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Comparative analysis of multi-domestic strategy of P&G and Unilever Corporation

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Abstract

In recent years, the strong development of technology and the change in consumer behavior has made competition in consumer markets increasing. It is a constant business rule of the market. Customers are not only the people who buy the most of products of the company, but they are also the people who stick to with the company and introduce the company to those around them like friends, family members and colleagues. Currently, many businesses invest in Vietnam market, especially in the field of FMCG consumer goods. How to make customers have a good impression of the company and products the company is doing, this is a difficult question that any business person wants to find the right answer. Therefore, building a research model of P&G and Unilever's multinational strategy is essential. The objective of this study is to identify the factors affecting products of both businesses with relatively equal positions in the consumer market, creating a more comprehensive view to increase competitive advantage.

Keywords: Unilever, P&G, multi-domestic strategy, comparative analysis

1. Introduction

In recent years, Vietnam has gradually integrated and developed through globalization. The Government of Vietnam with preferential policies for foreign investors, along with many favorable conditions on labor forces and strategic positions has helped the Vietnam's economy to attract more attention and investment from multinational corporations in the world. This is an opportunity to further develop our economy, but at the same time brings about great challenges to domestic companies facing fierce competition from foreign goods and services. Besides, Vietnamese companies and corporations are also facilitated by the Government, as well as many opportunities in integrating Vietnamese products with the world. However, with weak resources as well as the lack of experience in the international market, many Vietnamese companies have stumbled when competing with foreign corporations. Researching information on business strategies from global corporations cannot be proceeded deeply into specific strategy of them (because it is a trade secret) but can be based on press releases and on what they have done. Thereby, the research and analysis will partly help weak Vietnamese companies to draw lessons and experiences from foreign corporations' big case study.

Among the popular business areas, consumer products have almost gone into every corner of every person's life and every home. Multinational companies in the field of consumer goods also occupy a large market share of foreign investment, while also firmly consolidating their position in the market of Vietnamese consumer goods. In the field of FMCG (Fast Moving Consumer Goods), Unilever and P&G (Procter & Gamble) are always the two biggest names in the world, and also the names already present and in Vietnam from the early days. These two giants own many famous brands, familiar to consumers not only in Vietnam, but also many other countries in the world. Working together in the field of FMCG, these two corporations share many direct brands competing in the market. Therefore, it can be considered that Unilever and P&G are inseparable pair in the consumer market. The world cosmetics race between leading giants like Procter & Gamble, Unilever and L'Oreal is always very interesting. It seems that none of the giants wants to be more inferior in the competition. They have come up with a variety of different marketing and advertising tactics, so the race has left many interesting lessons in competition and marketing art. It seems that the race of the two big Unilever and P&G in Vietnam for nearly a decade has yet to show signs of cooling down.

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Not only on a global scale, the two consumer goods giants have for long time competed side by side in Vietnam market. The rural market accounts for 47% of the turnover of FMCG and has great potential. Rural areas account for 74% of the total population and account for two-thirds of all toothpaste and laundry products sales. Regarding the product portfolio and coverage, it seems that both sides are on equal footing. It can be said that even in Vietnam market, Unilever is superior to P&G but this is only a temporary classification table. However, in the long term we do not know who will be the winner of the race. From a consumer perspective, P&G with the potential of a multinational company will try to create products in multiple segments to meet the needs of billionaires to those who have income of less than 1USD a day.

2. Theoretical Framework

For an international business enterprise, market penetration and expansion on an international scale will contribute to both growth and the rate and the profitability of the business. So it can be said that international business strategy is a part of business strategy of enterprises, including plans and steps of enterprises in the international market to maximize the value of enterprises. An international business strategy is a program that unifies a unit's activities including defining objectives, measures and means to achieve certain effectiveness in a global business environment. An internationally defined business strategy will help businesses compete effectively in the international market. International strategy can help international business enterprises develop mechanisms to effectively coordinate and exploit the available resources in international market, building, forming and developing new ones according to the requirements and long-term orientation, helping enterprises compete successfully in the international market. There are four main international business strategies:

- International Strategy: Company considers itself a center, carrying out business activities on the basis of promoting its strengths. This strategy is used when both cost pressure and pressure to meet local requirements are low.
- Global Strategy: Company sees the world market as a unified market. At the same time, the company will proceed to unify and standardize company values to combine competitive advantages to reduce costs and increase profits. This strategy is used when costs pressure is high and pressure to meet local requirements low
- Transnational Strategy: Company makes a strategy to achieve all goals simultaneously. By rotating competitive advantages within the company, it must also pay attention to local requirements. This strategy is used when both costs pressure and pressure to meet local requirements are high.
- Multi-market Strategy (Multi-domestic Strategy). Multi-domestic strategy is only suitable for company that can make a difference to their competitors in terms of skills or products. At the same time, the company must operate in the field of low pressure to reduce costs and demand to meet high local demand.

The company considers each country a separate market with high cultural differences. Forming units that operate abroad, but their activities are independently called a multi-domestic

strategy. The multi-domestic strategy is a strategy aimed at maximizing meeting local needs. The characteristics of the company implementing a multi-domestic strategy are that they customize products and marketing strategies to suit local requirements. Simultaneously with the trend of globalization, the multi-domestic strategy has the opposite trend to encourage companies to adapt to activities around the world with specific characteristics and conditions.

The advantage of multi-domestic strategy is that the company has transferred its advantages to foreign markets. That is, the company establishes production facilities, advertising forms, product messages in foreign markets like domestic production and marketing models. Companies take advantage of previous production experiences and product and skill advantages to compete in the market. The main advantage of the multi-domestic strategy is to meet local requirements. This strategy allows companies to delve into consumer preferences in different countries' markets, responding quickly and effectively to new consumer preferences. The result that companies expect when launching new products is that consumers will recognize higher value than competitors' products, allowing them to follow a domestic multi-pricing strategy to ensure higher profit and greater market share. Multi-domestic strategy is reasonable when there is high pressure on local reactions and low pressure on cost reduction.

The downside of the multi-domestic strategy is the use of the same model, the same products offered in the same markets with the same way of marketing, so the company's products meet the most common requirements of consumers over the market but cannot meet the specific requirements of each region. Moreover, instead of bringing domestically produced products to foreign markets, company established factories to produce those products abroad so it cannot take advantage of the experience and save costs. If the company implemented a global strategy in markets with high local pressure, the company would easily lose its competitive advantage. This is because competitors produce products that focus on different local requirements and implement marketing and distribution strategies in accordance with those particular requirements. Gerald Albaum *et al.* (2002)^[4] argue that the disadvantage of a multi-domestic strategy is that it does not allow companies to exploit the economic benefits of scale in product development, production or marketing. Thus, usually a multi-domestic strategy increases the cost of international companies and forces them to set higher prices to recover those costs. Therefore, multi-domestic strategy is often not suitable for industries with price competition. Deciding to implement this strategy, the main direction of companies is to meet the environmental conditions of each market country. So it is difficult for them to build well and clearly defined capabilities and potentials to create competitive advantage over international or global competitors and local companies. Cultural and social differences require changes in tactics. Governments of countries around the world also often demand that companies' actions be in line with the interests of the host countries. As industrialization grows, domestic competitors scramble to serve each small market segment which forces the company to adapt to it. With a local supplier able to create single products that match specific needs, customers will no longer be forced to accept products designed by other countries. Distribution and sales are two factors that need to be adapted in each country. Although the brand

name and advertising may be the same, the distribution and sales organization cannot be standardized because the savings due to scale are not much. But there are many problems and difficulties in standardization because of differences between countries and because of the potential that comes from scale savings are very few. Even using a generic name has many inconveniences because of the specific related with language. For example, Ford's truck, currently Fiera, means "ugly old woman" in Spanish-speaking countries. A local brand can stimulate pride and connect with local media and characteristics. Global brand name may have a bad meaning in some localities or may be linked to a country's politics and thus also ups and downs according to international events.

