city. In this case, the competitiveness just focuses on Dealers in the same region, or in other words is “Internal competition”.

In this thesis’s scope, we will focus on the competition between Dealers in Hanoi.

2.3. Xuan Cau Limited Company Overview

Xuan Cau Limited Company is a family-owned company established in 1996. The Company was the first official distributor of Piaggio in Hanoi at that time with the mission to bring back a lost well-known brand of Italian scooter, Piaggio, to Vietnam. Firstly, the business was cooperate with Asia Pacific Piaggio to import scooter from Italy to Vietnam and then resell to the retailers or and user in Vietnam. In the beginning, the Company had only one showroom and workshop but as the advantage of being the exclusive distributor, Xuan Cau rapidly created the awareness and brand name in the market not only for Xuan Cau but also for Piaggio in Vietnam.

After 16 year of business, Xuan Cau now is one of 74 official distributor of Piaggio Vietnam. From only one showroom and workshop in Hanoi, the network has expanded to 10 3S Showroom (Sales – Service – Spare parts) in Hanoi, 01 3S Showroom in Quang Ninh and 04 3S Showrooms in Hochiminh city. The head office is located at 124 Ba Trieu Street – Hai Ba Trung – Hanoi.

Xuan Cau has become a prestigious company in scooter retailer and service provider, taking an important role in bringing a luxurious, fashionable and high-class scooter to stylish customers in Vietnam as well as making the profitable market for Piaggio.

Company vision

- In the leading group of Scooter trading.
- Become the strong company in Scooter retailer and service provider.
- Diversify capital, partner and investment

Company mission

- Providing Piaggio products and services that satisfy the demand of customers.
- Creating jobs for employees with stable income, good and friendly working environment, which provides them conditions to achieve learning opportunities, experience and knowledge for career development.
- Increase the stakeholders' value through liquidity and effective management.
- Create value for Community through the company's development and products.

Core value

- Long-standing business.
- Dedicated and experienced employees.
- Strong relationship with customers, stakeholders, manufacturer and suppliers.

Scope of operation

- Purchasing agents, sales agents, consignment.
- Purchasing motorbikes, automobiles, spare parts and merchandises.
- Motorbike maintenance and repair.

2.4. Xuan Cau Company Strategy Building Process

2.4.1. External environment analysis

2.4.1.1. Macro Analysis

In Macro analysis, PEST model will be applied to draw out Opportunities and Threats in scooter trading business.

a. Political factor

As a transport mean, scooter trading business has been affected by the policies related to develop the economy, expand the region, building infrastructure, import and export, trading, registration and use of motorbike.

Expanding the area of Hanoi

After August 1st 2008, Hanoi had formally merged with its adjacent provinces, tripling in size and doubling its population. The new city has been formed by merging Hanoi with Ha Tay Province and parts of Vinh Phuc and Hoa Binh provinces. The city expands to 3.6 times its current size of 922 square kilometers. Its population doubled to 6.2 million and more than 6.9 million now. The so-called "capital region", the Great Hanoi, will be formed soon. This will be a 13,500-square-kilometer region including Hanoi and seven neighboring provinces.

Expanding Hanoi is a positive factor, or in another word is an opportunity, for scooter trading business. The new Hanoi has larger population, diversified economic structures which encourage the development of the economy and attract more foreign investment. These in turn increase the GDP of Hanoi. After expanding, the infrastructure has been being improved, and the road network has expanded considerably as well. All these factors together make the total demand of transport, in which motorbike is majority, to increase.

However, the development also comes with negative effects: urban transport has not been planned well; sense in traffic of the people, which a half is the new become citizens, is not good. These are the reasons causing traffic jam in rush hour and

increasing number of accidents. To overcome and minimize these problems, the Government has plans to restrict the personal transport.

Personal transport restriction

Circular 02/2003 of the Ministry of Public Security guidelines on vehicle registration, issued in 2003 had limited that each person was allowed to register only one motorcycle. A year later, in 2004, the People's Committee of Hanoi issued regulations banning motorcycles registration in seven urban districts. These two regulations had made a deep negative impact in motorbike market in general and scooter market in particular. Main scooter market was in big cities likes Hanoi. At that time, all of local and FDI manufacturers had to reform their products ranges and moved their market from cities to countryside. However, countryside was not the market for scooter due to high retail rates and its style does not match the terrain as well as the tastes of the rural population.

After two years of implementation, the decision to suspend the vehicle registration was not effective as expected. That decision was not only against the civil law of property right of citizens, but also not "think of cases where people can squeeze through loopholes in the sale of registration". People began to buy registration ownership from people on the suburb and the Government could not control the generated negative problems. On November 22nd 2005, Ministry of Public Security has issued Circular No. 17 to deregulate Circular 02/2003 and then on December 14th 2005, the People's Committee of Hanoi issued Decision 221/QD-UB to allowed people to own and register motorbikes unlimitedly in all districts again. As the result, scooter market has had a strong growth as we see today.

According to statistics of the Ministry of Transport, from 2009 to 2010, there were 7.000 to 10.000 motorbikes registered monthly in Hanoi. In the first seven months of 2011, there were more than 155,000 registered motorbikes, averagely there were 20,000 motorbikes registered each month. The whole city has about 3.8 million motorbikes and 368,000 automobiles (not yet mention 50,000 current vehicles).

Every day, nearly 400.000 vehicles and thousands of current means participate on the road that make the urban traffic situation is always a hot topic.

The Government has learned some management experiences. The idea is changing from prohibition to restriction. The question is: how to prohibit motorbikes? How the effectiveness and impact of the proposal will affect people's lives? At the management level, it can be restricted, not prohibited. Prohibition is violated property rights of the people, moreover if the Government prohibits here people can register elsewhere and then bring their motorbike back to the city. However, the Government can make regulations for the operation of the means. Such as time limit or parking restrict on some main streets. Without parking places, personal vehicles are inconvenient, so that people will have to choose public transport. Agreeing with this point, many traffic experts said the development of public transport must be combined with measures to ban or drastically limit the use of personal vehicles in some urban areas. Initially, the performance limitations will apply to some urban areas during peak hours. For example, motorcycles can be banned in the work hours: from 6 am - 8.30 in the morning; from 11h - 13h at noon; and from 16h - 18h30 in the afternoon. During the peak hours should only be used on vehicles buses, cars and bicycles.

The reason why motorcycle exists and arises constantly is that it is the most appropriate means to people, convenience and cost-effect, even it is used as a means of livelihood for many people. Besides, many people are living in small streets. Meanwhile, the capital plan also has not given definitive answers weather the public transportation is subway or car? Or public bus still cannot meet the demand and requirement of the citizens as a substitution.

With the comments above, Hanoi People's Committee Chairman Mr. Thao said: “It is time for the Ministry of Transportation to lead and accelerate the project of restricting and controlling the growth of personal transport. Also, the Government must obtain comments from the public for the highest feasibility.” Reportedly, the

Government has asked the Ministry of Transportation to coordinate with the other ministries, other People's Committees of provinces and other cities to formulate this project and the roadmap to implement it in large cities. It is expected the project will be submitted by the end of 2012.

Even though this project is still in process, it is a threat to the development of scooter business in Hanoi and other large cities for the next 3 year.

b. Economic factors

GDP Growth

2010

Hanoi economy has seen a rapid recovery and robust growth in 2010 with its GDP projected to increase 11 per cent against 2009, higher than the set target and 1.64 times of the national GDP growth. These figures were announced at the second conference held by the Steering Board of the municipal Party Committee on the socio-economic situation in 2010 and orientation for socio-economic development in 2011. The city's service sector has reported a year-on-year increase of 11 per cent; the industrial and construction sector, up 11.5 per cent; and the agricultural sector, up 6.2 per cent. These increases shift the city's economic structure in a positive direction. The city's export turnover is estimated to see a year-on-year increase of 20.8 per cent, four times higher than the original target. Per capita income has reached over VND37 million (\$ 1,950). The social situation in the city has also improved. 22,500 households received support to escape from poverty and the number of poor households has decreased to 4.5 percent.

2011

In the first nine months of 2011, Hanoi has obtained a 9.4 percent increase in GDP, according to the Hanoi Statistics Office. High growth has been seen in industrial and construction sectors, hitting 10.1 percent in the reviewed period, followed by the services sector, 9.3 percent and the agriculture-forestry and fisheries sector, 4.3

percent. According to the Head of Hanoi Statistics Office, Mr. Cong Xuan Mui, this amazing growth had to face various difficulties such as bank interest rate and high expenditures for raw materials and input fuel, but it is the Government's effort with Resolutions number 11 to stabilize the socio-economy, controlling inflation, boosting production and business for enterprises. He forecast that the city would achieve a yearly GDP growth of 9,6 % in 2011.

2012 – 2015 (target and forecast)

The seminar on implementation of socio-economic development tasks in 2011 and plan for 2012 for Hanoi held on October 4 has announced that in the first nine months of 2011, Hanoi's GDP (Gross Domestic Product) grew 9.4% and it is expected to rise 12% this year. The capital city targeted to reach GDP growth in 2012 at 11-12%. Of which, service growth would be 10.7-11.6%, industry-construction at 12.5-13.7% and agriculture at 2.7-3.7%. The city's export turnover growth would be about 15% in 2012. Hanoi would also continue construction of infrastructure framework and carry out the master plan for the city till 2020 and vision till 2030. Under which, the city will continue to develop the social housing projects and speed up the pace of key urban traffic projects such as Ha Dong-Cat Linh railway, Nhon-Hanoi Railway Station, ring road No 1 O Cho Dua-Hoang Cau and roads of Van Cao-Ho Tay, Cat Linh-La Thanh-Yen Lang.

