

Abstract

Title: Successful Penetration of Emerging Markets
- Finding Business Opportunities for High Profile Industrial Products

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Problem: Equipment Fluids & Utility (EFU) is one of nine segments within Alfa Laval. The segment has experienced initial problems with sales volumes on the emerging markets so far entered, even though there is a seemingly large potential. No clear reason for this has been identified, and the management of EFU wants an efficient solution to the problem. The problem was to investigate what areas are affecting an efficient penetration of emerging markets for an industrial company, and how those should be addressed to ensure a continuous favourable development.

Purpose: Our purpose is divided in two parts:

- Understand and investigate the business of Alfa Laval and EFU to be able to identify areas of improvement regarding the sales process in Vietnam. It also includes developing recommendations and actions for every defined area with the aim to generate a more efficient procedure to find business opportunities in an emerging market.
- Develop a conceptual framework that will contribute with a structured approach for problem solving in emerging markets when selling industrial products. The aim of the framework is to create awareness of what areas of

improvement are most important, and to give guidelines of how to work with those improvements.

Method: An abductive research is made based on qualitative in-depth interviews and literature studies. A case study is made on Vietnam and the findings from this certain case results in a generic solution valid for all emerging markets.

Conclusion: Nine areas of improvement are defined and discussed, and actions for success are suggested. Furthermore, a methodological framework is developed to facilitate a structured approach when working with the improvements.

Keywords: Vietnam, emerging market, market penetration, business opportunities, sales process, target market, sales approach, managing and leading.

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We have learnt a lot about emerging markets and sales processes, but also about ourselves and each other. We have got the chance to meet and interview many interesting persons and we would like to send them all our most honest appreciation.

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Table of Content

ABSTRACT	I
ACKNOWLEDGEMENTS.....	III
LIST OF TERMINOLOGY, FIGURES AND TABLES	VIII
1 INTRODUCTION	1
1.1 BACKGROUND.....	1
1.1.1 <i>The Economic Growth of Vietnam</i>	1
1.1.2 <i>Concerns Regarding Emerging Markets</i>	2
1.1.3 <i>Precedent Research</i>	3
1.1.4 <i>Target Group</i>	3
1.2 ASSIGNMENT	4
1.3 PURPOSE	5
1.4 DELIMITATIONS	5
1.5 DOCUMENT OUTLINE.....	6
2 APPROACH & WORKING METHODS	9
2.1 CHOICE OF GENERAL METHOD	9
2.2 WORKING PROCESS	11
2.3 QUALITY AND VALIDITY.....	17
2.4 CRITICAL EVALUATION OF CHOSEN METHOD	18
3 ALFA LAVAL AND EQUIPMENT FLUIDS & UTILITY.....	21
3.1 COMPANY HISTORY	21
3.2 ALFA LAVAL – COMPANY OVERVIEW	21
3.2.1 <i>Heat Transfer</i>	23
3.2.2 <i>Separation</i>	24
3.2.3 <i>Fluid Handling</i>	24
3.2.4 <i>A Matrix Organization</i>	25
3.2.5 <i>Sales Channels</i>	26
3.2.6 <i>Alfa Laval Worldwide</i>	28
3.3 THE BUSINESS OF EQUIPMENT FLUIDS & UTILITY	29
3.3.1 <i>General Utilities</i>	30
3.3.2 <i>Metalworking</i>	31
3.3.3 <i>Fluid Power</i>	31
3.3.4 <i>The Competition</i>	32
4 THEORETICAL FRAMEWORK.....	35
4.1 PRESUMPTIONS	35
4.2 WHAT ARE EMERGING MARKETS.....	36
4.2.1 <i>The Definition of Emerging Markets</i>	39
4.3 ENTERING EMERGING MARKETS	40
4.3.1 <i>Factors Affecting an Entry</i>	40
4.3.2 <i>Differences between Emerging and Developed Markets</i>	45
4.4 MARKET PLANNING	48
4.5 SALES PLANNING AND MANAGEMENT	51
4.6 SALES ORGANIZATION	55
4.7 CUSTOMER BUYING BEHAVIOR	57

4.8	RELATIONSHIP MARKETING.....	59
4.8.1	<i>Interaction</i>	60
4.8.2	<i>The Distinction between Transactions and Relationships</i>	60
4.8.3	<i>Trust and Commitment</i>	61
4.8.4	<i>The Relationship Lifecycle</i>	62
4.9	SUMMARY.....	63
5	THE CURRENT SITUATION.....	67
5.1	SALES COMPANIES IN EMERGING MARKETS.....	67
5.1.1	<i>Target Market</i>	68
5.1.2	<i>Sales Approach</i>	69
5.1.3	<i>Managing & Leading</i>	70
5.2	VIETNAM INDUSTRIAL MARKET.....	71
5.2.1	<i>Political Situation</i>	71
5.2.2	<i>Economical Situation</i>	73
5.2.3	<i>Social Situation</i>	76
5.2.4	<i>Technological Situation</i>	79
5.2.5	<i>Environmental Situation</i>	81
5.2.6	<i>Legal Situation</i>	82
5.3	TARGET MARKET.....	83
5.3.1	<i>The EFU Market in Vietnam</i>	83
5.3.2	<i>The Method Today</i>	84
5.3.3	<i>Market Potential in Vietnam</i>	85
5.3.4	<i>Education</i>	87
5.4	SALES APPROACH.....	87
5.4.1	<i>The Process</i>	88
5.4.2	<i>The Sales Pitch</i>	90
5.4.3	<i>Challenges</i>	91
5.5	MANAGING & LEADING.....	93
5.5.1	<i>The Labour Market</i>	93
5.5.2	<i>Attention</i>	95
5.5.3	<i>Control</i>	95
5.6	SUMMARY.....	95
6	AREAS OF IMPROVEMENT & GENERALIZATION.....	97
6.1	ANALYSIS OF THE SITUATION IN VIETNAM.....	97
6.1.1	<i>Target Market</i>	97
6.1.2	<i>Sales Approach</i>	100
6.1.3	<i>Managing & Leading</i>	105
6.1.4	<i>Main Findings</i>	107
6.2	GENERALIZATION.....	110
6.3	SUMMARY.....	114
7	ACTIONS FOR SUCCESS.....	115
7.1	TARGET MARKET.....	115
7.1.1	<i>Market Information</i>	115
7.1.2	<i>Knowledge & Education</i>	116
7.1.3	<i>Initial Structure</i>	116
7.2	SALES APPROACH.....	117
7.2.1	<i>Relations & Network</i>	117

Successful Penetration of Emerging Markets

7.2.2	<i>Service Level</i>	118
7.2.3	<i>Success Stories</i>	118
7.3	MANAGING & LEADING	119
7.3.1	<i>Communication</i>	119
7.3.2	<i>Attention</i>	119
7.3.3	<i>Keeping and Motivating Your Sales Persons</i>	120
7.4	TOOLS FOR IMPROVEMENTS.....	120
7.4.1	<i>Sales Persons</i>	120
7.4.2	<i>Central Management</i>	123
8	CONCLUSIONS	125
8.1	CONTRIBUTIONS TO THE THEORETICAL LANDSCAPE	125
8.2	CONTRIBUTIONS TO ALFA LAVAL.....	128
8.3	PROPOSALS FOR FURTHER STUDIES	128
8.4	DISCUSSION	129
	REFERENCES	131
	PUBLISHED MATERIAL	131
	INTERNAL MATERIAL.....	134
	INTERNET MATERIAL	134
	ORAL SOURCES	135

List of terminology, figures and tables

Terminology

ACE-system – A Customer Relationship Management system used by Alfa Laval

Adept – Internal training course for sales persons within Alfa Laval

AlRound – Name of the intranet of Alfa Laval

B2B – Business-to-Business

BRIC – Brazil, Russia, India and China

Doi Moi – Political and economical reform which started in Vietnam in 1986

EFU – Equipment Fluids & Utility, business segment within Alfa Laval

EPC – Engineering, Procurement and Construction

FDI – Foreign Direct Investment

IMF – International Monetary Fund

OBM – Own Brand Manufacturer

ODM – Own Design Manufacturer

OEM – Original Equipment Manufacturer

R&D – Research and Development

PHE – Plate Heat Exchanger

TNC – Transnational Companies

Figures

Figure 1 The abductive approach used in the thesis 10

Figure 2 Methodological framework version 1 13

Figure 3 Methodological framework final version 13

Figure 4 The customers of Alfa Laval are found in different industries.
(Internal material)..... 22

Figure 5 The Organization of Alfa Laval (Internal material) 25

Figure 6 The segment structure (Annual Report 2007) 26

Figure 7 The different sales channels for Alfa Laval (Internal material) 27

Successful Penetration of Emerging Markets

Figure 8 Sales figures divided in geographical markets (Annual Report 2007)	29
Figure 9 A schematic description of the theoretical approach.....	35
Figure 10 There are seven characteristics determining what the drivers of success for market entry are. (Johnson & Tellis, 2008).....	41
Figure 11 Framework for Sales Planning and Management (Castro & Neves, 2007, p.12)	53
Figure 12 The organizational purchasing decision process. (Lancaster & Reynolds, 2004)	58
Figure 13 The marketing strategy continuum. (O'Malley, 2003)	61
Figure 14 The methodological framework.....	64
Figure 15 The GDP growth of Vietnam. (HFR, 2008)	74
Figure 16 The poverty of Vietnam is decreasing at a fast pace. (TWG, 2008)	77
Figure 17 The manufacturing industry.....	85
Figure 18 The competition of Alfa Laval sorted in different categories. (Nguyen T, 080815).....	86
Figure 19 The market share of EFU in Vietnam 2008. (Nguyen T, 080815)	87
Figure 20 The sales process when initiated by a lead (Nguyen T, 080821)	89
Figure 21 The methodological framework.....	96
Figure 22 The methodological framework.....	108
Figure 23 The nine areas of improvement	109
Figure 24 Development of a complete action plan	111
Figure 25 Four ways of finding potential customers	121
Figure 26 A general framework for analysis of emerging markets	126
Figure 27 Nine areas of interest for selling industrial products on emerging markets	127

Tables

Table 1 Key figures of Alfa Laval in 2007 (Annual Report 2007).....	23
Table 2 A table of the 21 countries comprised in the study.....	39
Table 3 A table of all interviewed countries.	67
Table 4 Common selling points for sales companies in emerging markets.	69

1 Introduction

This chapter holds information about the background and purpose of this thesis. The background aims at giving the reader an explanation of the actual reasons to perform the study at this moment in time and the purpose educates the reader as to why we have chosen this particular subject and what are the desired deliverables. Furthermore, the chapter contains information about what subjects are not discussed in the thesis and thus a reader looking for information on these particular subjects can rule out this thesis as interesting for his or her continuous work. Chapter 1 is rounded off with a document outline in which the structure of the thesis is discussed and explained.