From the concept and the advantages and disadvantages of the multi-domestic strategy, we can generalize the necessary conditions for the company to implement this strategy, including (Jeannet & Hennessey, 1995; Keegan, 1995) ^[5, 6]:

- Firstly, the company has strong financial resources to be able to rebuild the entire production and distribution system in foreign markets. At the same time, it also creates conditions for the company to survive and deal with competitors when they take actions that affect the company such as discounts, promotions.
- Secondly, the company has the ability to create differences in skills and products that domestic competitors find it difficult to meet. Since the company offers the same products all over its market, the company's products must be superior to domestic competitors to be competitive.
- Thirdly, the company operates in the field of low costs pressure. The international strategy requires relatively high funding; the cost of production is almost fixed by the initial investment costs for production equipment, so it is difficult to reduce costs. So if the market requires a strong price reduction, the company cannot meet and be easily eliminated from the market.
- Fourth, low pressure in responding to local requirements. Production and marketing activities in the markets are the same so products only meet the similar needs of different customers in different places. The strategy does not meet the requirements of each locality.

3. Research Methodology

Secondary data is taken from many different sources, beginning with the basic marketing and marketing syllabus to get the theoretical basis for the research topic. In addition, the article also seeks some scientific articles in specialized journals and master theses, such as: "Assessing customer loyalty with Unilever's products and P&G at supermarkets in Ho Chi Minh City. Although these are not research studies that are similar to the objectives that of this article, the topic has many valuable references to build research models and research directions. Besides, the secondary data collection includes information related to the theoretical issues of distribution, information on the business activities of supermarkets that could be found in many different sources. Data collection process includes following steps:

- Preliminary overview: The basic purpose of this phase is to understand the policies that the company can influence the cooperation of retailers in the distribution of Unilever products. The study used group discussion techniques to adjust and supplement observed variables

to measure research concepts. First, conducting focus group discussions includes the implementation through a direct interview with 10 participating retailers and the supermarket distribution channel, and thereby identifying the information to be collected, contents to be studied. At the same time, I also use expert interview techniques to produce important and necessary content. After identifying the research model, the next step is to draft a questionnaire to collect analytical data.

- Data collection and analysis: Based on the results of the above phase, the questionnaire was designed to conduct interview surveys to understand the situation and assessments of retailers and product distribution channels of P&G and Unilever at the supermarket. Due to the limitation of human resource, time and funding, survey is conducted on representative sample to produce generalized results.
- Data processing and analysis: The main tool is SPSS 16.0 software (Tran Hoang Trong, Chu Nguyen Mong Ngoc 2008) ^[15]. Based on the theory of policies to encourage distribution channel members and actually the use of these policies in the distribution of P&G and Unilever products in supermarkets, customer reviews are carried out.

4. Research Results and Discussion

From the research content mainly based on reports, media channels, the marketing strategies of those two giants published on the internet, with references to professional knowledge on the topic, we can see that in recent years Vietnam is developing and gradually integrating with the international market. Vietnamese Government offers preferential policies to foreign investors with the advantages of labor and strategic position to help the Vietnamese economy attract more foreign investors. This is an opportunity to bring Vietnam's economy to new heights, but at the same time challenging domestic companies by allowing foreign companies to be presented in the domestic market.

The study of two major foreign corporations: P&G and Unilever, thereby giving proper comparisons, comments and reviews about them. Researching and comparing their business strategies will help us learn and draw valuable experiences about appropriate business deals as well as competition between competitors. Since then, it offers solutions to contribute to the development of local companies in the international market. Unilever Vietnam is considered one of the most successful foreign-invested companies in business activities and community support. From 1995 to 2005, Unilever Vietnam contributed more than 1 million USD to the national budget. The company currently has a staff of 3,000 direct and indirect employees, and indirectly creates jobs for about 6,000 people through suppliers and agents. In terms of market access, Unilever seems to be more flexible to clearly define its domestic diversification strategy from the beginning. This is expressed through price strategy (minimizing input costs to create competitive prices), product portfolio offered and messages conveyed to Vietnamese consumers (close and constantly changing). Talking about the war between the two competitors (Nguyen Dinh Tho and Mai Thi Trang (2007) said that in the Vietnam market, Unilever is more advantageous because in addition to cosmetics, they have more to offer in F&B products and services. In the brand of

