

# THE STRATEGIC BUSINESS MODEL FOR BIG C SUPERMARKET IN VIETNAM

<sup>1</sup>LE THI THANH HA, <sup>2</sup>CHUN-WEI LIN

<sup>1,2</sup>College of Management, Asia University, Taiwan  
E-mail: <sup>1</sup>lethithanhha.cs2@ftu.edu.vn, <sup>2</sup>lincwr@gmail.com

---

**Abstract** - The study is constructed with two main parts: theoretical framework and empirical section. The theoretical part represents the common growth strategies in business management, which are Ansoff growth matrix, BCG matrix, and Mckinsey's three horizons of growth and integrative growth strategies. However, the strategies have weak points and limitations, which are also mentioned in this part. As a result of analysing carefully, the author chose the most suitable one – Mckinsey's three horizons of growth - to apply to the case company later on. The empirical part includes case company analysis, the competition among main retailers and strategy suggestion for the case company. Throughout the study, different tools are applied including SWOT analysis and Porter's five forces. Finally, the author suggests a suitable strategic model for the case company's competition and recommends some necessary actions the company should take to gain more share in the Vietnamese market.

---

**Keywords** - supermarket, retail market, Big C Vietnam, growth strategy.

---

## I. INTRODUCTION

### 1.1. Background

As a given that Vietnam is holding a “golden” retail index. Vietnam is a populous country with around 94,722,624 people (World Bank, 2016). Moreover, Vietnam is now developing and becoming one of the most dynamic emerging countries in the East Asia region. Higher living standards and rising income have enabled people to spend more for their lives. Vietnam's retail market has witnessed healthy growth rates for the recent years. Among many retailing companies having the business operation in Vietnam at the moment, Big C Supermarket stands out as one of the leaders. However, the future is predicted not to be easy for Big C, as many big international companies have entered or are having the intention of entering Vietnam soon.

### 1.2. Research methodology

In this paper, the author utilizes knowledge and observations to analyze the market, predict the trends and come to specific solutions to assist the case company to keep market share and develop. The deductive research approach is applied. Besides, qualitative is utilized as the research method during the process of the paper. The data is collected from secondary source such as books, existing studies, published articles, journals.

## II. MODELS

Business environment nowadays is very competitive and if firms are not moving forward, they are moving backward and will be passed by rivals – it is the matter of time. Therefore, a growth strategy is very important for any company in order to compete and develop further in the market, getting bigger and increasing annual sales over time. The companies have to have clear vision of their targets, or in other words, they have to know exactly what they want

from their business: how much revenue they want to reach in a planned period of time, the level of business expansion, new locations, and so on. Only then, a suitable strategy will be chosen (Chandler, 2003). In this part, the author will present some strategy frameworks for the companies. Which one to be used depends on the company's goals and the special, unique elements of the business field, the company is operating. Deeply, Ansoff matrix or product-market matrix was invented and firstly published in the article by Ansoff (1957). The matrix gives four possible strategies for companies to grow by combining two elements: product and market. That also mean buyer and seller. BCG Matrix was developed by Bruce Henderson in early 1970s to help corporations to analyze their products and business units (Griffin, 2013). Mckinsey Three Horizons of Growth is based on argument that any product or service has its own life circle. After the maturity period will come the decline, it cannot grow forever. If companies just concentrate on the current business and neglect the innovation for the future, they will face the failure (Coley, Howard and Winter, 2009). Besides strategies mentioned above, Integrative Growth Strategy indicates that companies can gain growth through acquisition or integrative strategies (Moschis, 1994).

## III. CASE COMPANY - BIG C

### 3.1. Case company analysis

Big C Supercenter operates business in the form of "Hypermarket" or "Supercenter", one of the major retailers in the world. On April 2016, Big C Supercenter chain was taken-over successful and legally by Central Group Thailand as an international transfer agreement with France's Casino Group. Central Group, which is the leading retailer in the region, was established in 1947 from a small shop in Bangkok and operated by Mr. Tiang Chirathivat's

family. In 70 years of development, the Group is still owned by the Chirathivat family. Central Group started to invest in Vietnam from 2011 from the cooperation with local partners such as Nguyen Kim, Lan Chi Mart and most recently Zalora and Big C. The retail industry in Vietnam is very promising. At the moment, traditional trade with wet markets a dominant channel in Vietnam but the modern trade is speeding up and consumers are moving from wet markets to supermarkets/hypermarkets. Besides, the growing demand for consuming goods and the increasing income, leading to the increasing spending level, give retailers many opportunities in the Vietnamese market, including Big C. Among other retailers, Big C has the advantage of operating in Vietnam for a long time, and as the result, the company understand the market as well as the customers. Moreover, the mother group of company is Central Group, an international group who has good financial status and can definitely support the company. Big C has also weaknesses though and encounters strong competition from existing retailers as well as new comers in the market.