1.1 Background

1.1.1 The Economic Growth of Vietnam

Vietnam is in constant development, and in recent years the country has experienced an economic growth rapid enough to leave most countries behind. The last few years Vietnam has had a constant economic growth of 8% per year. This has led to an increase in export but also to a rapidly growing domestic market. There is some trade between Sweden and Vietnam, but it is somewhat limited. The Swedish Trade Council summarizes the situation as follows: (Swedish Trade Council, 080709)

- *“The fast development of Vietnam has created an increasing interest for the country as a trade partner. A lot of companies are establishing and the investments continue to intensify. Many countries have strengthened their trade-promoting presence and adjusted political priorities through bilateral dialogues.”*
- *“Sweden has a good reputation in Vietnam as a result of a long-term commitment and this is beneficial for Swedish companies. The bilateral trade between Sweden and Vietnam is growing but must still be viewed as quite limited. The potential for more Swedish companies establishing in Vietnam is great within several industries.”*

- *“Telecom, energy and machines for mining among other things still are the strongest Swedish industries. Several Swedish companies are starting to show strong results within the health sector and fast moving consumer goods industry. A number of Swedish companies, among them IKEA currently have production sites in Vietnam.”*

This is one of the reasons behind our interest in Vietnam and the business opportunities in the country. To be where the action is and to contribute to a process in development was one of the goals we set when we started searching for master’s thesis subjects. We came in contact with our tutor at Alfa Laval, Claes Ericsson, Manager of the Fluids & Utility segment that currently is establishing on the Vietnam market. We realized that there were synergies to be found in us cooperating.

The other reason for our interest in Vietnam is the interesting history which gives a cultural dimension to our thesis. Compared to other export countries, information and material regarding Vietnam today is scarce and the number of studies conducted is largely inferior to the ones being conducted on, for example, China or India. The market of Vietnam, just as the country itself, is for certain smaller but is showing a tremendous potential of being an interesting player in the near future (Swedish Trade Council, 080709).

1.1.2 Concerns Regarding Emerging Markets

Emerging markets show trends and processes that differ from traditional industrial markets leading to the need for a different approach in sales. Historically, Equipment Fluids & Utility¹ has experienced difficulties in developing sales in a positive way in emerging markets. Partly, this is explained by the fact that EFU, being a small segment, usually has to share sales persons with other segments in the initial stage of an emerging market entry. This means that the sales person is expected to split the sales time and effort between different segments that, according to the customer oriented segmentation of Alfa Laval, targets different customers and also sometimes focuses on different products. However, the lack of time and sometimes interest is not the entire truth behind this issue since the problems persevere even after a designated EFU sales person is employed. Sales in some countries have experienced apparent improvements after the change of sales persons, something that implies that the problem is dependent on what kind of person is hired. This entails there are certain trades and actions that boost

¹ Henceforth referred to as EFU

sales and these trades and actions come natural to these sales persons. (Ericsson, 080605)

There is no clear plan of action for starting up sales in the Fluids & Utility segment in emerging markets. Something that is sought after since the segment has a growth strategy, especially in emerging markets. Most often, the sales persons hired in emerging markets are young and inexperienced but have a solid academic education. This means they lack experience and, in addition, the academic background is most often a technical one leaving them uneducated in the trade of sales and other economic aspects. However, the academic background probably means they would be successful in following a plan of action pointing out important steps to get a hold of the market. It is also likely to believe they would be successful in doing analyses of the market seeing they have an academic background. Though, to do these analyses they are in need of some guidance. (Ericsson, 080605)

1.1.3 Precedent Research

A lot of research is done regarding emerging markets around the world. Many of those studies have chosen to specialize on the BRIC-countries and it is quite rare to find studies focused on any of the other emerging markets, including Vietnam. The existing studies mostly point out either cultural differences or strategies, and very few have done a research about the whole process including both areas. The majority of recent researches about Vietnam concern the political, social or economical situation in the country, and few studies are made about how to find business opportunities. Many articles and theses are produced regarding the decision to enter an emerging market or not, but the next step to find business opportunities and penetrate the market is not closely investigated.

1.1.4 Target Group

The target group of this thesis is fellow students on a higher academic level, and the central management as well as the sales organisations of Alfa Laval. Furthermore, this thesis is useful for other industrial companies focusing on business to business in emerging markets.

1.2 Assignment

The assignment of this master's thesis is based on the request and need of the Equipment Fluids & Utility segment within Alfa Laval Corporate AB. The assignment is as follows:

“The objective of this master’s thesis is to identify areas of improvement regarding an efficient penetration of emerging markets based on the case study of the Vietnam market. Furthermore, the thesis shall develop a plan on how to address these problem areas and generalizing the results to fit with all emerging market in the interest of the Fluids & Utility segment.”

However, this assignment is not appropriate for an academic thesis as it is too specific, targeting only the segment of EFU within Alfa Laval. Thus, a more generalized purpose and problem formulation must be formed. Before this can be done, one must understand what it is Equipment Fluids & Utility does and what the segment wants to achieve with the thesis.

EFU sells plate heat exchangers and centrifugal separators to the subcontractor industry of three different industries, hydraulics and pneumatics, metalworking and general utilities. The general utilities industry means all industries not embodied by any of the other segments. In this thesis, the industries targeted by EFU in a general aspect will be in focus. Moreover, EFU can be compared to an arbitrary industrial company leading to the possibility to generalize our findings to apply in a generic context.

EFU has experienced initial problems with sales volumes in the emerging markets entered so far, even though there is seemingly large potential. No clear reasons for this concern have been identified and the management of EFU wants a fast solution to the problem. Vietnam is a newly entered market showing an interesting development, and it offers an excellent opportunity for an explorative field study.

The emerging market of Vietnam has, undeniably, individual characteristics separating it from other emerging markets. However, there are also a lot of similarities and the conclusions drawn from the Vietnam market are likely to fit also on other emerging markets. Consequently, the main assignment of this thesis is defined as finding answers to the following questions:

“What are the areas affecting an efficient penetration of emerging markets for industrial companies? How should those areas be addressed to ensure a continuous favourable development?”

1.3 Purpose

Our purpose is divided in two parts. The first part concern business improvements for Alfa Laval and EFU in Vietnam, and the second part is a more generic contribution to fit all emerging markets. The two purposes are presented below:

- Understand and investigate the business of Alfa Laval and EFU and identify areas of improvement regarding the sales process in Vietnam. It also includes developing recommendations and actions for every defined area with the aim to generate a more efficient procedure to find business opportunities on an emerging market.
- Develop a conceptual framework that will contribute with a structured approach for problem solving in emerging markets when selling industrial products. The aim of the framework is to create awareness of what areas of improvement are most important and give guidelines of how to work with these improvements.

1.4 Delimitations

Within the scope of this thesis we will not look into the problem of establishing a company on an emerging market. All aspects regarding how to enter and when and why will be delimited. Our focus has been to study a case where the decision to enter has already been made and where the focus is on penetrating the market in an efficient way. However, in chapter 4 the reader will find some theories touching these areas. This is because these areas should not be discarded after market entry, but need constant attention to obtain a strong market position.

The presumptions on the Vietnam market will be deeply investigated and presented, but no analysis of why the situation is like it is will be done. Based on the gathered information in Vietnam, recommendations for an efficient startup in an emerging market will be developed, but these actions will not be executed within this study.

In this thesis, because of efficiency as well as time restraints, the specific customers of EFU will not be analyzed to any further extent than what is necessary to create an understanding of the business and actions of the EFU segment. This because the specific customers obviously differ a lot between different countries and thus, a deep dive into the specific customers of one country would be impossible to generalize. For the same reason, this thesis will not focus on the competition of neither Alfa Laval nor EFU. However, some background knowledge is given to the reader to be able to understand why EFU act as it does in competitive situations.

1.5 Document Outline

This section describes the content of the different chapters in this thesis and thus is complementary to the table of content. The thesis is basically structured according to an abductive approach which is further described in chapter 2. The general outline is as follows:

Chapter 1 – Introduction

Gives the reader an understanding of the background, the purpose and the delimitations.

The first chapter explains why the thesis is being written at this point in time, and also what is aimed to accomplish with the thesis.

Chapter 2 – Approach & Working Methods

Presents the choice of general method and approach to solve the problem.

The way in which the work with the thesis is conducted is presented and the quality and validity is discussed.

Chapter 3 – Alfa Laval and Equipment Fluids & Utility

The background of the company is presented.

Describes Alfa Laval generally and the Equipment Fluids & Utility segment specifically.

Chapter 4 – Theoretical Framework

The theories used to analyze the problem are presented.

A number of theories necessary to successfully analyze the problem are presented and discussed.

Chapter 5 – The Current Situation

The situation in Vietnam as well as in other emerging markets is discussed.

The prevailing situation in nine different emerging markets is firstly discussed after which the chapter presents the reader with a detailed view of the situation in Vietnam.

Chapter 6 – Areas of Improvement & Generalization

The analysis of the problem is presented together with a generalization of the findings.

The different aspects of the assignment are addressed and analyzed. The findings are summarized, and after this the findings are generalized to fit not only with the market of Vietnam but also with all other emerging markets targeted by EFU.

Chapter 7 – Recommendations

Presents the reader with the recommendations on how to handle the issues identified in the previous chapter.

The issues identified in chapter 6 are addressed and suggestions on how to overcome the issues are presented.

Chapter 8 – Conclusions

Final conclusion is given together with contributions to the theoretical landscape.

Contributions to both the academia and Alfa Laval are presented and the reader is also given a final discussion and proposals for further studies.

2 Approach & Working Methods

This chapter illuminates what approach we used conducting this thesis and it contains an explanation of the working process for our study. Moreover, we discuss the quality and possible shortages and ultimately the mode of procedure in which we treated our empirical findings.

2.1 Choice of General Method

This is an empirical thesis where the knowledge is based on observations of authentic situations. The aim of an empirical thesis is to relate reality to chosen theory by using a certain mode of operation. (Patel, 2003, p. 23)

Our work is based on an abductive approach, which means that the work will be conducted in two steps. The first step is inductive which means to find hypothetical patterns that explain a case and then create a theoretical deep structure based on those patterns. Subsequently this theory is tested on new cases that lead towards a developed theory that becomes more generic. This is called a deductive approach. By using this method, the work is conducted methodically and systematically and the results will improve as research progresses. (Patel, 2003, p. 25ff) The object of the case study in this thesis will be the Vietnam market, and the findings from this certain case will result in a more generic methodology useful for any emerging market.

