

# Distribution in Vietnam – how to prepare for a sustainable market entry

Webinar in cooperation with IHK Pfalz

BDG Asia

BDG Vietnam

Market Entry  
M&A  
Business Support

# Introduction



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- BDG Managing Director
- Expertise: Business development, market entry, CRM, searching for partners and hiring
- Industrial focus: garments and automotive



Christoph Lam:

- BDG Principal Manager
- Expertise: Market analysis, strategy, market entry and project management
- Industrial focus: garments, industrial goods and consumer goods



- Service provider and business environment stakeholder
- Main focus in Vietnam: Investment consulting, trade and law

## BDG VIETNAM

- Market entry consulting for production, sales, sourcing and M&A
- Founded in 2006
- Local expertise and German standards
- 300 projects, 12 employees, 1 international team

# WHY DISTRIBUTE IN VIETNAM?

One of the most dynamic markets worldwide

93 million people, high GDP growth rate with 6-7% CAGR

Made in Germany

German products have a great reputation; strong brand awareness in Vietnam

Growing B2C and B2B Market

Doubling of the middle class until 2020; high industrial growth



17,1% growth rate of imports with a total volume of 151 billion USD

Market entry and strategic location

Great integration into the world trade, various FTAs, located in the center of ASEAN

Stability and security

regarding politics, religion, economy and climate; remarkable: Vietnam is more competitive than 6 EU countries

# REGIONAL CHARACTERISTICS OF VIETNAM

## Greater Hanoi Region

- **Population:** 17.1 million
- **Characteristics:** capital city
- **Industries:** automotive & motorbike, software, high-tech, electronics, garments, various traditional products

## Red River Delta

- **Population:** 4.1 million
- **Characteristics:** big port, rural-industrial area
- **Industries:** fishery, agriculture, automotive, heavy manufacturing (ship building)

## Central Vietnam

- **Population:** 4.8 million
- **Characteristics:** rural area, with an emerging city Danang
- **Industries:** furniture, garments, fishery, ship building

## Greater Ho Chi Minh City Region

- **Population:** 13.4 million
- **Characteristics:** metropolis
- **Industries:** consumer goods, high-tech, electronics, furniture, software, garment

## Mekong Delta

- **Population:** 17 million
- **Characteristics:** rural
- **Industries:** agriculture, food processing, garment, fishery



# BDG TOP 8 TIPS FOR YOUR MARKET ENTRY

1. **Preparation and market research** | Which potentials does the market offer? How should you proceed?

2. **Hiring** | Who will lead your business in Vietnam to success?