### 3.2. SWOT analysis

Examining and analyzing a company's factors is essential before giving any strategic planning. The SWOT analysis investigates both internal and external factors of corporation (Pahl and Richter, 2009).

**Weaknesses:** Focus mostly in big cities; no presence in the rural market; and quality control of the items available in the stores.

**Strengths:** Long-time operating experience in the local market; professional and good logistics system; and understanding the market.

**Opportunities:** Growing demand in retail industry; Spending for consumer products is increasing, new products and services; and customers prefer modern supermarkets.

**Threats:** New competitors from international groups; and existing competitors are growing.

## IV. COMPETITION BETWEEN BIG C AND OTHER RETAILERS IN VIETNAM

### 4.1. Porter's five forces analysis

Five Forces mentioned by Porter were Threat of New Entrants, Bargaining Power of Buyers, Threat of Substitute Products or Services, Bargaining Power of Suppliers, Rivalry among Existing Competitors. Strong competitive forces will be the barriers for the company to gain profits, and on the contrary, weak competitive forces will give opportunities to earn more profits. Managers' duty is to recognize how these forces change and establish an appropriate for the firm (Porter, 2008). For the case of Big C Supercenter and Vietnamese retail market, Porter's Five Forces can also applied:

**Threat of New Entrants:** Vietnam, with big population and people's increasing income, is a promising market for retail development. Together with existing retailers, many international groups have just entered or having the intention of entering the country. The biggest retail group in Japan, AEON, opened its first AEON mall in Ho Chi Minh City, Vietnam in the beginning of 2014. Besides, other big corporations are showing their interests in the market such as Emart, Walmart, Tesco, etc. Therefore, the pressure for Big C is really intense.

**Bargaining Power of Buyers:** the price in Big C stores is reasonable and often cheaper than other supermarkets. It is just higher than in traditional markets but the quality of items is much better. As the result, the pressure for Big C in this force is just in low level.

**Bargaining Power of Suppliers:** items available in Big C stores come from many different suppliers who are substitutable. These suppliers do not want to lose their presence in the store. So as similar as the bargaining power of buyers, this force is in low pressure.

**Threat of Substitute Products:** there are many supermarkets and shopping centers in Vietnam today. The competition is therefore is harsh. The pressure for Big C is high.

**Rivalry among Existing Competitors:** Metro, AEON, Emart, Lotte Mart, etc. from big international groups have all been present in Vietnam and compete to obtain the market share. In addition, local retail companies are getting stronger and stronger. The pressure is high.

### 4.2. Competitors analysis

At the moment, although Vietnam has many supermarkets, the competition in retail industry mainly happens among three big names: Co.opmart, Big C and Metro. The author will focus to analyze these competitors.

**Co.opmart:** is a Vietnamese retail chain belongs to Ho Chi Minh City Trade Cooperation (Saigon Co.op), which was established in 1989 after the dissolution of Ho Chi Minh City Trade Cooperation. Co.opmart is committed to serve and take care of its customers with the dedication and understanding in order to bring satisfaction and practical benefits for them. All the employees share the common values in the company: dedication, innovation, improvement, community and for the community. Co.opmart's SWOT analysis is following:

**Weaknesses:** Co.opmart does not have strong financial funds like other international groups; logistic system does not have appropriate investment; and professionalism (weak).

**Strengths:** One of the biggest retailers in the market; long time operation; and understand the customer characteristics better than foreign retailers.

**Opportunities:** Retail market is developing; and customers prefer to support local brand.

**Threats:** New rivals are coming to the market; and overcome by foreign retailers if not innovated

**Metro Cash & Carry:** is the leading international wholesaler. Choosing the strategy “Growth through creating value for customers”, Metro Cash & Carry tries to provide its customers with exclusive food assortment and solutions as well as non-food and services offer. Aiming to be the market leader and to gain the sustainable growth, the company does its best to diversify sales channels and give more value-added services. Metro Cash & Carry is committed to being a strong and responsible partner of local communities. With the expertise and knowledge in supply chain, the company contributes to the development of the local trade infrastructure. SWOT analysis is indicated below:

**Weaknesses:** Mainly for wholesale; and new in the market.

**Strengths:** Strong financial status; professional with good logistic system; and experience operating in international market.