The abductive process can be illustrated as in figure 1:

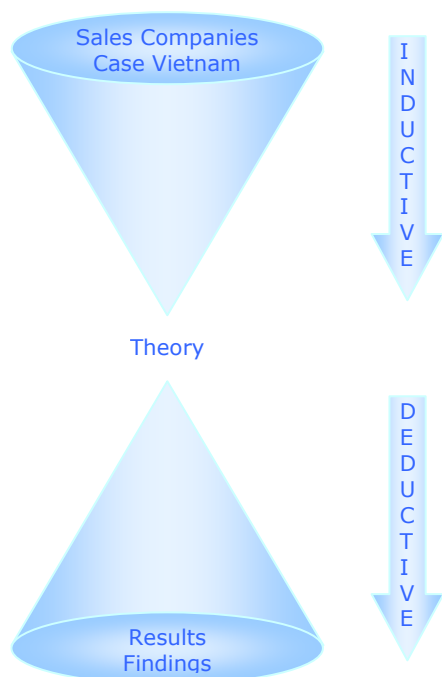


Figure 1 The abductive approach used in the thesis

In general, case studies are the preferred strategy when “how” and “why” questions are being posed and when the focus is on a contemporary phenomenon within a number of real-life situations over which the investigator has little or no control. The central tendency among all types of case studies is that it tries to illuminate a decision or set of decisions, why they were taken, how they were implemented, and with what result. (Yin, 2003, p. 12)

The strength of a case study is its ability to deal with a full variety of evidence, such as documents, interviews and observations. (Yin, 2003, p. 5) In order to describe, understand and analyse the subject in this case study, information has been gathered by in-depth interviews and literature studies.

A basic choice in research is the distinction between quantitative and qualitative data. Using a quantitative data collection implicates the use of numbers and statistics to describe what exists. This could be very useful when working with data that will be countered, stored and manipulated. However, the method shows limitations regarding the ability of bringing out nuances and vivid descriptions. Hence, we have chosen to work with qualitative data which rely on words and adjectives that convey what exists.

By using this method, it is possible to identify details and take into account personal expressions and spontaneous thoughts from the interviewees. (Gray et al, 2007, p. 42)

2.2 Working Process

Patel (2003, p. 39) describes the research process as a number of steps structured in a logical order. For many different reasons it is hard to strictly follow this line of action in reality. The steps are not precisely delimited and many sequences overlap each other or are made parallel during the process. Another reason is that the investigators' knowledge develops as the research progresses which contribute with new experience and new approach angles to the work which may lead to revisions of precedent steps.

When working with inductive or qualitative investigations, a too detailed literature search in advance may prevent new explorations and findings. The authors have modified Patel's framework (2003, p. 40) to fit this particular research and developed a work procedure described below: (Patel, 2003, p. 40ff)

The first steps describe how to decide *what to investigate*.

1. Obtain knowledge about the subject

As the authors were not very familiar with either the company and the products or the Vietnam market, the first step contained gathering information and learning as much as possible about the subject areas. This step included activities such as reading annual reports and internal documents, talking to colleagues and reading about the country situation. This step also included to find out what studies were already done within this field and what areas were suitable to choose for further investigations.

2. Identify the problem area and formulate the purpose

During several meetings with the tutors at Alfa Laval and Lund University the assignment was deeply interpreted to ensure that the main stakeholders agreed about the problem area, purpose and timeframe. Based on the authors' skills and resources, the magnitude of the project was determined and a timeline was developed. An important part of this work was to define the task so that the result would contribute both with scientific knowledge to the academy and practical use for the business environment. When problems related to the assignment were identified, a prioritization was made and

problems not relevant for the thesis were excluded. Hereafter, the first draft of the purpose was formulated. This purpose has changed and ameliorated during the process, but the essence has never changed from having an open formulation to encourage new aspects and ideas for the research. This is in line of Patel's idea of an explorative and qualitative approach.

3. Literature search

The literature search was done as an explorative investigation with the objective to find as much information as possible on the topic. The aim was to widen the authors' knowledge regarding the subject and, thereafter, do a selective choice of the most relevant articles and books that will be the basis for further studies. This was a suitable method as the authors' knowledge about finding business opportunities in an emerging market was limited. An explorative research facilitated the illumination of the most important aspects of the issue. This stage was time-consuming but very relevant for the consecutive steps. The search continued until the project was completely closed. The more knowledge about the subject the easier it was to find relevant information. A systematical listing of all relevant literature by title, author, year of publication and a short summary to easily be able to find and choose between them afterwards were made and they were also grouped by different subject areas. Before the case study was done in Vietnam more general literature was used and first after the empirics was gathered a deep literature study was made and the major theories were chosen.

The following steps describe *how to investigate*.

4. Choice of general method

In addition to the working process described in chapter 2.1, this step contains the development of a methodological frame. To elucidate the layout of this thesis and make it easy to read and to understand the arguments, the authors created an analytical framework presented in figure 2. This framework has formed the disposition of the thesis and was made to make it easier for the reader to follow the outline of the text. The two areas Target Market and Sales Approach were defined as the most important areas of interest and the research should be done within this fields. In addition, the cultural context was defined as a third part to take into consideration. Cultural differences is an inevitable and important aspect but very hard to affect. When studying an emerging market, it is important to take into account and be aware of the cultural context in a country and understand how to deal with it in the best way. It affects, to the highest degree, the way to develop strategies and act on the market. The objective was to identify

interesting aspects within these areas and find out how to develop valuable improvements.



Figure 2 Methodological framework version 1

As the research progressed, the authors realized that attitude and mindset of the management was of greater importance than preliminary assumed for a successful result in an emerging market. Therefore, it was needed to add one dimension of the study and consequently, the final framework has the form as in figure 3 below.



Figure 3 Methodological framework final version

Throughout this thesis, the model will work as a framework to clarify the outline of the text and some chapters are even formed with a similar setup.

5. Choice of data collection

Mainly, primary and secondary sources have been used to produce this thesis. Primary sources are the raw material that works as empirical information that will be the subject for investigation. Secondary sources contains the material that is used to get a better understanding of the topic and to be able to do a valid interpretation. (Reinecker & Jørgensen, 2002, p. 136)

a. Primary data

Basic knowledge was obtained by studying documents and articles on the internal company database called ALround. The intranet provides information about the company organization, the products, and the global working mode. The most important empirical input was collected through in-depth interviews with different actors both inside and outside the Alfa Laval organization. During the first weeks of the project, several initial interviews were made with people within EFU in Lund and Tumba. These meetings aimed to give the authors a deeper understanding of the segment and the business of EFU. The employees also got the chance to contribute with their thoughts about the subject in this thesis.

Before going to Vietnam, telephone interviews were made with nine Alfa Laval sales companies in emerging markets around the world. Those nine countries were chosen to cover different continents and different cultures among the emerging markets. Including Vietnam, the study comprised 10 sales companies in total which we thought were sufficient in order to make sound generalizations, but also as few that the study was capable to be done within the timeframe and with our available resources. These interviews gave the authors a preliminary insight of how the work is conducted in the sales companies today and moreover, an indication of what has been the problems in emerging markets in the past. The findings of these interviews together with all collected data, were the base when developing an appropriate questionnaire for the case study of Vietnam. The results of these interviews are presented in chapter 5.1.

In Vietnam, several interviews were conducted with different actors in the country. Main focus was employees within Alfa Laval, but we also had meetings with SKF, Swedish Trade Council and Nordic Chamber of

Commerce. The reason to meet other organisations was to investigate if they had the same ideas and opinions as the people at Alfa Laval.

The final data collection was made in the end of the research by follow-up interviews with the AL sales companies interrogated in the beginning. A questionnaire was sent out by email containing statements about all the identified findings from Vietnam. The respondents got the chance to choose between three options, either “I agree completely”, “I agree to some extent” or “I do not agree at all”. After every statement an open question was posed to allow the respondent to make a comment and argument about his choice. Hereby, the authors gathered enough data to be able to develop guidelines from the case study of Vietnam concerning all emerging markets.

Interviews

Interviews have been the most important source of information in this research. In a case study, the interviews should appear to be guided conversations rather than structured inquiries and the questions are desirably fluid rather than rigid. (Yin, 2003 p. 89)

Every meeting started with a short presentation of the authors and the project to give the interviewees an insight of the purpose of the interview before getting started. In order to prepare the respondents in the best way, the questionnaires were either handed out in advance or shown on a computer during the interview. In this way, we ensured that the questions were clear and that the respondents understood and could focus on formulating their responses. One of the authors was responsible of asking the questions and the other one focused on observing and taking notes. After every interview, the notes were read through and corrected by both persons. The structured questionnaires had open questions to be able to explore the interviewees mind and ideas unbiased. To avoid depending too much on personal opinion from each respondent, the gathered information was corroborated by other source of evidence such as literature or other respondents. (Yin, 2003, p.90)

The respondents in this study were chosen for different reasons. Within Alfa Laval, the aim was to interview both a manager and a sales person to be able to get a wide insight about how the sales work was conducted. The Swedish organisations were chosen as they, having a Swedish person living in Vietnam and working with both Swedish and Vietnamese companies, hold a great understanding about the business climate and cultural differences in the country. Finally, SKF was chosen since they have a similar profile as Alfa Laval but already have a well developed distributor network. There is

much to learn from experienced people that knows the pitfalls but also knows how to succeed. A complete list of interviewees can be found in the reference list at the back of the thesis.

b. Secondary data

Secondary data have been gathered from many different sources. For Internet material, the search engine Google was used and in Lund University's database electronic documents was found at ELIN, and books, reviews and journals at Lovisa. The tutor, Carl-Johan Asplund, from the University has also provided useful articles and books concerning the subject of this thesis.