3. **Searching for partners** | Find the right local sales partners

4. **Contracting** | Adjustment to local regulations

## BDG TOP 8 TIPS FOR YOUR MARKET ENTRY

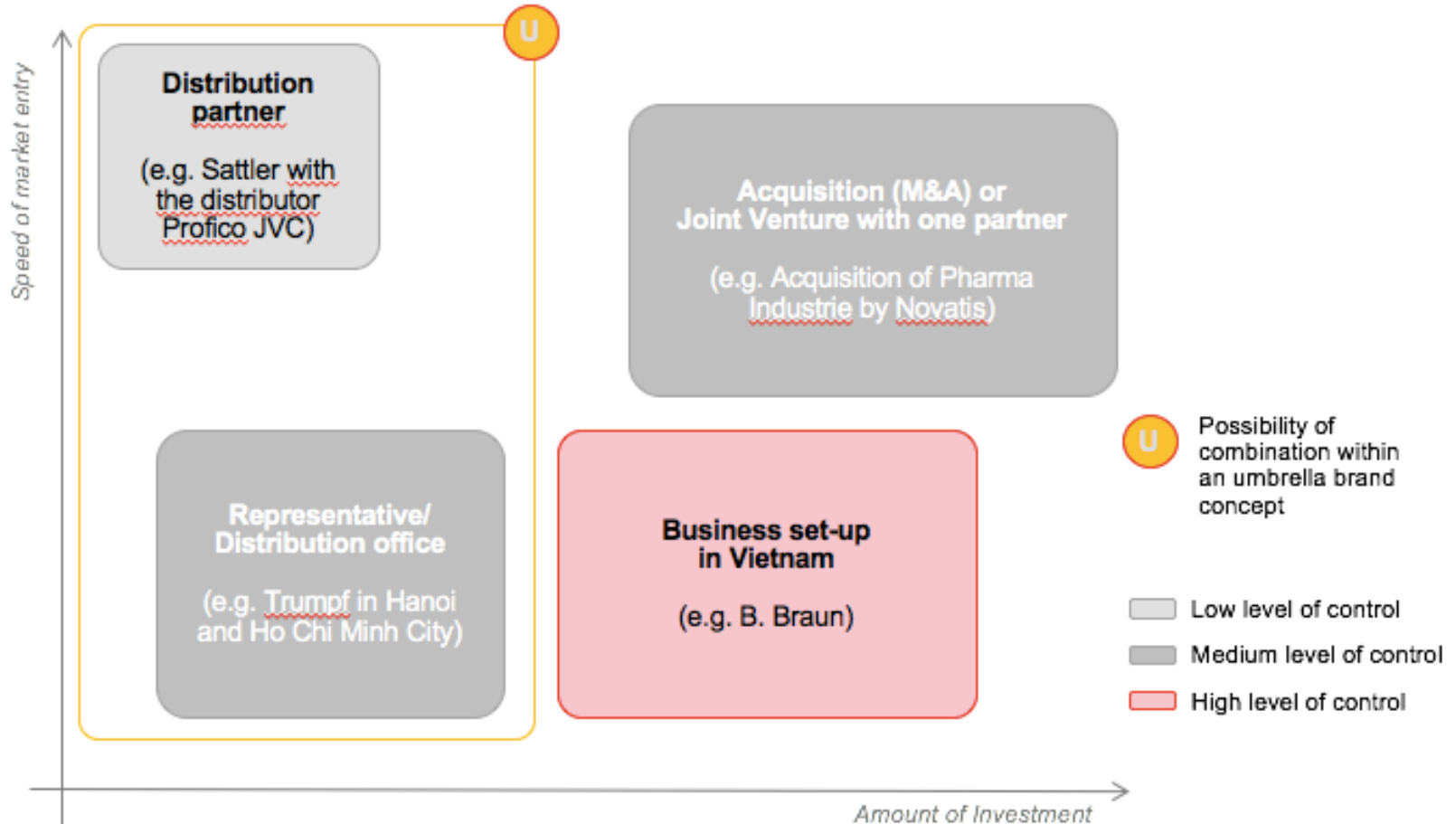
5. **Time is money** | Use the licensing waiting time wisely and efficiently; be ready for potential delays

6. **Be continuously informed** | Ongoing check about regulations

7. **Priorization** | Focus on core business and products

8. **Customer satisfaction from the start** | Relevance of personal recommendations

# WHICH ARE THE OPTIONS FOR YOUR MARKET ENTRY?



Source: Own graphics, BDG Analysis (2015)

# WHICH ARE THE OPTIONS FOR MARKET ENTRY?

Strategy	Advantages	Disadvantages
Distribution partner	Reduces operational costs	Limits controlling of marketing and distribution  Dependency on distributors
Representative / Distribution office	Chance of advertising the brand / products  Proximity to the market for a better understanding of partners and target group	No possibility to implement profitable activities  Start-up costs and annual operative costs
Foundation	High level of control and management of all business processes	Very time- and cost-intensive; confrontation with complicated start-up processes (e.g. certification)  Requires HR and infrastructure
Acquisition or Joint Venture	Access to existing market share, customer base, business infrastructure and labor force	High effort for restructuring and adjustments  Potential conflicts with the partner



# DISTRIBUTION CHANNELS

## B2B practical case taken from machine engineering



**BDG Insights**

- Importance of after-sales and training
- Importance of research for the efficient use of best channels
- KPI and sales targets with partner