**Opportunities:** Getting good reputation among customers; and many chances to attract retail customers.

**Threats:** Harsh competition in retail market; and other retailers begins to compete in the wholesale industry.

**Competition among three big players:** Big C, Co.opmart and Metro Cash & Carry

Pricing competition

Big C’s business is to aim at best prices for customers, together with highly controlled quality of the goods, convenient and modern distribution service. In order to obtain this aim, promotion is one of the most important strategies for Big C, as it brings practical benefits for involving parties: best prices for customers, sale improvement for suppliers, and active business for Big C. Not as similar as Big C, Co.opmart does not consider cheap price as the competitive strategy to increase the market share. However, the company also connects with manufacturer to reduce the costs, creating a reasonable price. Metro Cash & Carry Vietnam, on the other hand, is not a retailer. Its identified business is wholesaling, but many Metro Cash & Carry stores locate in the center of big cities like Da Nang, Buon Me Thuot. And therefore, the company is competing directly with retailers, whose prices are higher.

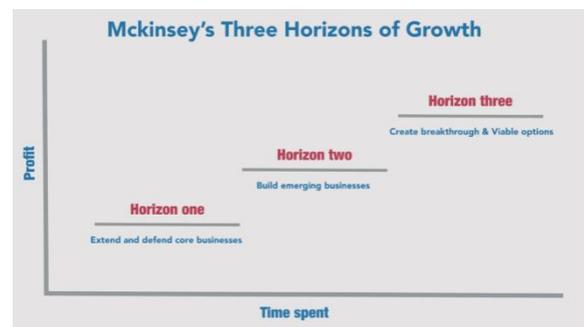
Private brands competition

Besides prices, promotion, products, retailers also compete with each other in the private brands. Together with developing the distribution channel, all three retailers Metro, Big C and Co.opmart continues to introduce products with their private brands to the market, especially the essential consuming goods such as food, cosmetic, clothes, etc. (Nguyen, 2013). With the experience operating in many other markets in the world, Metro brings a lot of private brands to

Vietnamese customers in many goods categories from food, clothes to kitchen and office accessories: Fine, Food, Aro, Sigma, etc. (Metro Cash & Carry Vietnam). Meanwhile, some private brands of Big C in the Vietnamese market can be mentioned as Bakery by Big C, ebon, Club des Sommeliers, BF (Big C). Co.opmart is a little bit later than the above two competitors. As a follower, Co.opmart decided to make brands with cheap price and suitable quality for customers. It has also established a department for private brand research and development instead of a small group in the sales department responsible for this task like before. Besides, Co.opmart has invited consulting experts to help.

## V. SUGGESTED STRATEGY FOR BIG C

In the theory part, the author analyzed four growth strategies which can be used to help companies develop further, including Ansoff matrix, Boston Consulting Group matrix, Mckinsey three horizons of growth and integrative growth strategy. Ansoff matrix is too simplistic and just suitable to base the plan at the beginning; BCG matrix is not widely used in today business meanwhile integrative growth strategy is rather risky. As the result, Mckinsey’s three horizons of growth is chosen to apply to give the suggested strategy for the case company.



Horizon one represents the company’s core businesses, which bring the greatest profits and cash flow. These core businesses should be improved to maximize the value. Horizon two explores emerging opportunities to develop, but it is mostly built from core businesses. Horizon three explores complete new ways of doing things, for instance, small ventures such as research projects, pilot programs, or minority stakes in new businesses (McKinsey, 2009). Improve performance to maximize the remaining value

The competition in the retail industry is getting more and more intense, especially in the field of supermarket and hypermarket, but there are still many opportunities. Applying the Mckinsey three horizons of growth, Big C should first focus on the core business, using its strengths: experience and professionalism, high – quality products with cheap

prices, good customer service, and modern infrastructure.

### Explore new ways to develop

The competition in the Vietnamese retail market at the moment is harsh, but it mostly happens in big cities. At the moment, the living standards in the rural areas have been considerably risen up, especially in the provinces with high rate of urbanization and industrialization. The income of people in the rural areas is increasing and as the result, the needs for consuming, especially the foods and necessary goods are also increasing. Therefore, the thought that rural areas are the markets for cheap and weak selling rate products should be erased. The retail industry in Vietnam is not young, but has not fully grown yet. The potential markets in rural areas are not exploited at appropriate level, completely ignored at some periods and controlled by cheap, low-quality goods from China.