6. Analysing data

It is time-consuming to analyse qualitative data, especially when working with interviews that produce a very large amount of text material. (Patel, 2003, p. 119) Many of the interviews have been based on the same questionnaire and hence, the work to summarize the responses was facilitated. The work to sum up all information took a very long time, but during this process the authors got time for reflections and personal thoughts about the subject. During the data collection and the initial analysis, many ideas concerning the problem area came up in the authors' minds. It is of importance for the final analysis to document these thoughts and reflections to be able to take advantage of them in a later stage. This was made by a joint document where all ideas were written down. In contrary to a quantitative approach, analyses in a qualitative case study should be done constantly as the research progresses. The advantages of a continuous analysis are many. For example, new and unexpected information may come up and enrich the research. If it is realized that a respondent misunderstood the questions this problem could be adjusted in an early stage. Another aspect is that the quality of the analysis will be better if the authors have the results of the interview fresh in mind when analysing. (Patel, 2003, p. 119)

The initial analysis was made along the way and after every interview ideas were pointed out in the upcoming analysis chapter. When doing the main analysis, all material was printed out and read through several times. Interesting aspects were taken up and discussed and parallels were drawn to the theories to ensure that the discussions were in line with the theoretical framework.

7. Findings, generalizations and contribution to the theoretical landscape

Of all the interesting aspects that came up in the analysis, the most important areas of improvement needed to be chosen. The selection was based on several factors beginning with the authors' personal judgement. With all gathered knowledge and experience along the project the choice was easy and clear. The decision was made by evaluating possibility and relevance for the final conclusions in this thesis along with the perceived importance and frequency during the conducted interviews. Issues that was difficult to affect or too small to make any difference in a large scale, have been delimited. The findings were grouped based on the developed methodological framework in figure 3. By following this structure, the authors facilitated for the reader to follow the outline.

At the end of the thesis, recommendations have been given and the key contributions presented. This last chapter was written with the aim to present the outcome of the thesis, both regarding the theoretical context and adjustments to work out as a generic application useful for actors outside EFU and Alfa Laval.

2.3 Quality and Validity

When collecting qualitative information, the ambition is to explore phenomenon, interpret and understand different situations and describe opinions and mindset in a trustworthy way. Therefore, validity in this case relates not only to the data collection but also to the entire research process. Reliability also has a different meaning in qualitative research. When a quantitative study apprehends that it means low reliability if a respondent answer a question in different ways when asked many times, this is not the case in a qualitative study. If the questions succeed to capture the unique situation, and this appears as various responses, it is better than getting the exact same answer. The respondent may have changed his or her mind, got recent insights or learnt something new, which in that case only enriched the study. Hence, reliability and validity in qualitative research are very closely interlaced and many times only referred to as validity, so also in this thesis from now on. (Patel, 2003, p. 103ff) Qualitative studies characterize large variations and it is hard to find obvious rules and procedures or criteria to achieve good quality. As every research is unique, it is important for the validity to accurately describe every part of the process from origin of the problem to the final results. (Patel, 2003, p.106) Validity can be related to

how the authors manage to apply and use their knowledge to gather relevant information and material along the process or how the authors deal with ambiguity and contradiction when doing interviews. (Patel, 2003, p. 103) By using triangulation during the data collection different sources are highly validated. Triangulation means to use different sources of evidence to support a fact and the strength is that a multiple measure of the same phenomenon is made. (Yin, 2003, p. 99)

When taking notes during interviews and elucidating them afterwards, a more or less aware influence of the data is inevitable. There is a difference between spoken language and written language and gestures, facial expressions and accentuations fade away. It is important for the validity to be aware of and reflect over this aspect when handling information. (Patel, 2003, p. 103ff) By always having one person responsible for taking notes and directly afterwards structure the information this problem was prevented.

2.4 Critical Evaluation of Chosen Method

It is important to work systematically and not allow biased views to influence the direction of the findings and conclusions when working with case studies. These actions are important in order to avoid lack of rigor in the empirical material. Furthermore, it is vital to be careful when doing scientific generalization from a single case. We avoid this by using the abductive approach described above in chapter 2.1.

Critics claim that case studies take too long time and result in massive documents. By developing well organized questionnaires and by putting the documents in order as the project goes along, we have had an efficient and structured mode of operation. (Yin, 2003, p. 10) An active choice was made to not use a recorder during the interviews since this sometimes makes the respondent uncomfortable and reduces the spontaneity. On the other hand, recording generates a material that exactly relates the reality without any influence from the authors. (Patel, 2003, p. 83)

The language skills of the respondents were sufficient but not excellent. In some situations, the authors apprehended that the English level limited the respondent to develop their answer or explain their thoughts completely. This lowered the quality of the material. However, by asking the questions many times and discuss the answers deeply, the authors believe that the problem was minimized. A solution could have been to use an interpreter

during the interviews but a decision was made that it was not necessary. Partly, because it was hard to find a suitable interpreter and partly because the authors believed that the respondent would feel uncomfortable with having a stranger listening to the interviews regarding their business and working manner. This would generate the same negative effects as if using a recorder.

During telephone interviews, the personal relation between the interviewer and the respondent is not as deep as a face-to-face interview. Unfortunately, it is hard to apprehend feelings and attitudes when not seeing a person's expressions and reactions. (Patel, 2003, p.71) As interviews were to be made with several sales companies far away, the authors did not have any choice but to make the interviews by telephone. By sending out an email in advance, containing the questionnaire and a short presentation of the purpose, confidence was built up and the gains for the local company were transmitted. This action motivated the respondents to take their time and participate with enthusiasm since they would also share the results of the study. By doing this, negative effects of conducting telephone interviews were minimized.

Generalization is hard to validate when doing a qualitative research. On the other hand, the research can lead to an understanding of the phenomenon and which variations this phenomenon shows in different contexts. A generalization may then be done in other similar situations or contexts. (Patel, 2003, p.106) Having this in consideration, the authors believe that a generalization may be possible in this case.

3 Alfa Laval and Equipment Fluids & Utility

This chapter presents the reader with the background knowledge of Alfa Laval necessary to understand the scope of this thesis. The chapter aims at giving the reader an understanding of the history, organization and business of Alfa Laval in general and Equipment Fluids & Utility in particular. The first part focuses on Alfa Laval Corporate, and later on in the chapter we describe the segment Equipment Fluids & Utility. Should the reader be well acquainted with the company Alfa Laval and the segment EFU, this chapter may well be browsed through briefly.

3.1 Company History

Alfa Laval was founded in 1883 by Gustaf de Laval and Oscar Lamm under the name AB Separator carrying only one product in the product portfolio. The product was a centrifugal separator developed for the dairy industry. In the very same year, the De Laval Cream Separator Co. was formed in the U.S. starting off the international focus of Alfa Laval still very present. From the year of 1919 until 1936, the company formed subsidiaries in Denmark, South Africa, Finland, Australia, New Zealand, Poland, Yugoslavia and Ireland building the foundation of a global presence. In 1963, the name is changed from AB Separator to Alfa-Laval AB. In 1991, Alfa Laval is acquired by Tetra Pak to be sold off to Industri Kapital in 2000. In 2002, Alfa Laval is introduced in the Swedish Stock Exchange to be traded as a public company. The two most recent acquisitions of Alfa Laval are the Dutch company Helpman and the Finnish company Fincoil. Both companies are successful in the development of air heat exchangers. (Alfa Laval, 080618)

3.2 Alfa Laval – Company Overview

Alfa Laval helps customers in three different areas globally; heat transfer, separation and fluid handling. In 2007, revenues were comprised of 57% from heat transfer, 22% from separation and 11% from fluid handling. All of the three areas of Alfa Laval's business are of vital importance for all industrial processes. The company enjoys a global market share of 30% in

the plate heat exchanger market, 25-30% in separators and decanters and 10% of the fluid handling market. (Alfa Laval, 080618)

The activities of the company can be described according to the following quote (Internal material):

“Alfa Laval is a leading global provider of specialized products and engineered solutions.”

The above mentioned specialized products and engineered solutions are captured by the following quote (Internal material):

“We help customers to heat, cool, separate and transport products such as oil, water, chemicals, beverages, foodstuff, starch and pharmaceuticals.”

The business of Alfa Laval is mainly focused within five different areas: Food Supplies, Energy, Life Science, Environment Conservation and Water Supplies, and these five areas in their turn, together exist in many different industries. The industries, in which Alfa Laval’s customer can be found, are shown in figure 4. (Internal material)

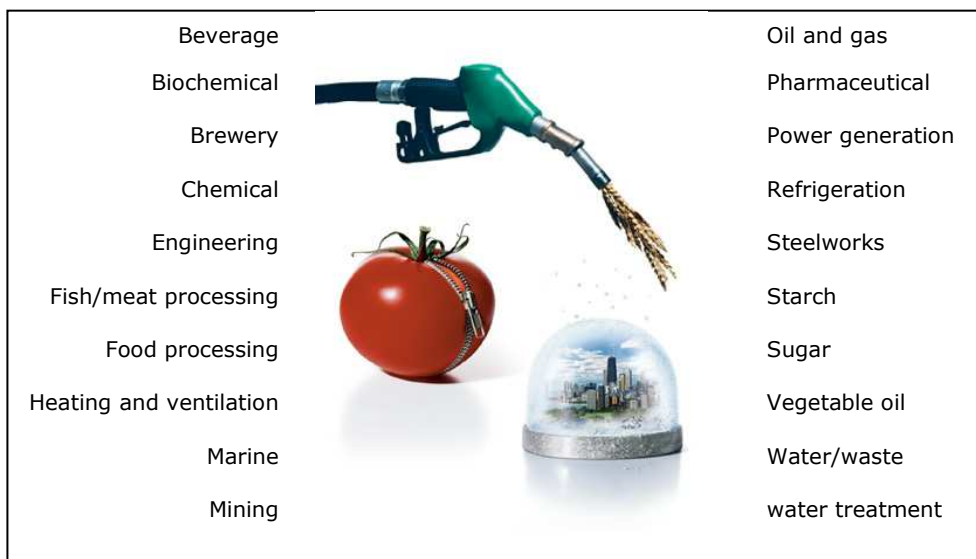


Figure 4 The customers of Alfa Laval are found in different industries. (Internal material)

Successful Penetration of Emerging Markets

Alfa Laval has experienced growth in net sales of 95% in the last five years and improved the operating profit for the fourth consecutive year in 2007. The key figures of 2007 for Alfa Laval can be found in table 1. One important reason for this positive development is the high number of new products and thus, Alfa Laval has increased investments in research and development by 50% since 2005. (Annual Report 2007)

Order intake (MEUR)	2 980
Invoicing (MEUR)	2 685
EBITA (MEUR)	540
EBITA as % of sales	20
ROCE (%)	54
No. of employees	10 800

Table 1 Key figures of Alfa Laval in 2007 (Annual Report 2007)