Target	Plan in 2011	Jan-Sep 2011	Plan in 2012
GDP	12	9.4	11-12
Export turnover	14	27.7	15
Social investment	19-20	11.6	18.5-19.5

Table 2.2: Hanoi's economic targets in 2011 and forecast for 2012 (%)

Source: <http://www.vietbiz24.com/>

Regarding the specific targets, Hanoi aims average GDP growth in 2011-2015 is 9.5 to 10%, GDP per capital the end of 2015 reached 70-72 million VND / person, the poverty rate in 2015 under the new standard to less than 1%.

The positive forecast on Hanoi GDP shows the opportunity for the scooter business in terms of the citizen's increasing income. Scooter price is above the average so higher the income means higher the chance for potential customers.

Inflation rate

From 2004 to date is the period of high inflation, almost repeated as a period of high increased inflation rate every 2 year then next year would be low increased. In 2004 increased 9.5%, up 8.4% in 2005, then in 2006 increased 6.6%. In 2007 increased 12.63%, 19.89% increase in 2008, and then in 2009 increased 6.52%. In 2010 increased 11.75%, in 2011 after eight months increased by 15.68% (if calculated on August of 2011, over the same period last year increased up to 23.02%). Forecast by the end of 2011, with the Government's efforts, inflation rates must be at positive point of 18%. If the period is still goes on, the ability to increase less in 2012 is possible and the Government can make the target less than 10 % of 2012 is feasible.

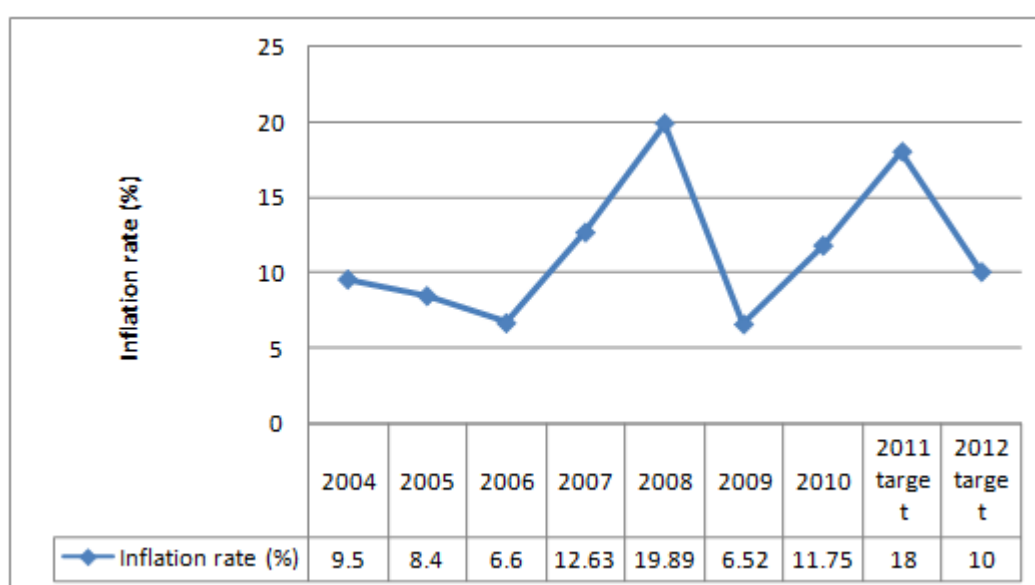


Figure 2.7: Year on year Inflation rate in Vietnam

Source: Asia Development Bank

The instability of Gold rate and foreign currencies rate recently has negative impact on inflation rate. Large amount of social capital stays in Gold and foreign currencies, which do not become direct investment for the manufacturing business to create products balancing with money. Gold and the foreign currencies became the means of payment, making the total means of payment increases. Domestic gold prices fluctuate, many times higher than the world gold prices becoming deep impact of illegally imported gold, and dragged the exchange rate fluctuated. When the gold price and exchange rate increase, they impacts on people psychological and trust in the domestic currency.

In the scope of this thesis, inflation rate is not the most concerned problem, but to reduce inflation rate, the Government must increase interest rate as one of the solutions to draw cash from the market. However, it is a factor affected on the lending interest rate, which is very important in scooter trading business.

Interest rate

As a distributor of Piaggio, Dealer buys all product lines and spare parts form Piaggio, transports and warehouse them, then resells to the customers. This business require huge amount of capital. Lending interest rates of 22-25 percent per year imposed by commercial banks are putting businesses in a difficult position to access more capital for their operations.

It is difficult to know how long the State Bank of Vietnam (SBV) should maintain interest rates at 14 percent per year, or when it should remove this ceiling and allow capital to flow smoothly to avoid the vicious cycle of inflation. Most commercial banks are now applying the 14 percent mobilized interest rate to all deposits from one week to 60 months.

The monetary market seems to be distorted due to several reasons, one of which is the SBV's introduction of circulars 13/2010/TT-NHNN and 19/2010/TT-NHNN, which raise the capital adequacy ratio for Vietnam's banks from 8 to 9 percent and prohibit banks from lending more than 80 percent of their deposits. The circulars

have resulted in a shortage of money for the credit activities of commercial banks, which generate the majority of their revenue. At the same time, commercial banks are asked to raise their charter capital to VND3,000 billion, so they will try to mobilize more capital at any price, adding that this is the main reason for a race to increase interest rates. The two circulars are necessary, however, the SBV did not take into consideration of Vietnam's current situation so it could not anticipate the circulars' negative impacts on the banking system and the economy in general. In order to raise the capital adequacy ratio to 9 percent, commercial banks must mobilize more capital, which is unlikely to happen in a short period of time.

Inflation rate has decreased to 1.09 percent in June of 2011. However, it is still higher than it was at the same period last year and how much they will be lowered depends on a number of factors. In fact, interbank interest rates have kept dropping over the past few weeks, even to 12 – 13 percent at some point, much lower than the interest rates for Open Market Operation (OMO). This is good news, but to lower them further to 14-15 percent is no easy task at all in the face of slow-going policy and high inflation rate. Commercial banks have been asked by the State Bank of Vietnam (SBV) to reduce outstanding loans to non-production sectors to 22 percent by June 30 and 16 percent by December 31. However not all are capable of following this important decision of the SBV to prevent a racing spike in interest rates. 24-25 percent interest rates might be acceptable to the real estate and securities sectors but cause serious problems for the production sectors. Therefore, restricting loans to non-production sectors is expected to ensure the flow of capital in the right direction to both production and business. Recently, SBV has had decision to reduce lending interest rates to 17-19 percent per year, but it is not easy to apply the same rates to all loans immediately as commercial banks' mobilized interest rates were higher than that. It is only possible if the SBV maintains the mobilized interest rates at 14 percent for several months.

However, the 14 percent interest rate is much lower than the consumer price index and not on par with the increase in the exchange rates by the end of the year. Small

depositors do not have many options, so they will continue to deposit their money in banks, but professional investors and commercial banks are predicted to move their money to other investment channels they think are safer. The SBV's decision to tighten the monetary policy and its financial policy is said to increase the interest rates. It is, therefore, necessary to loosen the monetary policy to avoid the vicious circle of inflation.

In short term, Dealer cannot expect the lending interest rate to fall, so that this can be considered as a threat to the business. However, the problem of a distributor or a retailer will be solved if they can minimize inventory and continuously resell good to customers. One of the factors that affect this is the social factor.

c. Social factors

Population

Hanoi's population is constantly growing (about 3.5% per year), a reflection of the fact that the city is both a major metropolitan area of Northern Vietnam, and also the country's political center. The number of Hanoians who settled down for more than three generations is likely to be very small as compared to the overall population of the city. Even in the Old Quarter, where commerce started hundreds years ago and was mostly a family business, many of the street-front stores nowadays are owned by merchants and retailers from other provinces.

On May 29th of 2008, with nearly 93% of participants agreed, Vietnam's National Assembly has passed a resolution to adjust the administrative boundaries of Hanoi and the seven provinces. According to the resolution, the whole Ha Tay province, Me Linh district of Vinh Phuc province and four communes of Luong Son district, Hoa Binh province were merged to Hanoi. From an area of 1.000 km² and a population of about 3,4 million people, Hanoi after expanding has the area of 3.324,92 km² and a population of 6.232.940 people, and become one in the 17 largest capitals all over the world. After the periodical census on October 30th 2010, the city's population is 6,913 million, in which, there are 3,5 million in labor age.

Hanoi's population is estimated to reach about 7.3 million in 2015, 8 million in 2020 and 9.2 million by 2030, according to the master plan for the city's socio-economic development up to 2020 with a view to 2030 that was approved in the Prime Minister's Decision No.1081/QĐ-TTg. The city aims for more than 55% of its labor to have professional skills by 2015 and 70-75% by 2020, making it a high-quality training center for the country and the region. Hanoi is also striving to generate 135,000-140,000 jobs each year from 2011 to 2015, increasing to 155,000-160,000 in the following five year period (2016-2020).

High population, of which 50% is in labor age, is an opportunity for the business.

Consumption behavior

Hanoi is the capital, so local people and the immigrants share some common consumption behaviors like: show-off style, seasonality, and crowd psychology.

Show-off style

Living in the capital, surrounded by people from local and other areas come to compete for living, many people have this kind of style to express that they are successful in life, proving that they are the best and earning respect from the others. This style sometimes is a positive motivation for people continuously improves themselves to achieve what they want. In terms of business, this style is an opportunity for a potential market of expensive, high-class brands.

Piaggio is an Italian well-known brand comes from Europe, so it easily fits with this style. Even though Piaggio and Vespa had negative characteristics like ease of troubles, it is still the best choice for customers who want to have admiration eyes from the others.

Seasonality

According to Piaggio's statistic figures, we can see that the high sales season falls from the end of this year to early months of the next year. In the middle of the year, sales decrease. On October, sales seem to fall a little bit but then grow up again.

This seasonality on sales is considered basing on the lunar calendar, natural seasons and the wedding season of the West culture.