# HOW TO FIND A SUITABLE DISTRIBUTION PARTNER

## 1

### Research and prescreening

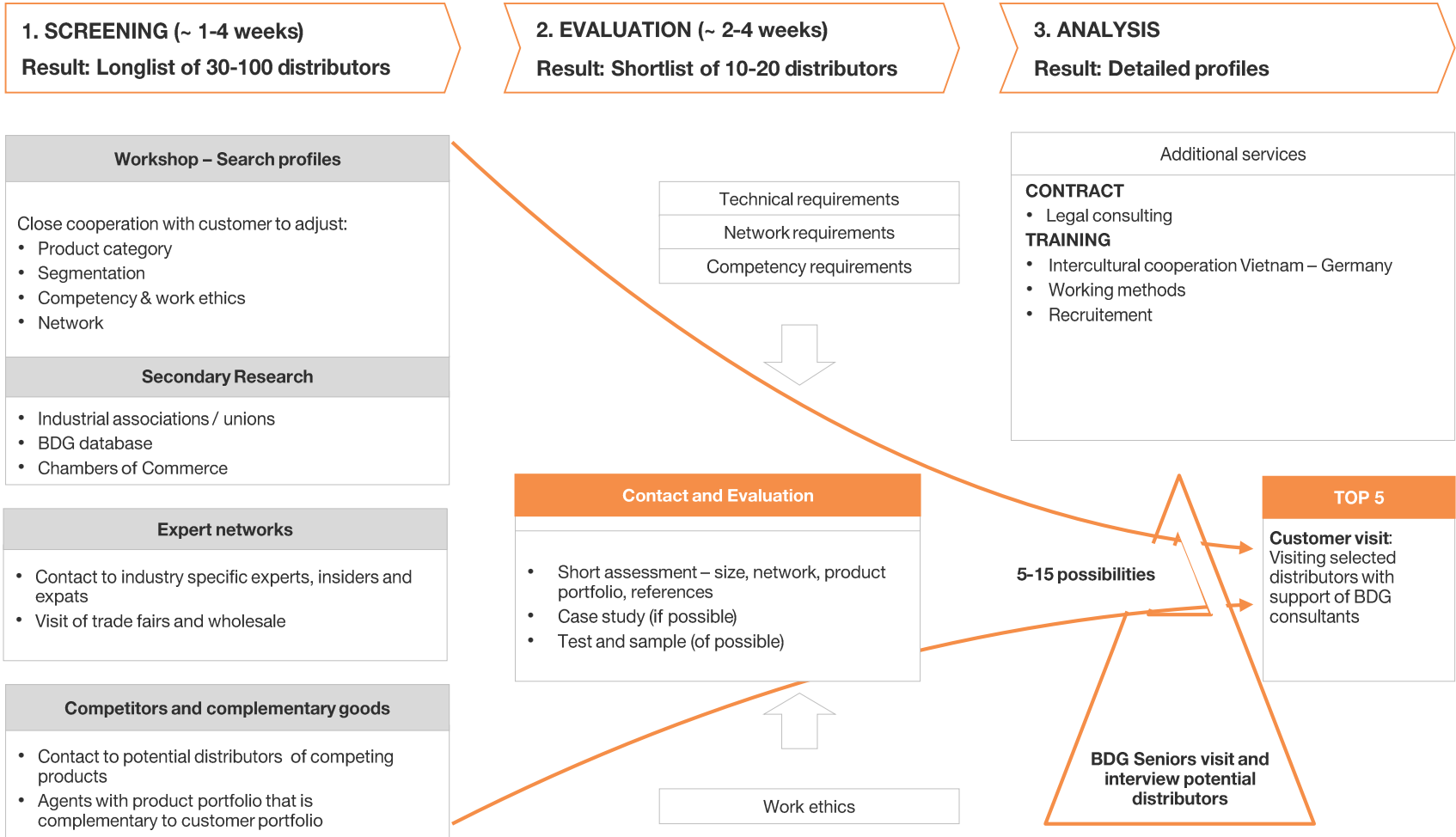
1. Understanding the market
2. Setting up **criteria for partners**
3. **Identifying** potential partners through an initial longlist
4. Screening of lists (industrial associations, network, chambers, experts, databases, etc.)
5. Pre-evaluating and **check for readiness**

## 2

### Evaluation of potential partner

- **Network** of distribution partner
- **Reputation** within the industry
- **References** of customers
- **Financial situation** of distribution partner
- Excerpt from register of companies
- Analysis of **complementary** products
- Appropriate **after-sales service**
- **Import license**

# OUR BDG FILTER MODEL AS A PRACTICAL EXAMPLE



# IMPORTANT ASPECTS FOR CREATING AND MAINTAINING BUSINESS RELATIONSHIPS

**1**

## Initial Business Contact

- **Professionalism** and first **impression** important for both parties
- Inquire **business strategy** to evaluate expertise
- Be aware of cultural differences and local business customs

**2**

## Maintain Business Relationships

- ✓ **Early arrangements** with the partner for important decisions (avoiding risks such as **distribution stop**)
- ✓ **Awareness of hierarchy** for representation and communication purposes with partner (dependent on cultural aspects)
- ✓ Personal **maintainance of relationship**
- ✓ Coordination of **after-sales**

# OPPORTUNITIES AND CHALLENGES

## B2B

## B2C

### Opportunities

- **Status symbol**: made in Germany
- **Quick** market access through local distribution partners
- Attractive **geographical location**
- **Unsolicited** markets

- **Keen to consume** customers
- Rapidly growing **market**
- Growing **middle class**

### Challenges

- **Lack of transparency** from partners
- Significant **regional segmentation**
- Danger of **short-termed cooperation**
- **Performance of partners?**

- Enormous **marketing effort** needed for new products
- Strong **market fragmentation** and **regional differences** (limited maturity level of distribution networks in rural Vietnam)
- **Product imitation**

# THANK YOU FOR YOUR PARTICIPATION

Do you have further or specific questions?

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