Alfa Laval has an explicit strategy where acquisitions of companies with complementary products, an attractive geographical stronghold or innovative sales channels are a part of the growth strategy. In 2007, Alfa Laval acquired no less than four companies in different geographical and product markets together adding 4% in growth. (Annual Report 2007)

The demands from energy and energy-related industries accounts for 40% of the order intake and the current general environmental focus in the world has a positive affect on order intake as the products of Alfa Laval often is a part of efficiency enhancing processes. (Annual Report 2007)

3.2.1 Heat Transfer

Heat transfer means transferring heating or cooling from one fluid or gas into another. Alfa Laval has been the leader of development of heat transfer technology since the company started up this part of the business in 1931. Technology for heat transfer is used in a large part of all industrial processes and is vital for keeping the efficiency of these processes at a sound level. The range of applications is wide and some of the areas of usage are shown in the list below: (Alfa Laval, 080618)

- Heating
- Cooling
- Heat recovery

- Evaporation
- Condensation
- Ventilation
- Refrigeration

The heat exchangers for these applications are of course, varying in size, pressure durability, corrosion resistance and temperature variations. This demands a wide product range to satisfy all customer demands. There are five different types of heat exchangers, all with different applications and advantages and drawbacks. The five types are: air heat exchangers, plate heat exchangers, scraped-surface heat exchangers, shell-and-tube heat exchangers and spiral heat exchangers. (Alfa Laval, 080618)

3.2.2 Separation

Separation has been a part of Alfa Laval's business since the establishing of the company in 1883 when the cream separator was the only product. The current separation products of Alfa Laval assist the users in separating liquids from liquids, solid particles from liquids and lately also the separation of particles from gases. (Alfa Laval, 080618)

The products offered by Alfa Laval in the separator product segment are decanter centrifuges, filters and strainers, membrane filtration and separators. The application of the above mentioned products vary widely from processing liquids in food to the cleaning of crankcase gases from trucks and ship diesel engines. (Alfa Laval, 080618)

3.2.3 Fluid Handling

Fluid handling is the smallest of the three areas of business accounting for 11% of new sales for EFU in 2007. The products of this area help customers transport and regulate fluids safely and efficiently. Alfa Laval has a focus on transporting fluids cleanly, efficiently and gently and the products consist of pumps, valves, tank equipment and installation material. Lately, Alfa Laval has focused on hygienic fluids which mean that the hygiene requirements are rigorous. This focus results in the use of the equipment in for example production of beverages, dairy products, foodstuffs, pharmaceuticals and personal care products. (Alfa Laval, 080618)

3.2.4 A Matrix Organization

Alfa Laval is organized in a matrix organization where one dimension is market segments and the other is geographical. The market segments are derived from two different divisions, Equipment and Process Technology. Apart from these two divisions Alfa Laval also has an Operations division which is responsible for procurement, manufacturing and logistics activities. The organizational tree structure is displayed in figure 5. (Alfa Laval, 080618)

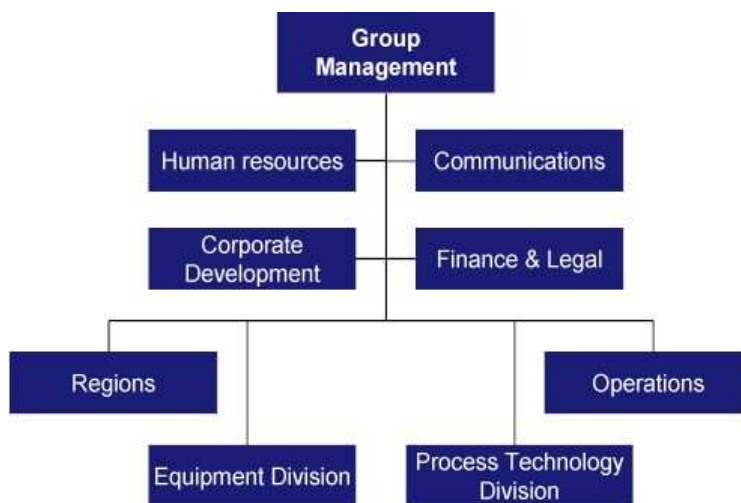


Figure 5 The Organization of Alfa Laval (Internal material)

There are a total of nine different market segments. In the Process Technology division: Food Technology, Energy & Environment, Process Industries and Life Science and in the Equipment division: Marine & Diesel, Sanitary, Comfort & Refrigeration, Fluids & Utilities and OEMs. The Parts & Service segment serves the aftermarket providing service for both divisions. (Alfa Laval, 080618)

The segment structure of the company is displayed in a lucid way in figure 6. The segments are, as shown, divided on a customer focused basis and in that way allowing the segments management to put the customer demands in centre of business. The matrix organization is constructed by adding a geographical aspect to the segment structure. In that way, every represented segment in each country forms a business entity. The products of the company are sold in approximately 100 countries making it a global player.

Alfa Laval is represented by sales organizations in more than half of these countries. (Alfa Laval, 080618)

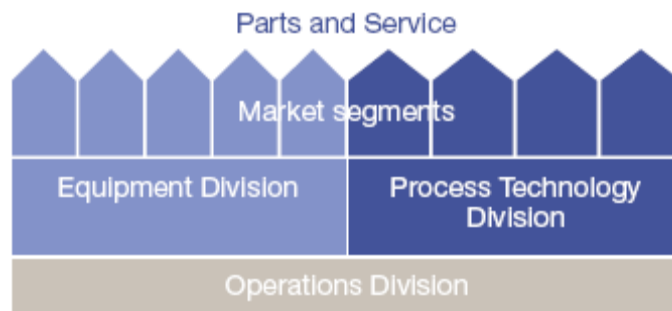


Figure 6 The segment structure (Annual Report 2007)

The customers of the Equipment division often have well-defined, regular and frequent demands. They are most often not comprised of end customers but instead of system builders, dealers and distributors. A strategically important fact is that the products are available worldwide, and so the Equipment division constantly increases their global presence through new geographical areas and sales channels. The aim is to strengthen global market positions and to identify new applications for existing products and in that way increasing sales without higher development costs. (Alfa Laval, 080618)

If customers demand customized solutions, they are handled by the Process Technology division. In this part of Alfa Laval, the customers' requests are very specific and will not be satisfied by standardized products and solutions. Instead, customers get help to develop entire processes, partly by installing the products of Alfa Laval but also by optimization of the technology around heating, separation and fluid handling. (Alfa Laval, 080618)

3.2.5 Sales Channels

What is a sales channel?

A sales channel is everything that moves goods or services, communications and money between a company and an end-user. The difference between a direct and an indirect sales channel is that the direct channel sells and invoices the end-user. A market company is considered a direct sales channel, when selling directly to the end-user. An agent is considered to be

an indirect sales channel even if they act in the name of the manufacturer and sells at prices determined by the manufacturer. An indirect channel can be a distributor, a contractor, an installer or a system builder. The different sales channels for EFU are presented in figure 7. (Internal material)

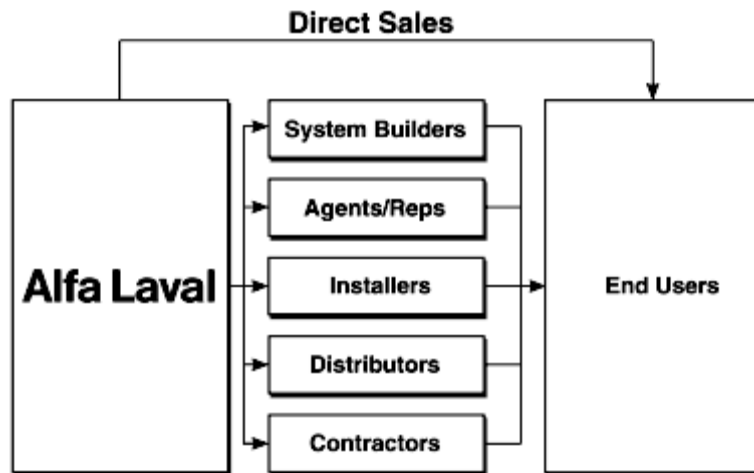


Figure 7 The different sales channels for Alfa Laval (Internal material)

System Builders

The system builders purchase the products of Alfa Laval to integrate them into a larger machine or system which is sold under the system builder's brand. The design is standardised and only minor customising is possible, but if needed, the design can be customer unique not necessarily included in the standard range. The products are normally ordered continually. (Internal material)

Agent

An agent work independent, on commission and acts in the name of Alfa Laval. The commission is usually a percentage of the individual sales contract between the principal company and the customer. Often, the agent works with other companies and sells products that are complementary. (Internal material)

Installer

An installer installs and connects the equipment at the end-user plant. The installer can buy from distributor, agent or directly from the manufacturer. (Internal material)

Distributor

A distributor buy, stock, market, resell and distribute the products in its own name, account, price range and cost. The distributor's award is the difference between buying price and selling price. There is a distinction between high value adding distributors and wholesaler type of distributors. The first one has a problem solving approach and supplies the customers with technical support and is needed for products with relatively low acceptance on the market. A high value adding distributor may participate in developing the market for the product and has no competitor brand to Alfa Laval. The wholesalers have an availability and delivery approach and provide no or very little technical support to the customer. The distributor carries a broad product line that is well known to the market and may supply competitor brands to Alfa Laval. (Internal material)

Contractor

A contractor or a system integrator has engineering capabilities and they design and put together a whole plant, process or several systems. Often, the products of Alfa Laval are included as components and new solution is often made for each system or plant. (Internal material)

3.2.6 Alfa Laval Worldwide

Alfa Laval is represented in 55 different countries by sales companies and present in 45 further by other sales persons, and the geographical spread of the products is ever increasing. The company has 26 production sites and 70 service centres situated in different parts of the world to offer supplies and service to customers all over the globe. (Internal material)

The sales of Alfa Laval have its centre of gravity in Western Europe, and this area accounts for 50% of sales in total. The second most important market for Alfa Laval is Asia which comprises 30% of sales and also contains many of the emerging markets currently targeted by the company. North and Latin America accounts for the last 20% of sales. Figure 8 exhibits a world map with sales figures plotted in the different continents. (Alfa Laval, 080618)