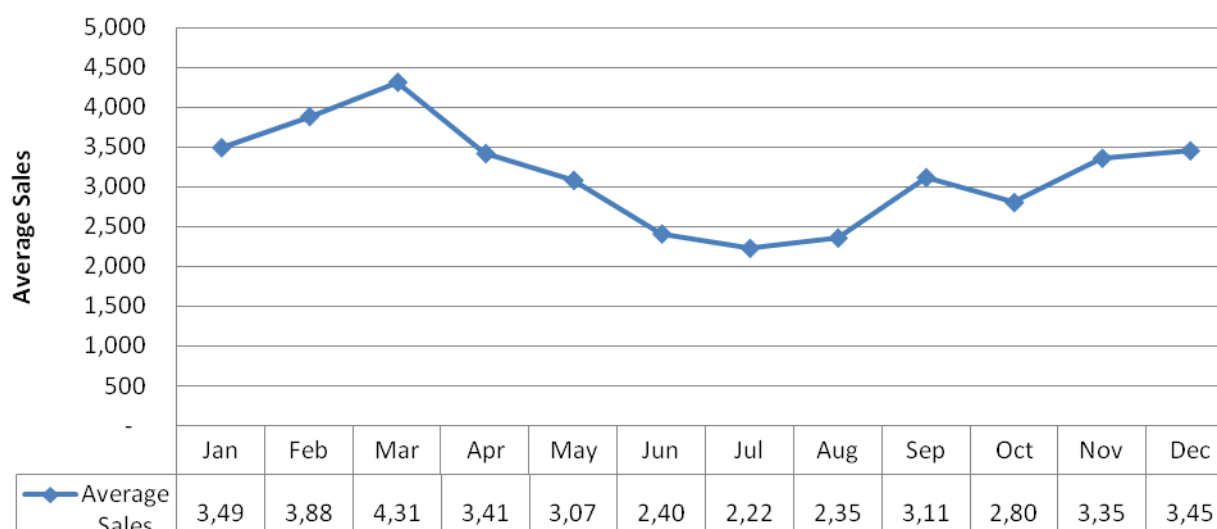


Figure 2.8: Average Sales of Piaggio by month in 03 year (2009-2011)

Source: Piaggio Vietnam

In solar calendar of the East culture, a year ends at December, but in the lunar calendar, the year ends around the period of two months January or February. As the result, in Vietnam have the mixed culture related to the consumption season of a year. People working at companies usually have two big commissions by the end of December and January/February. Before and after these holidays are the time of consumption activates as people have money, prepare for holidays, and celebrate a year of success. Therefore, sales increase continuously from the end of this year to the beginning of the next year.

From May to August is the time of summer in the North and rain season in the South. It is hot and rainy so that the customers do not spend time on buying valuable properties. Sales can decrease nearly a half as we can see in the graph. Especially, July / August is usually “Month of the Ghosts” in lunar calendar, so sales in this month falls the most.

September is the time for new students entering university. In Vietnam, parents often buy motorbike for their new-become-student children as a reward and transport mean. Sales begin increasing after a long time of low season.

From October to the end of spring, it is the time of “Wedding season” in the West culture. These causes decrease in sales. As young couple plans for their wedding, they have to consume for many items: fixing house, buy new stuffs, prepare for the wedding ceremony... etc... Wedding is priority rather than buying a scooter, which is quite expensive. Besides, wedding season also promote gold price to rise. This time of year also is the time of gold trading. As the results, a large amount of cash has been moved to investment making scooter sales fall down. From November, it grows up again as it is the peak season.

Seasonality is a threat to scooter business as it makes sales unstable. The factory still have to run, assembling and producing new scooters so manufacture force Dealer to buy-in. Dealers in turn will have high inventory in low season. However, in peak season, Dealer may be placed in the situation of out-stock as the factory’s capacity cannot meet the demand. In this case, Dealers have to suffer from opportunity cost because they do not have scooter to sell.

Crowd psychology effect

Crowd psychology in scooter purchasing case is started from the fact that most of the customers have middle income but a high-class product like a scooter is still the symbol of success, wealthy so that show-off style people have motivation to buy one. As a result, customers want to optimize the cost by choosing a product which can combine many advantages such as acceptable price, durable, beautiful, convenience, low operating cost and price maintenance. Besides, not all customers have knowledge on what they purchase, especial women who know least about technical stuff and transport mean, so they have to base on majority’s experiences.

In this case, crowd psychology has negative and positive effects.

For a long time, Honda has built up the trust of customers all over the country. All advantages mentioned above are the characteristic in the customers' mind about a Honda. This creates a sustainable competitive advantage compared to other manufactures like Piaggio. Each time Honda launches new product, the press have hot topic to write about how Honda distributors hoarding goods and manipulating prices because the customers are so interested in Honda products that they make the demand much higher than support.

Piaggio and Vespa, in the other sides, have both negative and positive crowd psychology effects. The positive ones are high-class, fashionable, stylish scooter come from a well-known European manufacturer, a symbol of fashion and style. Until now, only Piaggio and Vespa have built up these characteristic successfully in customers' perception. The negative ones are that it usually has trouble, heavy, fuel-consumption and high operating and maintenance cost. These make Piaggio a brand of wealthy people, limits the range of customers.

From 2009, Piaggio Vietnam has run the first local factory assembling scooter in Vietnam. This event create new trend of local assembled scooter in the market but also remove some negative factor the customer like as an imported product. However, with affordable prices, Piaggio has expanded the range of customers widely. Besides, with the strategy to develop distribution network all over the country, unchanged price, Piaggio is now earning more and more customers' trust and taking advantage of crowd psychology effect or let say the word of mouth power.

d. Technical factors

Since the 1st Vespa LX assembled in Vietnam sold in the market, Piaggio Vietnam has improved the technology on local assembled products twice.

The first upgrade is applied for Vespa LX and Vespa S in 2010. These products were integrated electric stand and Piaggio exclusive invented electric lock, the most

secure lock ever in the market for scooter. With this technology, the owner doesn't have to worry about their scooter wherever they park.

The second upgrade in 2011 is for Vespa LX, Vespa S and Piaggio Liberty with the integration of electronic fuel injection system that optimizes engine performances, reduces 40% fuel consumption, 50% emissions and lower noise.

These advanced technology integrations has boosted Piaggio sales 56% this year as they meet customers' requirements and expectations of a high-end product.

Combine all the factors in macro analysis, we have the External environment analysis conclusion table as follow:

Factors	Opportunities	Threats
Hanoi Expansion	+++++	
Personal Transport Restriction		----
Increasing GDP	+++	
High Inflation Rate		-
High Interest Rate		--
High Population	++++	
High Show-off Style	++++	
Unchanged Seasonality		---
Strong Crowd Psychology Effect	+++	--
Advanced Technology	++++	

Table 2.3: External environment analysis conclusion

2.4.1.2. Micro Analysis

In Micro analysis, Michael Porter 5 forces model will be applied to evaluate the Competitive pressure in scooter trading market.

a. The Threat of Substitute Products

Substitutes of scooter are auto-cub (a hybrid type between scooter and cub or automatic and manual transmission motorbike), motor and car. However, the price range of these vehicles is different so at this time, scooter has no really substitute products.

Substitutions	Auto-cub	Scooter	Motor	Car
Price range (USD)	900 – 1.200	2.000 – 7.000	6.000 – 10.000	Over 10.000

Table 2.4: Price range of some scooter substitutes

With the price range above, motor is closest to scooter as a substitution, but motor is not popular in Vietnam due to its large cylinder engine, which requires special license and good strength (more suitable with men). Car and auto-cub both have a far distance in price range compared to scooter. Switching cost from scooter to other types of vehicle is high.

In terms of the characteristics of convenience, easy to use, and low operation cost, auto-cub is a good alternative. However, auto-cub is a low-class product, which cannot help the owner to express their differentiation, wealthy and stylish.

Until now, Scooter in Vietnam has no substitution. This is an opportunity for the business.

b. The threat of the entry of new competitors

In the scope of Dealer competition, there are barriers to Entry set up by Piaggio Vietnam. These barriers are not prescribed to prevent the entries but rather to help

Piaggio Vietnam to select the best distributors, who meet all Piaggio requirements, and to maintain the stability of the distribution system.

Enter barriers

Because of the characteristics of Piaggio Dealer as mentioned in chapter 2, Dealer depends on Piaggio Vietnam in product so Dealer must commit to abide strictly Piaggio Vietnam regulations in agency contract. As a late comer in Vietnam market, Piaggio Vietnam wants to emphasize their European high-class brand in order to compete with other long-standing ones like Honda, Yamaha, and SYM. So the first commitment Piaggio Vietnam wants in Dealer is making large investment in the location and infrastructure of the showroom. The more showrooms a Dealer wants to submit to open, the more they have to invest. In Hanoi, finding a good location to build showroom is not easy and the cost is always high. One Piaggio standard showroom must meet the following conditions: located on busy main streets, minimum frontage of 12 m, the minimum floor area of 400 m², and building of two stories or more is preferred. Such a location in Hanoi is not only hard to find but also expensive in renting. Besides, Piaggio product price range is from USD 2.000 to USD 7.000 so it requires large amount of capital to buy-in scooter every day. However, when a distributor meets all the requirements, they will be assured by Piaggio of products and market. Piaggio Vietnam only allows more than one Dealers compete in large region such as Hanoi and Hochiminh city. In small region, only one Dealer is allowed. If another investor wants to enter a dominated market, either the existed Dealer seriously violates Piaggio policies and be fired, nor can't that investor come in.

Exit barriers

According to Piaggio Vietnam statistics, average sales of a showroom are 66 scooters per month, but the average turnover is rank the 1st due to high basic margin Piaggio Vietnam gives to Dealers.