detergents and washing powder, Unilever surpassed P&G when OMO and VISO proved too strong and had many advantages in price as well as in consumer awareness. Moreover, in terms of coverage, Unilever has a wide distribution system, especially in rural areas. Media dominance also comes partly from the two sides' strategies. Accordingly, P&G follows the regional strategy while Unilever builds its own scenario for the Vietnamese market. Therefore, the budget for product promotion will be different. Specifically, in 2002, on the Vietnam television channel, Unilever was at the top spending 4 million USD to advertise, while P&G ranked 3rd with nearly 2 million USD spent on TV commercials. Along with the strategy of covering all communication channels, expanding the distribution system, Unilever's sales since 1995 have been constantly growing, from 10 million USD in 1995 to 240 million USD in 2002. On the sidelines, this figure in 2011 was 800 million USD. It is estimated that every year, Unilever's sales and profits grow at an average of 30-35%. Over the past 10 years, Unilever with all aspects of FMCG has won a lot of affection from Vietnamese consumers. Looking back on the 10-year journey in Vietnam to understand why Unilever has a strong foothold in everyone's heart. In fact, so far, P&G products are placed in the higher segment of US consumer goods and P&G is a manufacturer with No. 1 position in developed countries, while Unilever has advantages in developing markets. Accordingly, P&G expects this year, developing markets will contribute 37% to global revenue from 34% in 2010 and 23% in 2005. For Unilever, the developing market contribution rate into global revenue reached over 56% in 2005 and 53% in 2010. When the market in developed countries is saturated, P&G is clearly demonstrating its similarity to Unilever's strategy. P&G's shift in its interest toward developing markets has also been seen by gradual localization. For example, with the Downy brand, TV commercials were closer to the Vietnamese, when it comes to shampooing milk called Head & Shoulder, P&G chose Vietnamese celebrities to convey the message instead of reshaping TVC from other markets as done before. Emre Olcer (2015)^[3] said that the business of P&G Vietnam is very good. P&G has grown 15 times in the last 10 years and will go further. P&G's strategy is to invest more in reaching Vietnamese consumers. Marketing experts say that the confrontation between Unilever and P&G Vietnam will never end and it is hard to predict who will be the winner in a long run.

5. Conclusion and Recommendation

Along with the growing economic development of the country, people's living standards are increasingly improving, which creates both opportunities and fierce competition between P&G and Unilever. In the field of distribution of consumer products many progresses have been made by both of them to become more powerful, aiming to achieve the goal of becoming a leading distributor in Vietnam. However, in today's dynamic market, to be able to implement that strategy, P&G Group and Unilever have to build a solid channel. Therefore, in order to develop their potential, it is necessary to develop appropriate strategies and solutions to further enhance the members' strong cooperation, especially with P&G and Unilever related industries with long-term and reliable partners.

This article entitled "Analyzing and comparing the multi-domestic strategy of P&G and Unilever" through practical

research has shown solutions that can be applied in business practice, related with competition and cooperation in FMCG industry. Also, some conclusions can be drawn as follows. In fact, comprehensive development strategies and solutions are suitable for overcoming immediate difficulties. However, there should be solutions related to further improvement and development as a basis for strengthening cooperation in the channel, creating a more solid strategy. In order for the strategies to take place smoothly, the authors propose some of the following ideas:

- Improve the construction of infrastructure systems in the city as well as neighboring districts, to shorten the gap between rural and urban areas, create favorable conditions for covering the market and deliver goods and at the same time create an opportunity for economic development for conditions that were far from the center.
- Create favorable conditions for business operations in general and FMCG business in particular.
- Set out regulations to ensure fair competition for all commercial enterprises in the market.

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