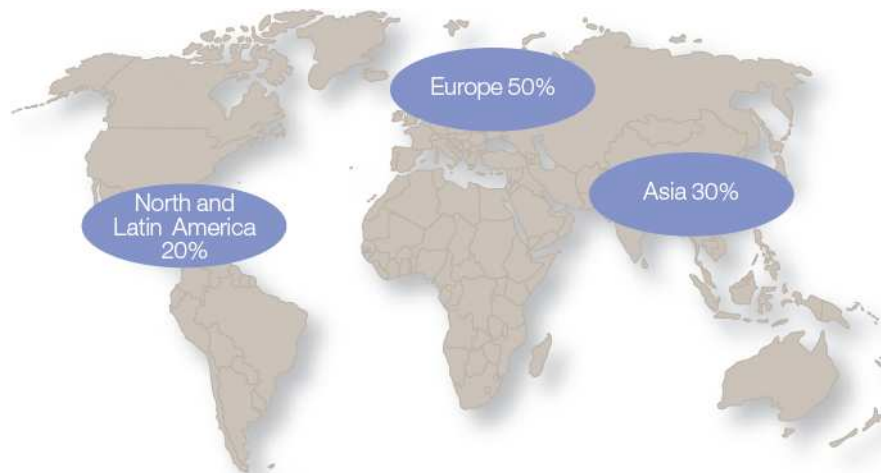


Figure 8 Sales figures divided in geographical markets (Annual Report 2007)

The BRIC-countries comprised of Brazil, Russia, India and China is a generic term for these markets that has gotten a lot of attention from many global companies lately since the growth and potential of these markets are very appealing. Alfa Laval however, has had these countries in their scope for quite some time and this is no coincidence since it is a general and historical strategy of Alfa Laval to be very early in new markets. The BRIC-countries account for about 23% of sales in Alfa Laval and the order intake increased in Brazil and China last year (2007) with 49% and 57% respectively. (Alfa Laval, 080618)

3.3 The Business of Equipment Fluids & Utility

Alfa Laval is, as previously mentioned, organized according to a customer-oriented segmentation into nine different segments. One of these segments within the Equipment division is called Fluids & Utility. EFU defines its customer base as the subcontractor industry of three different market units, Fluid Power, Metalworking and General Utilities. The products of EFU are comprised of plate heat exchangers and centrifugal separators with the larger part of the revenues collected by plate heat exchanger sales. (Internal material)

The segment was created when the management of Alfa Laval found that some business did not match any of the other segments' definitions. They decided that there was a need for a segment to handle the subcontractor market of industries that did not have a designated segment. The definition

is sometimes very similar to other segments and this occasionally, results in a discrepancy between the different segments' views on who owns a particular deal. Furthermore, it can be difficult for the sales persons in the field to actually classify businesses correctly. (Ericsson, 080605)

The customers of EFU are rarely the end-customers but instead EFU typically sells to system builders, distributors or agents. By having this focus, the segment easily achieves recurrent business and enjoys effective selling since these customers, if they are satisfied after their first order, will order new products basically without any further sales effort. (Sandborgh, 080605)

The segment does not sell fluid handling equipment, but instead focus on heat transfer and separation (Annual Report 2007). The explanation to this choice is that the fluid handling products solely targets sanitary and food applications, two areas in which EFU does not do business. (Sandborgh, 080605)

In September 2008, an Asia Business Development Manager was employed in the segment. This is a new position that will enable EFU to raise the growth ambitions in Asia. By investing in this position, the segment's involvement increase in the region and a continuous close and sustainable collaboration with the Asian sales companies can be assured. This action is an important step to take the Asian EFU business to the next level. (Alfa Laval, 080618)

The Equipment Fluids & Utility segment is organized in three different market units: General Utilities, Metalworking and Fluid Power. In the following subchapters the three different market units are described.

3.3.1 General Utilities

The General Utilities market unit mainly targets system builders in the process industries such as paper and pulp, steel, textile and semiconductors. It is imperative that the customers have a large value added to their products to make the products of Alfa Laval profitable for the customer since the investment in an Alfa Laval product is large. The applications of the General Utilities sales are mainly heat transfer and separation of cooling water, lube oil, gear oil and steam. (Grauers, 080612; Stockhaus, 080613)

Apart from sales, General Utilities is also the unit responsible for the product portfolio of EFU. For example, if a customer requires a new product or a modification of an existing product it is the assignment of General Utilities to investigate if the product development necessary is financially defensible. This is done by assessing the importance of the customer itself and also by investigating whether any other customer would be interested in the same type of product. This naturally would have a positive effect on the sales quantity of the product. General Utilities are also responsible for product launches within EFU. Even if the operative work with the launches sometimes is done by the other market units, the strategic responsibility and planning lies within General Utilities. (Mattisson, 080701)

3.3.2 Metalworking

In the Metalworking market unit the customers are found within the machining industry. The products of Alfa Laval help these companies with heating, cooling and cleaning of cutting fluids giving the cutting tools longer life and the processes better precision. It is, however, important to point out that the products in this market unit, as well as in the others, are standardized and as soon as any customization is needed the customer leaves the segment of EFU and passes over to the Process Technology division. The channels to the metalworking industry used are system builders, machine builders and to some extent distributors. When selling the larger separators, the end-users are actually sometimes targeted. The reason why end-users are targeted so seldom is that they most often order only one product and that there is no recurrent business in the near future. However, if the single sale to an end-user is large enough, the sales effort can prove to be well invested time. This is the case with the large separators. (Ihrfors, 080612)

3.3.3 Fluid Power

The Fluid Power market unit targets the hydraulic and pneumatic industry to cool hydraulic oils and also to clean these oils by centrifugal separation. The selling points of Fluid Power are that the products of Alfa Laval are smaller and weigh less, they require less water consumption, imposes less fouling and the flexibility these products offer. Currently, Fluid Power focuses on making Alfa Laval a recognized player in the global hydraulic market which is reluctant to newcomers in the market. Fluid Power specifically targets the hydraulic system builders that sell ready-to-install hydraulic systems and

builders of larger systems who produce their own hydraulic systems. (Sandborgh, 080605)

3.3.4 The Competition

This thesis will not focus on the competition of neither Alfa Laval nor EFU. However, it would be interesting to have background knowledge to be able to understand why EFU act as it does in competitive situations.

EFU faces competition in different shapes. Not only are they competing with other companies producing plate heat exchangers and separators, but they also face competition from other technology. In North America for example, the newer technique of plate heat exchangers is in competition with the shell and tube exchangers. The plate heat exchangers are superior in efficiency but conservative forces stick to the technology they know. The same type of technology competition is likely to be faced in emerging markets, where local companies producing heat exchangers in some obsolete form is believed to exist. (Carselid, 080625)

Looking at the company vs. company competition there are a few large heat transfer and separation companies that EFU often is up against. However, it is hard to pinpoint any specific companies that are large competitors globally. Not many have the same global presence as Alfa Laval does, but instead the competition comes from local companies, which can be quite large on that restricted market. In addition to not being present globally, not many companies have the exact same product range as Alfa Laval also adding to the difficulty of pointing out a specific competitor. (Carselid, 080625)

With this said, the competitive situation is no walk in the park. On the contrary, the competition is many times fierce and the difficulties in defining the competitors add to the difficulty in addressing potential customers in the right way and also protecting the business from competitors not properly isolated. Some competitors worth mentioning are, in gasketed plate heat exchangers: Tranter, Sondex, APV Invensys and GEA, and in brazed plate heat exchangers the competition is comprised of: SWEP, WTT, Flatplate and Kaori. Tranter is actually owned by Alfa Laval, but nonetheless impose a threat on the market. However, it is important to note that the toughest competition originates from companies offering other solutions than plate heat exchangers and separators and, thus, is defined as technology competition. (Sandborgh, 080625)

Successful Penetration of Emerging Markets

Historically, Alfa Laval has entered new geographical markets early in comparison to other companies in the industrialized world. This has given Alfa Laval an invaluable head start and a strategically important advantage over competition from the western world. Lately, however, EFU has experienced difficulties in getting a good start after entering emerging markets. (Sandborgh, 080605)

4 Theoretical Framework

This chapter gives the reader an insight into what theories the authors have used to describe and analyze the problem at hand. These theories are used to structure information to ease the analytical work and to secure that all relevant aspects are taken into account. The theories presented in this chapter form the basis which the recommendations presented at the end of the thesis are built upon.

4.1 Presumptions

We are not deceived to believe there is a perfect theory, omnipotent in its description of an industrial company starting up sales in an emerging market, preferably in Southeast Asia. Instead, we are very well aware of the fact that we need to find different theories each one providing a fragment of the description of the situation at hand. Our method when designing chapter 4 is well described by figure 9 below. The three circles represent each theoretical framework or area that we use to describe our situation. The green triangle in the middle is the combined contribution of the different areas, and thereby derives our theoretical contribution to the academia. Much of each framework or area used is not within the area of interest for this thesis and thus we use only part of the larger areas in our specific case.



Figure 9 A schematic description of the theoretical approach

Note that we may very well use more than three large frameworks or areas in our theoretical approach. The fact that there are only three areas in the figure is only to make the figure clear and easy to understand and does not pose any limitations in our forthcoming theoretical work.

4.2 What Are Emerging Markets

This thesis deals with the subject of penetration strategies in emerging markets. Needless to say, it is important to define the concept of emerging markets for the scope of this thesis. There is much concept confusion between, and even within, organizations that daily handle the subject of emerging markets (Kvint, 080710). In this chapter, the concept will be discussed and in the end of the chapter a formal definition, used in this thesis, will be set.

The understanding and evaluation of emerging markets are impeded by ambiguous statistics and studies. This ambiguity is not solely practiced by small or unreliable institutions but also by the Bretton Woods Institutions (The World Bank, International Monetary Fund and economic branches of the U.N.). Up to this day, no international organization has defined the characteristics of emerging markets. The statistical reports of different organizations, and sometimes even by the same organization, contradict each other as a result of this concept confusion. For example, the IMF has not established a list of emerging markets and so different reports from IMF contain different definitions. This means that the results can not be compared even within the organization, consequently leading to confusion among executives trying to analyze the results of the efforts of IMF. There is also confusion of concepts concerning emerging markets and developing countries. These expressions are sometimes regarded as meaning the same thing and sometimes as exclusive, but this is not enough as a third concept is mixed up, namely countries in transition. (Kvint, 080710)

A difference between emerging markets and developing and underdeveloped countries is that the latter two still are in need of special attention from international organizations to prevent starvation, mass disease and political instability. Developing countries are in need of improvement of the educational system and the creation of a strategy to transform them into an emerging market. In this transition process,

companies from developed countries and especially emerging markets play an important role. This, as companies operating in emerging markets has a great deal of experience in conquering the problems specific to underdeveloped countries. (Kvint, 080710)

Kvint (080710) defines an emerging market as:

“...a society transitioning from a dictatorship to a free market-oriented economy, with increasing economic freedom, gradual integration within the global marketplace, an expanding middle class, improving standards of living and social stability and tolerance, as well as an increase in cooperation with multilateral institutions.” .