Manufacturer	Average Total Sales	Average Sales / Showroom	Average Turnover/showroom/month	Compared
Piaggio	69,000	66	\$377	1
Honda	1,767,246	355	\$67	6
Yamaha	805,864	191	\$79	5
SYM	164,271	51	\$86	4
Suzuki	28,276	19	\$69	5

Turnover	Basic Margin	POS #	2008	2009	2010	2011	Rank
Piaggio	12% & 9%	87	\$13,563	\$16,017	\$18,731	\$24,924	1
Honda	6%	415	\$12,099	\$15,360	\$19,022	\$23,928	2
Yamaha	6%	351	\$7,552	\$9,956	\$12,357	\$15,062	3
SYM	6%	268	\$2,144	\$2,980	\$3,613	\$4,815	4
Suzuki	6%	124	\$2,136	\$1,782	\$1,644	\$1,313	5

Table 2.5: Compared average turnover per month of a Showroom from 2008 to 2011

Source: Piaggio Vietnam

To be calculated, Dealer will begin to earn profit after a year of business. With this high profit opportunity, there's no reason to quit after heavily investing to be Piaggio Dealer. Each Dealer will try their best to meet all requirement so that they can't be fired and stay in the business as long as they can.

Even though Piaggio's requirements are high, but with the obvious profit, many investors want to become Piaggio Dealer.

c. The intensity of competitive rivalry

Scooter market in Hanoi is in the growth stage of its product life cycle with the scooter supply is increasing, and the number of showrooms and Dealers is expanding as well creating an aggressive competition in the market.

The Growing of Scooter market

With the new trend of local assembled scooter, scooter market has moved to the growth stage of its life cycle. According to Piaggio Vietnam, sales number has increased significantly, raising the profit of both Piaggio Vietnam and its Dealers. The customers are more aware of the local assembled scooter as it inherits the imported one's characteristics with a reasonable price. Many investors have

submitted Dealer proposal to be Piaggio official distributors. This fact is present at Piaggio Dealer Convention held on March of 2011.

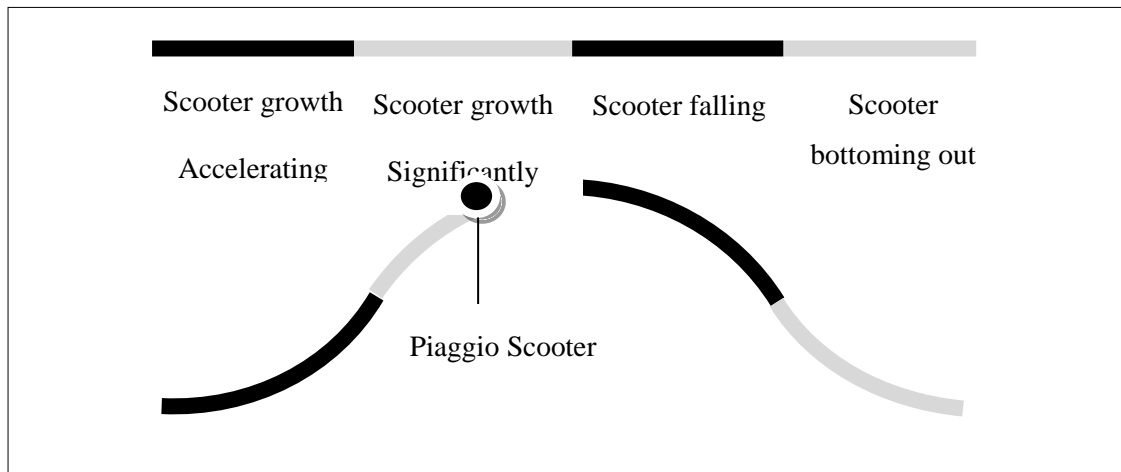


Figure 2.9: Piaggio Scooter Product Life Cycle

Source: Piaggio Vietnam

Increasing supply

Soon after its launch in Vietnam in June 2009, Piaggio successfully achieved all its initial objectives. Thanks to this success, the Italian brand has now stepped up speed by establishing Vietnam as the launch pad for its presence in Asia.

With new \$ 40 million investment in production and Research& Development, the group reinforces its position as the biggest Italian economic factor in the region, taking full advantage of the excellent strategic base that is Vietnam. Piaggio Vietnam has also decided to expand and upgrade the 26.000 square-meter existing plant for its Group Research and Development Center. The new R&D center will be fully dedicated to the development of new vehicle concepts aimed at Asian consumer needs.

To strengthen its success and continue to grow, Piaggio strongly reinforces its production capacities in Vietnam by building a new facility on its site in Vinh Phuc province. With this new 20.000 square meter industrial structure, implementing the

best of Piaggio's technologies and processes, the Group will be able to raise the production from 100.000 units per year to 300.000 by mid-2012.

To seduce discerning consumers, the group offers the best of Italian design and mechanical knowhow to offer a new 2011 range of Premium products, with the introduction of the fuel injection engine on all high-end models: the Vespa LX 125/150 i.e., the Vespa S 125/150 i.e., the Piaggio Liberty i.e. Piaggio also launches the ZIP 100, a highly competitive model specially re-fitted to adapt to Vietnamese needs in October of 2011, and the Fly 125 in December of 2012. The new made in Vietnam Zip and Fly is one part of Piaggio strategy to cover all the remained segments from VND 20-30 million to VND 30-40 million. This new generation of products meets the demands of consumers looking for premium brands with a unique style, incorporating the latest technologies.

Increasing number of showrooms and Dealers

Rank	Dealer	Market share (%)	Number of Showroom	Dominated regions
1	Topcom - Official	57,47%	14	Thanh Xuan, Hai Ba Trung, Hoan Kiem, Long Bien, Dong Da, Cau Giay
2	Xuan Cau - Official	31,40%	7	Thanh Xuan, Hai Ba Trung, Hoan Kiem, Tay Ho
3	Y Viet - Official	4,39%	01	Hai Ba Trung
4	Mua Xuan - Official	2,78%	01	Hoang Mai
5	Cuong Quoc - Official	2,55%	01	Ha Dong
6	Unofficial	1,51%	>> 100	Everywhere

Table 2.6: Piaggio Dealers in Hanoi

Source: Piaggio Vietnam

In Hanoi, there are 05 main official Dealers and hundreds of unofficial distributors. The biggest one is Topcom with 15 showrooms and largest market share. Xuan Cau rank the second with 7 showrooms. The other three official ones are small business with only one showroom but they're running quite effectively. The unofficial distributors are traders who import and resell for other province official Dealers. As the markets in small cities and provinces are not good at it is in Hanoi, many province Dealers sell scooters to unofficial channels as the second distributors. In order to sell products, these unofficial distributors set the price very low competing with official Dealer in Hanoi, destabilize the market.

As we can see in Table 3.5, most of the showrooms gather in crowded main areas, which are traditional motorbike trading center like Ba Trieu street and Pho Hue street. Nowadays, customers tend to buy products near their house so Piaggio Vietnam has planned to open more showrooms in the suburb. Piaggio doesn't want to depend on some main Dealer who has many showrooms, so in some cases, Topcom and Xuan Cau's opening showroom projects are rejected to encourage new comers. Fortunately, thanks to the prestige, experience and large capital support, these two Dealers still can be approved in some other locations where need to be long-term and risky investment such as out far from the center of the new expanding Hanoi.

With the opportunities come from Hanoi expansion and profitable business, there will be more new comers in Hanoi market. For the next three years, Piaggio Vietnam has planned to open showrooms in most of the provinces. When this happens, customers will change their traditional habit from going to the showroom in the center to buy scooter to going to near house showroom. The existing showrooms gather crowdedly in the center will lose a large number of potential customers. This is the time to invest in new expanding areas.

Each dot represents PIAGGIO will **Presence** within 2011 in the major provinces/cities (1)

1. Son Tay town

Each dot represents PIAGGIO **Current Presence** in the major provinces/cities (10)

1. Ba Dinh
2. Hoan Kiem
3. Cau Giay
4. Hai Ba Trung
5. Dong Da
6. Long Bien
7. Tay Ho
8. Hoang Mai
9. Thanh Xuan
10. Ha Dong



Figure 2.10: Expanding Distribution Network Plan of Piaggio Vietnam 2011

Source: Piaggio Vietnam

As Piaggio policies require Dealers resell scooter at stipulated prices, Dealers have to compete with each other in increasing the quality of aftersales services and customer care. To prevent big Dealers like Topcom, Xuan Cau with strong financial resource can run promotion campaigns which small Dealers are not be able to follow, all Dealers in Hanoi has a Commitment to restrict promotion activities. However, Dealers still can do marketing like events, branding, and advertising to promote and create brand awareness. Still the gap between big and small Dealers is too high. Topcom can run monumental and expensive marketing campaigns while Yviet focus on internet customers as a highly potential niche market. Xuan Cau bases on long-standing brand to attract customers, but as Topcom has risen, no marketing activities will reduces brand awareness to new generation of customers. Smaller Dealers like Mua Xuan and Cuong Quoc dominate a large region with no competitors' showroom so they don't do anything. Unofficial distributors compete on price against the official ones making unfair competition. However, this is somehow an affective informal distribution channel in low season for official Dealers so these unofficial competitors still exist.

Due to the increasing of supply and the increasing number of showrooms and Dealers, this is an aggressive competition to small Dealers. There are great opportunities for big Dealers who have resources to strongly invest in long-term development while Piaggio Vietnam still doesn't have explicit restrictions.

With all the analysis above, we can sum up an Unweight Competitive Strength Assessment table as follow:

Key Strength	Topcom	Xuan Cau	Yviet	Mua Xuan	Cuong Quoc	Others unofficial
Reputation	9	9	7	5	5	0
Marketing / advertising	8	6	5	2	2	0
Financial Strength	10	8	5	4	4	1
Network	10	7	1	1	1	6
Location	9	7	6	7	7	6
Management	9	7	7	6	6	1
After sales service	7	7	7	6	6	0
Customer service	6	10	3	1	1	0
Unweight overall strength	69	61	41	32	32	14

Table 2.7: Unweight Competitive Strength Assessment

d. The bargaining power of customers

After the booming of the Local assembled scooter trend, the customer segment has changed from high to middle income. A local assembled scooter is 40% cheaper than an imported scooter, this diversified the customer range, making the demand increase as many people can buy a scooter with reasonable price.