In order to take over the market and develop the retail channels in the rural areas, some suggestions are made for Big C: (1) Big C has to consider rural areas as long-term markets and has to establish appropriate plans to penetrate and occupy the market; (2) Big C should choose the appropriate products to bring to rural market; (3) the quality of the products must be controlled.

### Explore new ways of doing things

At the moment, the traditional trade is still dominating in Vietnam with wet markets and outdoor, small-scale stores. However, the modern trade is speeding up. Modern retail formats like supermarkets, hypermarkets, shopping centers will become more and more popular in coming years, especially in big cities and attracts more consumers. In order to be successful, Big C needs to further develop the supermarket/ hypermarket concept. Besides that, the company should also pay attention to the future trend of retailing in Vietnam, such as the online shopping or e-commerce. The official website should be designed to have an area where customers could order and pay by their bankcards. And because of the fact that electronic payment is not very popular at the country right now, Big C can be flexible by accepting the online order and then getting the payment by cash after delivering. The company should follow and study the trends of online shopping in the world and especially in the neighbor countries, whose economy is more developed, such as Thailand and Singapore. There are similarities among countries in the South East Asia region and in the future, the Vietnamese customers' shopping habits and retail market may develop in a same direction as these countries. Moreover, the company should keep itself updated with the banking industry development and

the use of credit cards in the country in order to be prepared and catch the opportunities when they come.

### CONCLUSION AND FURTHER RESEARCH

As explained in the previous chapter, the author chose Mckinsey's three horizons of growth to suggest strategy for the case company. Horizon one focuses on the core businesses, meanwhile horizon two explores new ways to develop but mostly built from core businesses, and horizon three explores completely new ways of doing things. In horizon two, the author has recommended Big C to establish the business in rural areas to avoid intense competition. However, this new market was not analyzed deeply in this. In case the company would like to follow this recommendation, a study and evaluation of this market should be done thoroughly to find out what particular area should be invested in and what kinds of products should be introduced. The company should study the rural areas and find out the best location to operate, because location is one of the key issues leading to success.

Some actions have also been suggested for the case company to take in horizon three but further research needs to be done. The thesis does not contain detailed information about online shopping habits. It would be better if the company can form their own team to study new market trends or refer to other works done before about e-commerce in Vietnam.

### REFERENCES

- [1] Ansoff, H.I., 1957. Strategies for diversification. *Harvard business review*, 35(5), pp.113-124.
- [2] Chandler, A. D., 2003. *Strategy and Structure*. Mary Land: Beard Books.
- [3] Coley, D., Howard, M. and Winter, M., 2009. Local food, food miles and carbon emissions: A comparison of farm shop and mass distribution approaches. *Food policy*, 34(2), pp.150-155.
- [4] Griffin, R., 2013. *Fundermentals of Management*. Connecticut: Cengage Learning.
- [5] Kearney, A.T., 2009. *The Shifting Geography of Offshoring: The 2009 AT Kearney Global Services Location Index*. AT Kearney, Chicago. [http://www.atkearney.com/images/global/pdf/Global\\_Services\\_Location\\_Index\\_2009.pdf](http://www.atkearney.com/images/global/pdf/Global_Services_Location_Index_2009.pdf).
- [6] Merson, R., 2011. *Guide to Managing Growth: Strategies for Turning Success Into Even Bigger Success*. New Jersey: John Wiley & Sons.
- [7] Moschis, G. P., 1994. *Marketing Strategies for the Mature Market*. Connecticut: Greenwood Publishing Group.
- [8] Nguyen, 2013. Nhieu du dia chon ha dau tu. [Referenced May 10, 2017]. Available at: <http://www.sggp.org.vn/hoptackinhte/>
- [9] Pahl, N. and Richter, A., 2009. *SWOT Analysis-Idea. Methodology and a Practical Approach*, Norderstedt: GRIN Verlag.
- [10] Porter, M. E., 2008. *The Five Competitive Forces That Shape Strategy*. Boston: Harvard Business School Publishing.
- [11] The World Bank, 2016. *The Population Ranking*. [Referenced May 10, 2017]. Available at: <http://data.worldbank.org/indicator/SP.POP.TOTL>

\*\*\*