According to this definition, 81 out of the 192 country-members of the U.N. are categorized as emerging market countries. These 81 countries account for 46% of the surface on earth, 68% of the global population and nearly half of the gross world product. (Kvint, 080710)

Emerging market economies can be viewed as countries transforming its economy from a closed to an open market. Also, the country should be building accountability within the system. To be classified as an emerging market, the country should go through an economic reform leading to a more robust and responsible economic system. Apart from this, the country should strive towards a capital market defined by transparency and efficiency. At the same time as reforming the exchange rate system as a stable local currency is vital to attract foreign investors. Furthermore, stability in the financial market and currency helps in retaining local capital instead of scaring local investors to put their money abroad. Moreover, it is probable for an emerging economy to receive monetary aid as well as guidance from developed countries and international organizations. (Lenartowicz & Johnson, 2007, p. 207f)

Ashoka Mody (2004, II), of the International Monetary Fund, defines an emerging market with the help of four claims:

- The emerging markets show a high degree of volatility and transitional character in a number of areas such as economy, politics, social and demography.
- Trade-offs are made between commitment and flexibility in policy-making as a consequence of the volatility and transition mentioned

in the previous claim. It is important with commitment to a course of policy in order to be stable enough to be attractive for investments. However, emerging markets also need to be flexible in order to answer to unexpected responses, and abuse of this can intimidate investors.

- The transition of emerging markets goes from transaction-specific commitments to institutional commitments.
- The solutions to the problems that policymakers in emerging markets are facing are complex and easy solutions are rare. Often one decision leads to changes that in their turn need complementary efforts. This is reflected in the often slow policy reform process of these markets.

In addition to the above mentioned definition, Mody, in an article from 2004 (I, p. 642f), accentuates the importance of: “high risk and volatility of output and financial assets”, as a common trait among emerging markets.

Standard & Poor’s define a stock market as emerging if it meets at least one of the following criteria (Standard & Poor’s, 080715, p. 6):

1. It is located in a low or middle-income economy as defined by the World Bank
2. It does not exhibit financial debt; the ratio of the country’s market capitalization to its GDP is low
3. There exist broad based discriminatory controls for non-domiciled investors
4. It is characterized by a lack of transparency, depth, market regulation and operational efficiency

Standard & Poor’s has since 1996 a definition for identifying when a market transitions from emerging to developed. According to this definition a market evolves from emerging to developed when it enjoys a Gross National Income (GNI) above The World Bank’s upper income threshold for at least three consecutive years. The three year limit decreases the risk of an overvalued currency to affect the analysis. (Standard & Poor’s, 080715, p. 7)

In the year of 2000, Hoskinsson et. al (2000, p. 249) made an attempt of defining what an emerging market was. The conclusion was that: “Emerging economies are low-income, rapid growth countries using economic liberalization as their primary engine of growth”. Following this definition they identified 64 emerging economies in the world. These 64 countries in their turn was divided into two different groups, namely developing countries in Asia, Latin America, Africa and the Middle East and transition economies in the former Soviet Union and China. (Hoskinsson et. al, 2000, p. 249)

Khanna and Palepu (1997 I, p. 42) claim, as characteristics such as size, growth rate and how recently a market has opened up are important in defining an emerging market, the most important characteristic for an emerging market is how well the market helps buyers and sellers come together. In developed economies, there are numerous institutions, such as judicial systems and labour market regulations, aiding companies in business situations. In emerging markets, however, even if some institutions are in place, a number of important functions are not. This means that western companies operating in emerging economies must realize, and get used to, the fact that they need to perform a number of services, usually performed by the government in their home market, by themselves. (Khanna & Palepu, 1997 I, p. 42)

4.2.1 The Definition of Emerging Markets

Since there is no consensus in the academia as how to define an emerging market and this thesis handles the subject of emerging market a definition has to be determined by the authors. This task could, based on the previous part of this chapter, be made in an elaborate and complicated way. However, a more pragmatic approach is to simply define emerging markets as the countries for which the thesis applies. The countries can be found in the following table: (Ericsson, 080605)

Argentina	Malaysia	Slovakia
Bulgaria	Mexico	Slovenia
Chile	Peru	South Africa
Colombia	Philippines	Taiwan
The Czech Republic	Romania	Ukraine
Hungary	Russia	Venezuela
Indonesia	Serbia	Vietnam

Table 2 A table of the 21 countries comprised in the study.

The common traits of these countries are mainly in the sales figures and general sales processes within Alfa Laval. They all have sales figures below what is expected of the market, hence there is a large growth possibility. Furthermore, the industries of these countries are underdeveloped compared to the best markets of EFU, and so, there is most likely a demand for a different approach to the market. It is important to note that all of these countries are not generally viewed as emerging markets. Some of the countries are in the eyes of EFU to be viewed as small with growth potential rather than emerging, but within the scope of this thesis, to simplify the terminology, they will all be referred to as emerging.

Apart from the countries in table 2, the thesis can be used in other countries similar to these ones. It is important to note that the countries in this table have great differences and thus, the results in this thesis have to be adapted to the specific prerequisites of each and every country.

4.3 Entering Emerging Markets

4.3.1 Factors Affecting an Entry

Entering emerging markets is in the scope of almost every CEO in larger multinational companies. This is emphasized by the fact that 400 companies of the Fortune 500 operate in the Chinese market and for the Indian market the number is 220. However, despite the large general interest, current research trying to explain the key success factors and best practices of entering emerging markets are deeply under-represented in the academia. (Johnson & Tellis, 2008, p. 1)

Johnson and Tellis (2008) have constructed a conceptual framework to identify the drivers of success for entering emerging markets. They have identified seven characteristics to determine what the drivers of entry success are. These seven characteristics are shown as the squares in figure 10 below. As shown in the figure, the characteristics are derived from four constructs and these, in turn, are derived from two main constructs, namely firm differentiation and country differentiation. In the following text, the characteristics of the model will be discussed and their effect on historical success or failure will be determined. (Johnson & Tellis, 2008, p. 1)

Successful Penetration of Emerging Markets

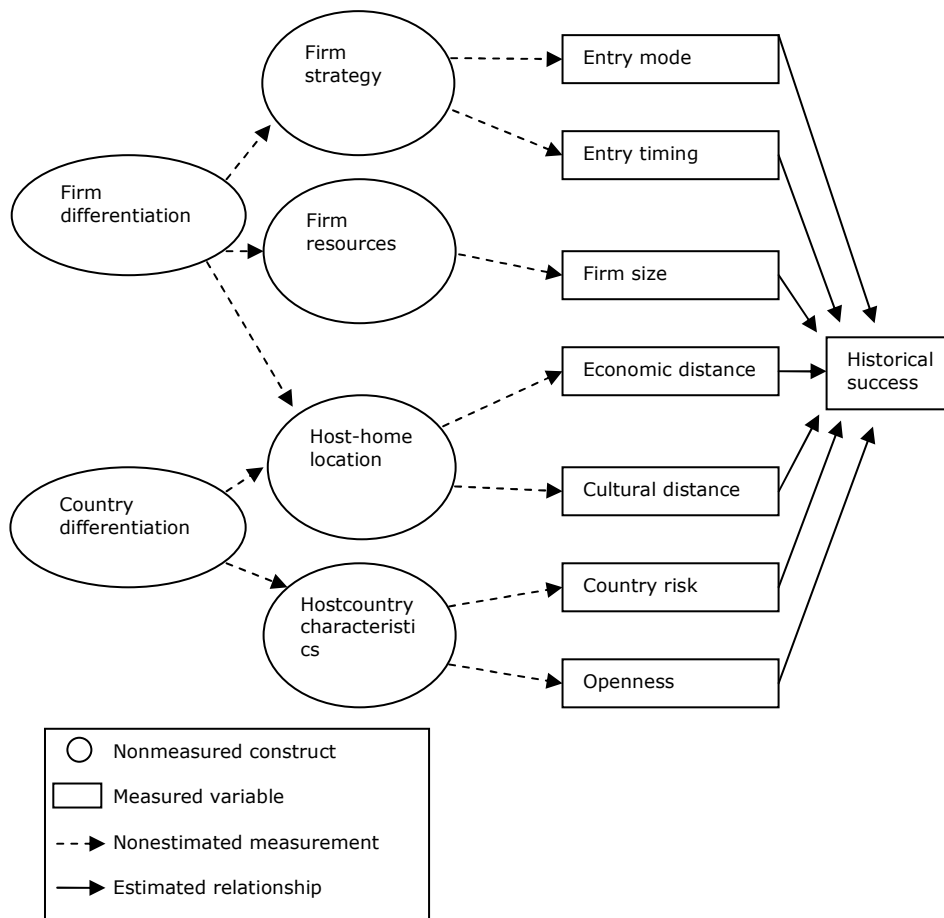


Figure 10 There are seven characteristics determining what the drivers of success for market entry are. (Johnson & Tellis, 2008)

Entry mode

There are mainly five different alternatives in modes of entry on a new market. These are: (Johnson & Tellis, 2008, p. 2)

1. *Export*: This means that the products of a company are sold through and at the discretion of an entity separated from the company in the host country.
2. *License and franchise*: By choosing this path a firm or agent in the host country, through financial returns, are permitted to use the firm's proprietary knowledge and/or technology.

3. *Alliance*: This alternative means that the firm has an agreement and collaboration for activities on the host market with a company in the host country.
4. *Joint venture*: This option is chosen when a new company is formed in the host country as collaboration between the firm and a company from the host country.
5. *Wholly owned subsidiary*: This means that the firm has complete ownership of a company situated in the host market.