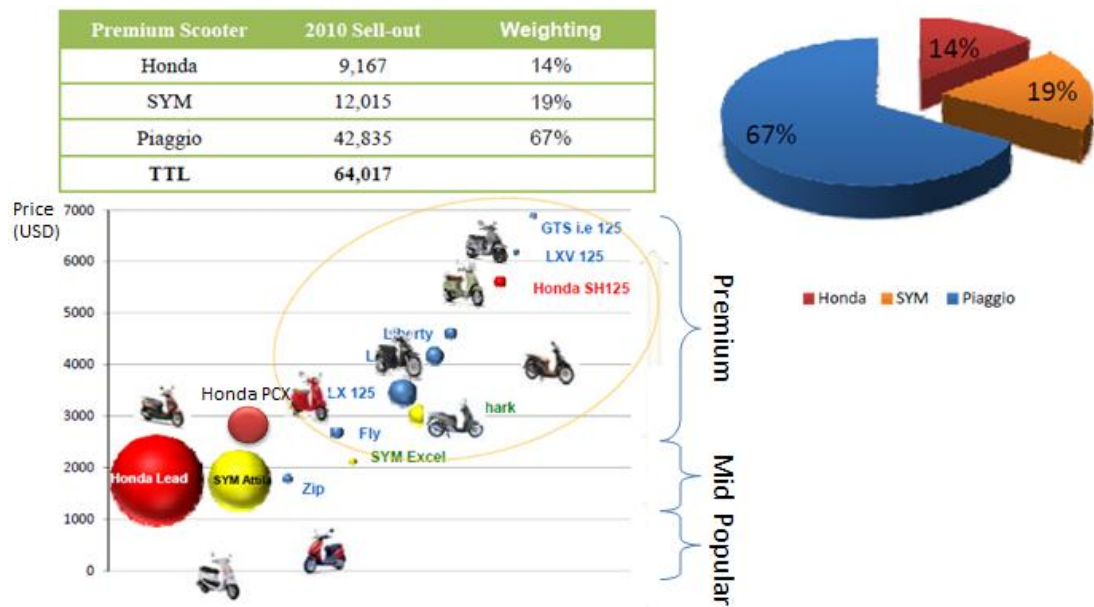


Figure 2.11: Premium Scooter market in 2010

Source: Piaggio Vietnam

According to the figure, we can see that Piaggio has dominated most of the Premium scooter segment with diversified models, especially in the price range from USD 3.000 to USD 4.000. In this price range, the customer can buy a premium fashionable and stylish scooter with a reasonable price. Customer can choose a model to use in working or playing, suitable with both men and women.

With such of money, Honda PCX is more suitable for men and it has controversial design; Honda SH is expensive; SYM Shark is cheap but unstable and looks alike SH. Piaggio seems to be a better choice with more model to choose. In another words, customers have not many choices when they want to buy a premium scooter with reasonable price. Besides, Piaggio scooter prices are fixed in the entire network helping the customer to focus on Dealer having the best service.

The Power of Buyer is quite low in this case.

The bargaining power of suppliers

Due to the characteristics of the business, two main suppliers that has the effect to Dealer are capital suppliers and land suppliers.

Capital supplier

Dealer bases on 2 capital sources: working capital and credit from commercial banks. Because each scooter has high value so Dealer must depend much on the capital source from the banks. Lending interest rate at this time is usually from 20 – 22 %, very high. To have the preferred rate at 17 – 19% is not easy, the company has to have high credit rank and good relationship. Besides, the disbursement rate is usually very slow from 1 to 2 weeks.

The Dealer business also has the seasonality characteristic. In peak seasons, high sales number can help Dealer recovering from loans and interest rate. But in low season, high inventory can cause a deep injury.

Dealer must have good relationship with many commercial banks so that they can be disbursed easier in low seasons.

Land suppliers

Location is a very important to the retail business. Most of showrooms are built in hired lands. It is hard to find a good location with reasonable price, but to maintain the contract is even harder. The land owner can increase the price every year or they can refuse to lease again after finishing the last contract. Dealer must take the high risk because they have to invest heavily in showroom and the business and it take time not only to recover capital, but also to earn benefit. The more successful the business is, the higher in lending price the land owner want to increase.

In conclusion, the Power of Suppliers is very high.

Combine all the factors in micro analysis, we have the Industry analysis conclusion table as follow:

Factors	Opportunities	Threats
Hanoi Expansion	+++++	
Personal Transport Restriction		----
Increasing GDP	+++	
High Inflation Rate		-
High Interest Rate		--
High Population	++++	
High Show-off Style	++++	
Unchanged Seasonality		---
Strong Crowd Psychology Effect	+++	--
Advanced Technology	++++	
Low pressure from substitute products	+++	
High entry barriers	+++	
High exit barriers	++	
Increasing supply	+++	
Increasing number of official and unofficial competitors' Showroom		-----
Strong power of suppliers		---
Low power of customers	+++	

Table 2.8: Industry analysis Conclusions

2.4.2. Internal environment analysis

Adapting Michael Porter Value Chain Model into Xuan Cau and basing on the nature of the retail business, Xuan Cau's value chain can be described as follow:

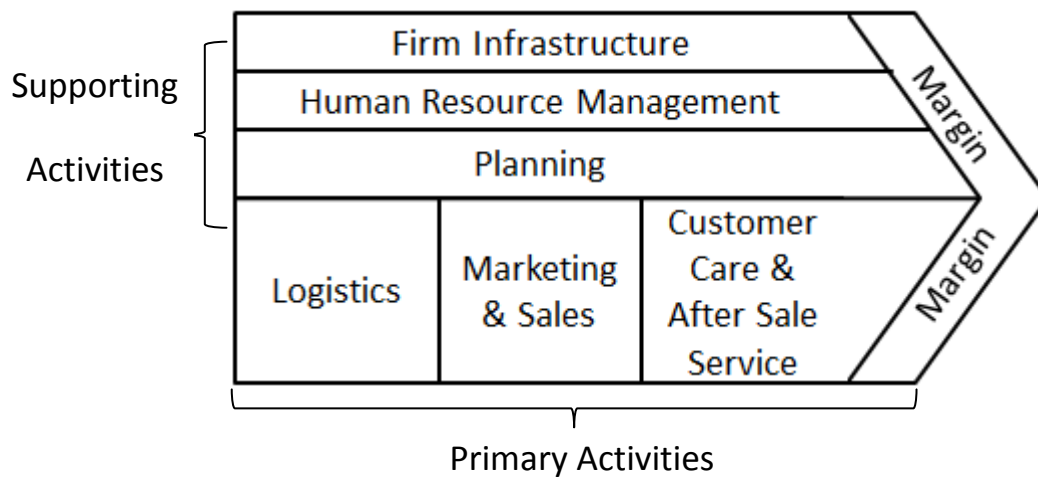


Figure 2.12: Xuan Cau's Value Chain

2.4.2.1. Supporting Activities

a. Firm Infrastructure

Organizational structure

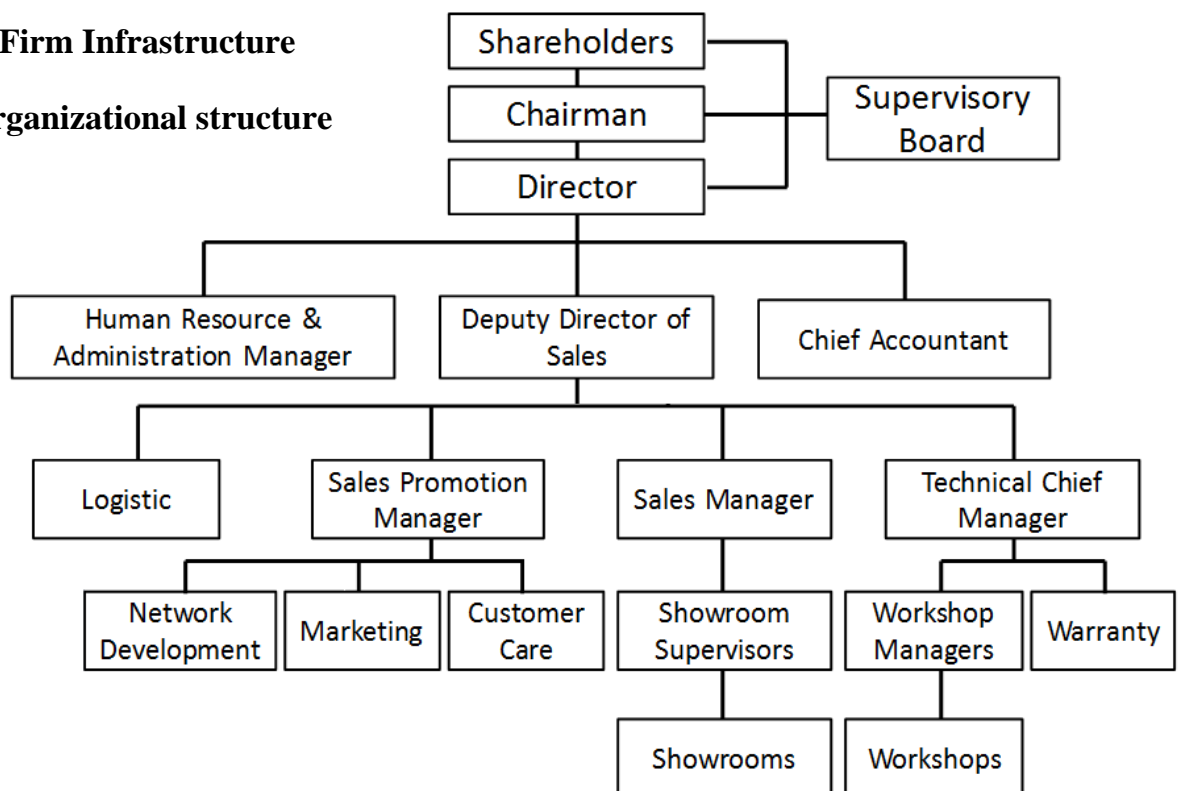


Figure 2.13: Xuan Cau's Organizational Structure

Xuan Cau's structure is simple but pretty close. However, Xuan Cau is a small scale family owned company so the shareholders, chairman and people the Supervisory board now are family members. Many other family members work in the company but their jobs are based on experienced rather than well-educated. Even though none-family members administrative positions like Deputy Director of Sales, Chief accountant, Sales manager... etc... have undergraduate and postgraduate degree, they are still not fully authorized and have to cover many positions. Some family members want to have high position but they lack of administration knowledge. So sometimes they make conflicts with the non-family member manager who have higher salary than they do. When the situation goes wrong, the non-family members choose the solution to quit the jobs leaving unfinished works for the ones who stay. This is one of the reasons making the unstable in management of the company as the ones who stay have to cover many works unofficially, and of cause they are not authorized in many things. New people come and go like period creating disregards psychology to the leaders among the staffs. As mentioned above, the company had succeeded easily at the beginning as it did not have to compete with any one, so it was not hard for the owners to run the business. Today, when the competition goes aggressive, the new built but unstable structure is a weakness of the company.

Financial

The revenue is increasing since 2009, when the local assembled scooter trend raised and continuously increases as new generations of scooter were launch every year. Finance is one of the most important key in improving the business. It shows that Xuan Cau gets more chance to earn more profit from the growing business. Besides, the Company has good relationship with many commercial banks, so that it can have enough capital sources from both itself and from lending to run the business. Finance is not the problem, it's the strength of Xuan Cau.

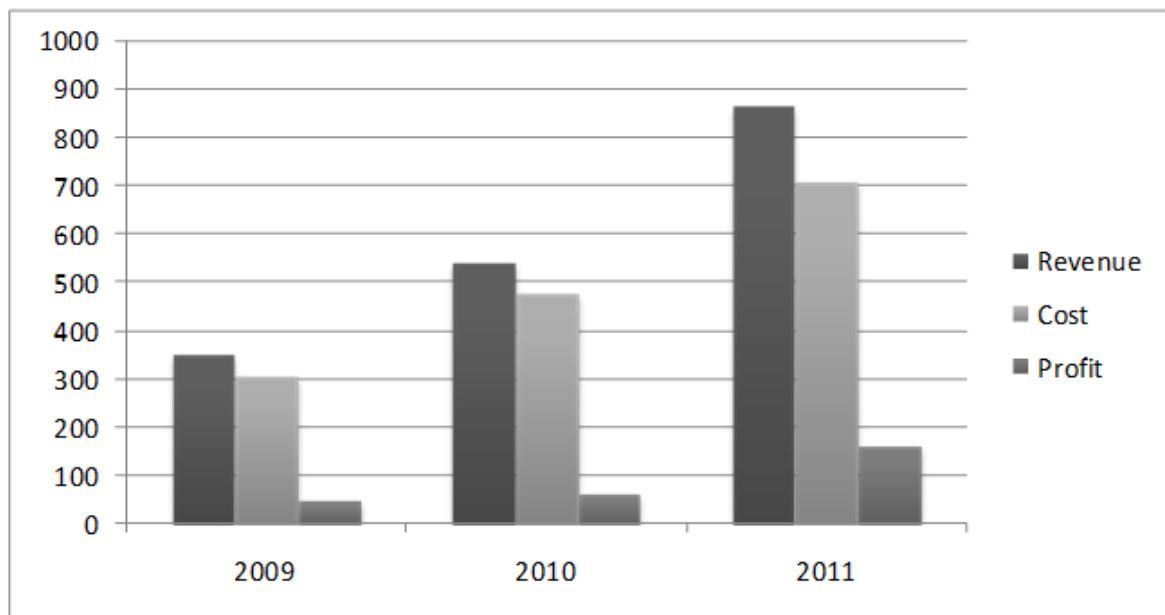


Figure 2.14: Basic Revenue, Cost and Profit of Xuan Cau in billion VND

Source: Xuan Cau Ltd., Co.

b. Human Resource management

The HR department has just been set up as the network expanding wider recently. New sales and technical staffs are trained by Piaggio Vietnam and Xuan Cau old staffs. In terms of knowledge, they are well-trained, but in terms of attitude, they are not. The company has more than 10 years in the market, which means many old staffs have worked for the company since it was the only one in the market. These staffs are familiar with the situation of customers needed them, not the market economy thinking. It is dangerous when they train the new comers with this perception. Although they are experienced, changing their attitude is not an easy work. This factor is both a strength and weakness of the company.

c. Planning

Planning in what is analyzing here is plan to order scooters from the factory. With more than 10 years of business, Xuan Cau experiences in order each type, color, and quantity of scooters in order to minimize inventory, reduce cost, but not to miss any chance of trading. However, the problem is Piaggio Vietnam production capacity

cannot meet the demand at this time making the lack of scooter for all Dealers. Not only Xuan Cau, many other Dealers' orders have not been fully supplied. But still, planning is strength of Xuan Cau.

2.4.2.2. Primary Activities

a. Logistic

As the nature of the retail business and product is a type of transport mean, the Company only has to transport scooters from the factory to the stock then transfer to showroom. After buying a scooter, customer simply just rides it away. This factor is neither strength nor weakness of the Company's business.

b. Marketing and Sales

Xuan Cau is the first official distributor of Piaggio in Hanoi and the business has running for over 10 years. Xuan Cau brand is well-known to many generations of Piaggio and Vespa lovers. In the early days, when a customer wanted to buy a scooter, the only showroom he or she could come to buy is Xuan Cau's showroom. At first, Xuan Cau brand was mixed with Piaggio brand, so people just misunderstood that the showroom is Piaggio's and they bought right straight from Piaggio. This was what the CEO of Xuan Cau, Mr. To Dzung, wanted the customers to think so because he planned to take advantages of a well-known international brand to promote the new born Xuan Cau. He let Piaggio lend his building to set up representative office in Vietnam. Xuan Cau's head quarter also located at the same building. Mr. ToDzung directly managed the business, represent in most of Piaggio events. Through times,he was known as "Dzung Vespa" and when people thought of Vespa or Piaggio, they thought of him, or Xuan Cau.

However, Piaggio strategy is not to be depended on only one distributor. After the market had been set up, they expanded the network and admit other Dealers. At that time, Xuan Cau had 5 showrooms and sleeping in the glory so that the CEO did not focus on marketing activities. As a result, Topcom, the late comer with strong financial resource, had developed their large network, marketing activities, and

brand. After a long time, new generations of customers, who don't know about Xuan Cau, has keep in mind the most easy-to-recognize brand, which is Topcom, not Xuan Cau, and become the biggest Piaggio Dealer making Xuan Cau the second.

Thanks to the long-standing brand and large showroom network, Xuan Cau still succeed in the business with less marketing activities, but losing its market share to Topcom, who has invested heavily in network development, marketing and PR.

Looking at Table 3.8, we can see that with Sales and Number of Showrooms less than Topcom, Xuan Cau still has Average Sales per Showroom higher than Topcom. This effectiveness is based on the long-standing brand and experience of the staffs. However, this is just the effectiveness in short-term. Looking at Market share, Topcom's is continuously increases while Xuan Cau's goes down. The rate of Average Sales per Showroom between Xuan Cau and Topcom also decreases, especially in 2011 when Topcom expand their showroom network. The result is that Xuan Cau has dramatically lost its market share to Topcom.

Dealer	2008				2009				2010				9 months of 2011			
	Sales	Market share	No of Showrooms	Average Sales / Showroom	Sales	Market share	No of Showrooms	Average Sales / Showroom	Sales	Market share	No of Showrooms	Average Sales / Showroom	Sales	Market share	No of Showrooms	Average Sales / Showroom
XC	2,418	20%	6	403	5,312	20%	7	759	9,764	22%	8	1,221	9,357	18%	8	1,170
TC	3,023	25%	7	432	6,815	26%	10	681	11,983	27%	12	999	17,435	33%	15	1,162
XC / TC	80%		86%	93%	78%		70%	111%	81%		67%	122%	54%		53%	101%

Table 2.9: Xuan Cau and Topcom Comparison

Although the number of Sales by year increases, but not strong, it shows that Xuan Cau can increase more if they invest much more in marketing activity. The image of the Company has not been promoted as much as needed and based mostly on traditional channels. Company does not have effective marketing team and this is not good for long term development. It is the weakness in near future, blocking the competitive advantage.

c. Customer Care and Aftersales Service

Scooter is valuable and it is a transport means attach to the owner everyday life. Therefore, Aftersales service and Customer care is very important factor helping the customer to use and maintain their scooter correctly.

Customer Care

Since 2009, Xuan Cau has run the Loyalty Customer program which helps the customers to take care of their scooter by updating the maintenance status and guiding customers to operate scooter correctly. After two years, this program is still pause at collecting customers' information and still not effective so that the customers are not benefitting much from this. However, when this program runs effectively, the Company can exploit a large number of potential customers coming from the old ones.

Xuan Cau also have hotline system works 24/7. Customer can call these hotlines anytime they need help and they will get support wherever they are. With these hotlines, customers can also complaint straight to the managers to ensure that their problems can be solved thoroughly. This service affects directly to the staffs' attitude and satisfies the customers' need.

Until now, these two services are Xuan Cau's strengths as there no competitors have services like these. Now they are unique, but competitors can imitate and have the same service if they want. The matter is Xuan Cau is the first one who has these services. If maintained and exploited effectively, they can create sustainable competitive advantages in long term for the Company.

Aftersales Service

Aftersales service in this business is periodic or as-required maintenance or repair of equipment for customers during and after the time of warranty.

With more than 10 years of business, Xuan Cau has gathered many skillful, experience technical managers and staffs. They are trained and tested periodic by Piaggio experts in order to improve skills and update knowledge of new products. The workshop network also has been expanded widely in Hanoi with six workshops in crowded districts.

However, the technical staffs' attitudes with customers are not good as they focus much on technical problem and all of them are male with low education degree. Old staffs are familiar with the old time when customers need them to fix the easy-down Vespa. Vespa and Piaggio scooters are not popular like Honda, therefore, customers used to have a few address of Piaggio workshop to come. Today, many Dealers have opened and there are more workshops, so the old staffs need to change their thinking soon.

Besides, with crowded customers every day while workshops are small, the infrastructures degrade a lot making the workshop dirty, untidy and unprofessional. This is not suitable with the long-standing brand of Xuan Cau and can cause the decrease in good feeling of customers.

Aftersales service is both strength and weakness of the Company.

With the analysis above, Strengths and Weaknesses of the Company are:

Factors	Strengths	Weaknesses
New built unstable structure		---
Strong Capital	+++	
Long-standing Human Resource	++	--
Experience in Planning	+++	
Good brand awareness	++	
Lack of Marketing activities		----
Wide network but pause in expanding	+++	---
Unique Customer Care service	++++	
Skillful staffs but downgrade infrastructures in Aftersales service	++	---

Table 2.10: Internal environment analysis Conclusion

Combining all the factors in Xuan Cau value chain evaluation, we can draw out Xuan Cau's competencies:

Value	Competency
Supporting Activities	
- Firm Infrastructure	
+ Structure	No competency
+ Finance	Strong finance source
- Human Resource	
+ Quantity & Quality	Crowd, skillfull, experience and long-standing
+ Culture	Family own business culture
- Planning	Experince
Primay Activities	
- Logistic	No competency
- Marketing and Sales	
+ Brandname	Long-standing brand
+ Marketing acitvites	No competency
+ Network	The 2nd large network among Dealers
+ Sales force	Long-standing
- Customer Care	
+ Customer Relationship	Royal Customer program
+ Customer Supporting activites	Hotline 24/7
- Aftersales Service	
+ Services	Full services
+ Quality	Skillfull and quick response

Table 2.11: Xuan Cau's Competencies

Base on Xuan Cau internal analysis and information collected from other competitors in Hanoi, we have the Weighted Competitive Strength Assessment table between rivalries as follow:

Key Strength	Weight	Topcom	Xuan Cau	Yviet	Mua Xuan	Cuong Quoc	Others unofficial
Reputation	0,10	0,90	0,90	0,70	0,50	0,50	0,00
Marketing / Advertising	0,10	0,80	0,60	0,50	0,20	0,20	0,00
Financial Strength	0,10	1,00	0,80	0,50	0,40	0,40	0,10
Network	0,10	1,00	0,70	0,10	0,10	0,10	0,60
Location	0,15	1,35	1,05	0,90	1,05	1,05	0,90
Management	0,05	0,45	0,35	0,35	0,30	0,30	0,05
After sales service	0,20	1,60	1,40	1,40	1,20	1,20	0,00
Customer service	0,20	1,20	2,00	0,60	0,20	0,20	0,00
Sum of Weight	1,00						
Weighted overall strength		8,30	7,80	5,05	3,95	3,95	1,65

Table 2.12: Weighted Competitive Strength Assessment

Summary of all the Company’ Strengths, Weakness, Competencies and Competitive strength, we evaluate Xuan Cau’s Long-term and Short-term Strengths and Weaknesses as in the following table:

Factors	Strengths		Weaknesses	
	Short term	Long term	Short term	Long term
New built unstable structure			----	
Strong Capital Source		+++		
Long-standing but not good attitude Human Resource		++	--	
Experience in Planning		+++		
Good brand awareness		++		
Lack of Marketing activities			----	
Wide network but pause in expanding		+++	---	
Unique Customer Care service		++++		
Skillful staffs but downgrade infrastructures in Aftersales service		++	---	

Table 2.13: Xuan Cau’s Long-term and Short-term Strengths and Weaknesses

As short-term weaknesses can be overcome and with all of the Company’s existing strengths, we can identify Xuan Cau’s Sustainable Competitive Advantages as in the following figure:

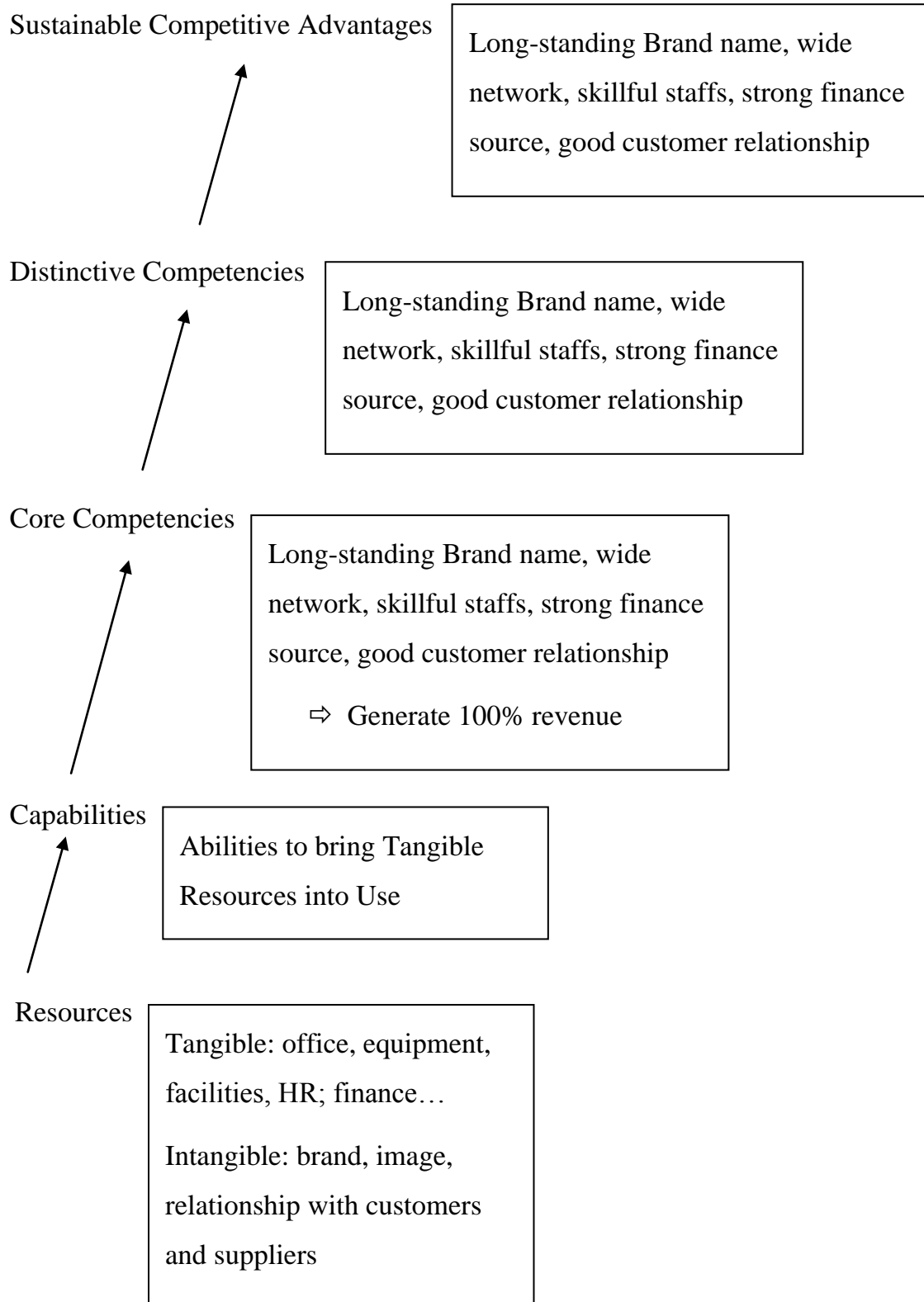


Figure 2.15: Xuan Cau's Sustainable Competitive Advantages Identification

2.5. Strategy Formulation and Choices

2.5.1. SWOT analysis

Opportunities	Threats
Hanoi Expansion (+++++) High Population (++++) High Show-off Style (++++) Advanced Technology (++++) Increasing GDP (+++) Positive Crowd Psychology Effect (+++) Low pressure from substitute products (++) Low power of customers (++) High entry barriers (++) Increasing supply (++) High exit barriers (++)	Increasing number of official and unofficial competitors' Showroom (-----) Personal Transport Restriction (----) Unchanged Seasonality (---) Strong power of suppliers (---) Negative Crowd Psychology Effect (--) High Interest Rate (--) High Inflation Rate (--)
Strengths	Weaknesses
Unique Customer Care service (++++) Strong Capital Source (++) Experience in Planning (++) Wide network (++) Long-standing Human Resource (++) Good brand awareness (++) Skillful staffs (++)	New built unstable structure (----) Lack of Marketing activities (----) Pause in expanding network (---) Downgrade infrastructures in Aftersales service (---) Not good attitude Staffs (--)

Table 2.14: SWOT matrix - Strengths, Weaknesses, Opportunities and Threats summary

S-O Strategy: use Strengths to take advantages of Opportunities	W-O Strategy: Taking advantages of Opportunities to overcome Weaknesses
Expand distribution network in Hanoi new expanding areas.	Improving marketing activities to promote Xuan Cau brand and service
S-T Strategy: use Strengths to reduce vulnerability to external Threats	W-T Strategy: minimize Weaknesses and avoid Threats
Differentiation: - Develop Customer care and Aftersales service to exploit potential customers from loyal customer source. - Improve image of the Company	Improve the Company's management

Table 2.15: SWOT matrix – Possible chosen strategies

2.5.2. Strategy Selection

2.5.2.1. Expand distribution network in Hanoi new expanding areas

As Hanoi is expanding and its high population has increasing income, the company should invest in opening more showrooms in new areas that are not dominated. As the product has no substitution, it is in the growth stage of life cycle and the demand is increasing, the more showrooms will be open, the more sales number can the Dealer get. However, it takes time, money and risk to find a good location because it's very hard to evaluate the potential of a particular location. The rent rate can be low at the beginning as the area is new, but if this location is good, others, especially the banks, can pay much more and land owner can reject the next contract with Dealer.

2.5.1.2. Differentiation

Based on the Company's royalty customer program and 24/7 hotline service, which are temporary unique among rivalries, Xuan Cau can develop these activities more

and combine with good aftersales service to improve customer care service quality, building sustainable relationship with customers. Through this, the Company can earn the trust of royal customers so that they will recommend Xuan Cau to the others. With high crowd effect, the power of word of mouth could attract a large number of customers.

To do this, Xuan Cau must improve Customer care service by standardizing customer data then offer many added value to old customers; controlling the hotline to ensure that it work 24/7 and quick response to customers when needed; improving aftersales service by recruiting and training technical staffs about both skills and attitudes; launching marketing campaigns to promote these service widely to potential customers as well as promote the Company long-standing brand.

Until now no Competitor has these services because these services require heavy investment in information system and training staffs. The information system is used to collect customer first information when they come to showroom or workshop then monitoring through the process the customer uses scooter. The company must invest in software, computers, several kinds of machine and training staff to run the program smoothly.

While the Government is researching the policy to restrict personal transport means in big cities, Xuan Cau stops expanding network. But other competitors still open more showrooms in new areas taking market share from Xuan Cau. The Royal customer program and 24/7 hotline service can create the competitive advantage for Xuan Cau when customers decide where to buy their new scooter. However, in long-term, competitors with strong finance source can imitate this, so Xuan Cau must develop this program much better to build close relationship with royal customers.

2.5.1.3. Improving marketing activities to promote Xuan Cau brand and service

With long-standing brand name in the market, Xuan Cau has strong awareness to many customers. However, the Company has not invested in marketing to promote

brand to new generations of potential customers while others competitors do much. Meanwhile, the Company has paused expanding network. So Xuan Cau needs to improve marketing activities to promote its long-standing, reliability brand and services to attract potential customers. As Dealers commitment restricts promotion activities, the Company must run long-term marketing campaigns to promote brand. Running marketing requires a large amount of money and takes time to have results. Because all Dealers have the same product lines, so when promote brand, Xuan Cau need to be very careful to avoid the risk of promote free for others.

2.5.1.4. Improve the Company's management

Weak management reduces the Company's competitive advantages so that it can suffer from threats of competitors easily. Xuan Cau is a family-owned business with many family members in the Company. The owner does not fully authorize the director and the Board of Managers, which delays response in administrative situation. To minimize weaknesses, the owner must quickly improve the management by fully authorizing the manager, and eliminate family member unreasonable rights. This requires money and time to recruit new profession managers as well as training staffs. Also, it must take the risk that new managers will quit the job and the staff will not respect other new comers.

Combine all the analysis above, we have the score for GREAT model as the table:

Table 2.16: Selecting Strategy using GREAT model

Criteria	Weight	Expand network		Differentiation		Improve Marketing		Improve Management	
		Unweight score	Weight score	Unweight score	Weight score	Unweight score	Weight score	Unweight score	Weight score
Gain	0.3	5	1.5	5	1.5	5	1.5	5	1.5
Risk	0.2	2	0.6	4	1.2	3	0.9	3	0.9
Expense	0.1	2	0.6	3	0.9	1	0.3	3	0.9
Achievable	0.3	5	1.5	5	1.5	3	0.9	5	1.5
Time	0.1	1	0.3	4	1.2	2	0.6	1	0.3
Total	1.0		4.5		6.3		4.2		5.1

The result suggests that in short-term of 03 years, Xuan Cau should focus on Differentiation strategy first and together the Leaders should improve the Company's management.

Chapter summary

This chapter provides an overall analysis to formulate and select the best strategy to implement in Xuan Cau situation in order to maintain its position as well as increase its competitive advantage to compete in the market.

After drawing the Opportunities and Threats affected the business from External analysis, Strengths and Weaknesses of the Company from Internal analysis, the SWOT matrix has shown 04 possible chosen strategies: Expand distribution network in Hanoi new expanding areas, Differentiation, Improving marketing activities to promote Xuan Cau brand and service, and Improve the Company's management. Adapting the GREAT model, we have ranked 02 priority strategies that need to be implemented in short-term of 03 years.

CHAPTER 3: RECOMMENDATIONS FOR STRATEGIC IMPLEMENTATION PLAN

3.1. Target of the Strategy

With the vision to become one of the leaders in Scooter market, Xuan Cau need to build strategy to maintain its 2nd position in this aggressive competition. The strategy suggests Xuan Cau to develop services with marketing and management improving. Developing services will enhance the quality and add more value to royal customers, through that exploit potential buyers. Marketing activities will promote the Company's services and brand, compare with competitors, to new customers in order to aware and attract them. Improving management helps the Company to have a strong structure and Board of Manager to quickly response to any changes in the business as well as in the market.

The Company's target in the period of next 3 year is to maintain the 2nd position in Scooter market with the market share from 25% to 28% and keep 100% of royal customers, exploit potential customers from this source and attract more new customers from other channels like internet or big companies.

3.2. Solution to implement strategy

3.2.1. Differentiation Strategy

a. Develop Royal Customer Program

This program has run for years without any update and develops. Many data has been collect without recheck. Through time, customer may not use the scooter they buy from Xuan Cau any more or even they sold it to some else. The Company must recheck the data and make a survey of what features of the program can be improve to help the business and Customer Care department so that everyday work should get more convenient and more effective. After updating the program and data,

Customer Care department will have the exact information and a useful tool to manage the royal customer source. Through this source, Customer Care department can make contact to rebuild the relationship of old customer, propose periodically Customer care campaign to make the customer feel that they are appreciated and the Company still remember them. These campaign in long-term will add more value to old customer, make them more close to the Company and recommend relatives, friends when they need. The worth of mouth has a very strong power in customer behavior, especially when people buy a valuable property.

b. Upgrade 24/7 Hotline service

This service support customer any time they need, 24 hours a day, 7 day a week and 365 days a year, include holidays. However, each workshop manager keeps a hotline so that no one knows about each single call. Besides, workshop managers are usually busy and they're all technical men who know much about technical problems but lack of behavioral skill to deal with each situation. Many situations are solved individually without the support and corporate between other departments so sometimes the customers cannot be fully satisfied.

The Company must setup a Hotline team, gather all hotline in this team and they must have a standard process to deal with every situation. This team will answer every call and then transfer to the closest workshop to help customers. With the report from this team, every department will take place in solving a problem and fully support the customer. The quality of this service will be improved. Therefore, this team must be well trained with standard document in order to help them in dealing with every situation such as: sales consulting, technical consulting, troubleshoot support etc....

c. Improve Aftersales service

For a long time running, the workshops have been downgraded heavily and directly affected to the quality and image of Xuan Cau. It is necessary to renovate all the workshops, equip new facilities and train the staffs' skills and attitude. Piaggio

Vietnam has launched new product lines with new modern technology, old facilities and equipment cannot meet these products and need to be changed.

d. Marketing

Many potential customers do not know about the Royal Customer program and 24 hotline service of Xuan Cau. It is necessary to promote these services widely through many advertising channel and event to aware and attract customers. Besides, the Company's long-standing brand is a reliable element to ensure the quality of these services to customer and need to be promoted as well. With all advertising activities and events launched, new generations of customer will know about the company, about the services and has a basement to compare with other Dealers when they take the long-term value into account.

3.2.2. Improve Management

As analyzed, the Company has some problems in management due to family members issue and the owners have not fully authorized the managers. These problems came from the nature of the family-owned new expanded business. At early time, when the business was in small scale, the owners and other family members direct involved in all aspects of the business. Now the business has expanded and they have to employ outsider to manage, the owners must have detail job descriptions for each position with particular rights and responsibilities. After authorizing the managers, owners and other family members must support the manager and trust in them so that they can do their work and the staffs will respect all the mangers' decisions. It is success or not based on the owners' perception which is hard to be changed.

3.3. Action Plan

Strategy	Actions	Manpower	Budget (million VND)	Deadline												Expected Outcomes	Evaluation criteria																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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Table 3.1: Action Plan

CONCLUSION

Even though Xuan Cau has had experience in Scooter business as a Piaggio Dealer for more than 10 years, and has achieved respectable goals, the Company still does not have specific strategic planning for it to compete and develop in both short and long term.

The analysis of this thesis has provided a foundation that addresses current aggressive competitive situation that Xuan Cau is facing. It is the rising of new Dealers and the development of exiting rivalries while Xuan Cau is sleeping in its old glory with unstable structure. The analysis also points out Xuan Cau's strengths and great opportunities to earn more profit if the Company can exploit its potential customer source. Xuan Cau has long-standing Brand name, wide network, skillful staffs, strong finance source, and good customer relationship. These competitive advantages help Xuan Cau to formulate and implement two strategies to differentiate its brand and services in the market to maintain its position as well as overcome other new rising Dealers. With 02 strategies mentioned above, XuaCau's top leaders will come up with effective sustainable strategies to develop in short and long term.

To maintain its position in the Top group of Scooter trading, Xuan Cau must formulate and implement a set of strategic planning which helps the company to maintain and improve its strengths while minimizing weaknesses in order to completely scope with opportunities and overcome threats in every operational aspects of the Company.

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