In this list the amount of control of marketing resources for the firm increases the further down on the list an alternative is chosen. That means that one extreme is export where the firm has as little control as possible and the other extreme is a wholly owned subsidiary where the firm has total control of the marketing actions in the host country. When a firm is to enter a new market it can choose either of the above mentioned alternatives or any combination of them. Looking at an emerging market, control essentially has two key benefits. It means that key resources, such as patents, are better guarded than they would be with less control. Control also offers internal operational control, something that is crucial for the success of a firm on an emerging market. However, high level of control also means high costs compared to trying to attain lower levels of control and thus, higher returns are required to break even. (Johnson & Tellis, 2008, p. 2)

Entry Timing

Concerning entry timing the academic literature is dissentient, with some literature pointing to more advantages the earlier a market is entered at the same time as some literature points to the exact opposite. On one hand, companies entering a market early have several advantages such as the opportunity to lock up key resources, for example distribution channels. Furthermore, early entrants have the possibility to affect consumer behaviour and also enjoy the governmental concessions and incentives often offered to attract foreign direct investments. On the other hand firms being the first to enter a new market may not be aware of pitfalls and problems international companies may encounter in an emerging market. Also, the returns on the investments can be low as an effect of poorly developed infrastructure. Last but not least, a latecomer in the market is often able to learn from the mistakes of earlier entrants in that way minimizing entry and start up costs. (Johnson & Tellis, 2008, p. 4)

Firm Size

It is not only on entry timing academia is divergent, also when talking about the effects of firm size affecting the result of a market entry scholars results are contradictory. Some studies show that success is greater the bigger the firm and some studies point to quite the opposite. The main arguments speaking for size are the amount of resources, both financial and managerial, they possess. Larger firms also have a greater product and marketing knowledge than smaller firms and big firms are also more likely to be able to sustain in rough patches that might occur in the early stages of market entry. Speaking against the linkage between size and success are the fact that larger firms are less flexible to handle new and different situations occurring in an unknown market. Also, large firms often have a somewhat reduced innovative capability crippling them in their attempts to adapt to new market situations. (Johnson & Tellis, 2008, p. 4)

Economic Distance

The economic distance is basically a measure comparing how similar the economy of the host country is to the home market. Needless to say, companies find it easier to adapt to a market that is close to the market that the company in question evolved from. These market conditions are well known and the company is obviously (since it is expanding into new markets) well equipped to handle them. When entering a market that differs a lot from what a company is used to a large portion of the energy and resources available have to be used to adapt the business of the company to fit the new market instead of focusing on beating the competition. This, of course, leads to an initial weaker positioning than what could be the case if the economic distance was smaller. (Johnson & Tellis, 2008, p. 4)

Cultural Distance

The cultural distance in similarity to economic distance is a measure on how culturally alike two countries are. Cultural similarity, e.g. a small cultural distance, is proven to simplify business relations by a number of academic articles. Culture affects how consumers perceive marketing and management efforts and thus the notion of cultural distance is important to regard when assessing and developing entry strategies into a new market. (Johnson & Tellis, 2008, p. 4f)

Country Risk

Country risk is defined as uncertainty about the environment and can be affected by one or any combination of the following three factors political, financial and economical risk. By political risk Johnson and Tellis (2008, p. 5) mean the risk of laws and regulations changing in a disadvantageous way

for foreign firms. These changes could consist of for example, tariffs or political unrest affecting the entire market. The risks defined as financial or economical could take several forms and be divided into three different classes. First, we have recession or market downturns, second, currency crises and third, bursts of inflation. Country risk can affect a firm negatively in two ways. One way is by financial damage, meaning the loss of money. The other way is the loss of returns as a result of a too careful investment strategy following a risk avoidance strategy. (Johnson & Tellis, 2008, p. 5)

Country Openness

Country openness means the amount of regulations hindering foreign firms to enter the market in question. It is not safe to say either that openness increases or decreases entry success. It is a double edged sword. Openness stimulates demand by leading to a larger variety in products in that way evolving the market. Also, it increases the competition in quality leading to a higher level of quality supplied. Furthermore, as openness leads to more competition the prices are lowered and that in turn means that the demand increases even more. Looking at the other edge of the sword openness increases the competition from other foreign firms for the firms that has already entered the market. This in turn leads to lower prices, as it is proven that even the slightest competition lowers prices significantly. Moreover, competition aggravates hiring talents and increase prices of purchasing. And last but not least, competition means that if a company makes any mistakes consumer territory may be lost to a competitor for a long time. (Johnson & Tellis, 2008, p. 5f)

Findings

After the definition of the above mentioned seven characteristics Johnson and Tellis (2008) conducts a statistical analysis of historical data of companies that has entered the two markets of China and India. Through this analysis they draw conclusions on what effects the different characteristics have on the result of market entry success or failure. The findings relevant for this thesis are summarized in the list below (Johnson & Tellis, 2008, p. 10):

- Success is greater for smaller than for larger firms
- Success is greater for entry into emerging markets with less openness and less risk
- Success is greater when entering a market that is economically close to the home market.
- Success is greater for companies that use a mode of entry allowing for greater control.

One of the findings of this survey, as shown in the list above is that smaller firms are more successful in market entry than larger firms are. This contradicts much of the existing literature and thereby must be seen as a surprise. Intuitively, the opposite seems reasonable, but the authors of this article comes to the conclusion that size itself and the existence of resources are not enough to succeed, but rather the efficient use of these resources. They continue by saying that one explanation of this result could be the fact that large multinational firms sometimes may wait for the success to fall into their lap since they have succeeded so many times before as opposed to smaller firms that fight harder to succeed in the new market they entered. (Johnson & Tellis, 2008, p. 10)

4.3.2 Differences between Emerging and Developed Markets

The lack of intermediary firms and regulatory systems on emerging markets often pose a large enough obstacle for multinationals to rule out any profits. These problems are referred to as *institutional voids* by Khanna and Palepu in the Harvard Business Review article *Why focused strategies may be wrong for emerging markets* (1997). However, by identifying these voids and working around them successful strategies for emerging markets can be developed. Problems arise when western multinational companies take for granted that the business infrastructure supporting them in their home market also is present in emerging markets. The voids are such things as the lack of skilled market research firms, none or few end-to-end logistics providers, shortage of recruiting firms to handle the employment of skilled workers and underdeveloped contract-enforcing mechanisms among other things. Khanna, Palepu and Sinha (2005, p. 64) suggest that successful companies use different strategies on emerging markets than the ones used in the home market. Not only are the strategies new but also the way in which they are implemented. It is important to note that it is not enough to develop a new strategy to go for all emerging markets but every single emerging market need a specific strategy fitting the particular prerequisite of that country. (Khanna, Palepu & Sinha, 2005, p. 63f)

When identifying which countries to enter, companies systematically use country portfolio analysis and also analysis of the political risk. By settling for these analyses companies leave out information about the institutional voids that could prove essential to get a sterling decision basis. (Khanna, Palepu & Sinha, 2005, p. 65)

Khanna, Palepu and Sinha (2005, p. 66) has set up a five contexts framework to help structure the work of mapping institutional voids in an emerging market. It is important for every company executive to get a hold of how product, labour and capital markets work (and do not work) in the country of choice. In addition, the framework takes into account each country's social and political situation as well as how the country has opened up to the outside world. The five contexts are political and social systems, openness, product markets, labour markets and capital markets. (Khanna, Palepu & Sinha, 2005, p. 66)

Political and Social Systems

The political system of a country affects its product, labour and capital markets. For example the workers of China are not allowed to form unions which are affecting the wages in the country. In the same way the social situation of a country can affect its corporate environment. An example of this is in South Africa where the government is favouring the historically discriminated native African citizens when transferring assets to that part of the community. This has affected the capital market since the pricing of these assets is arbitrary and as a consequence it is hard for foreign investors to assess the value of South African companies. Another aspect often affecting the markets in emerging markets is relationships between ethnic, regional and linguistic groupings. It is favourable for companies thinking of investing in an emerging market to identify power centres in the country and try to figure out if these centres are sound and healthy. Power centres can be bureaucracy, media and civil society. Other aspects important to scrutinize are how decentralized the political system is and if politicians are monitored. (Khanna, Palepu & Sinha, 2005, p. 66)

Openness

It is a common desire among executives that the market that the company is entering should be open for foreign direct investments but, the concept of openness tends to sometimes be a bit misleading. An example of this is the difference between China and India where most executives are convinced that China is an open country whereas India is closed. This is based on the fact that China welcomes foreign direct investments and India does not. However, India has always been very open to westerns ideas and the population of India is free to travel in and out of the country without restrictions. This is not the case for the Chinese citizens that in some aspects are locked in their country and in that way get a narrow view on business and culture. This in turn means that it could prove hard to find employees in China that share the western ideals and business methods with multinational

companies trying to enter the Chinese market. (Khanna, Palepu & Sinha, 2005, p. 66f)

Product Markets

In emerging markets, despite the development they have faced and are still facing, some companies have continuous problems finding reliable information about consumer behaviour. This is especially true when looking at low income consumers on the fast moving consumer goods market, but also to the highest degree when looking at business customers in Vietnam. The reporting is better for large companies than for small and medium enterprises even if it is not quite satisfactory even for large domestic companies (Son, Marroitt & Marriott, 2006, p. 221f). (Khanna, Palepu & Sinha, 2005, p. 67)

Labour Markets

In most emerging markets most companies are facing problems when trying to recruit, above all middle managers, engineers and floor supervisors, but also top management. The problem is that there are few recruiting firms on the markets to find good quality employees and even as the number of business schools and training institutions has grown rapidly there is no organization that rates the quality of these educational facilities. These facts together pose for complex issues for the management of western companies wanting to enter an emerging market. (Khanna, Palepu & Sinha, 2005, p. 67)

Capital Markets

Capital markets of emerging markets are most often underdeveloped and lagging behind other forms of market development. Therefore the capital market often can not support the corporate development of an emerging market. For example many multinationals are having a hard time finding local financing for the operations on the new market. Furthermore it is proven hard to assess creditworthiness of a domestic business partner or customer. Moreover development of corporate governance laws drags behind. This means that a multinational must carefully investigate a business partner before starting business together to avoid winding up in a criminal investigation as a consequence of the partner company's possibly illicit actions. (Khanna, Palepu & Sinha, 2005, p. 67)

Khanna, Palepu and Sinha (2005, p. 67) argue that industry structure, for example, entry barriers and degree of competition only should be analyzed after the institutional voids have been properly mapped and understood. They point to research that indicates that there is no correlation between the

attractiveness of an industry in one country compared to another country, but that it is rather institutional intermediaries making the difference.

There are three generic strategies to follow after the institutional voids have been mapped (Khanna, Palepu & Sinha, 2005, p. 73):

- Adapt your strategies
- Change the institutional context
- Stay out of the country

The first choice means that the company adapts its strategy to fit with the local presumptions. It is however, important to note that it is absolutely imperative to keep the core value propositions constant since this is the reason the company had the opportunity to expand in the first place. Should a company change the core values too radically there is a risk of losing the advantages of global scale and global branding and the parts of the business that gives the company a competitive advantage over the rivals. An example of a successful change that may need to take place is repositioning in the value chain to make up for gaps either in the distribution or in supply. (Khanna, Palepu & Sinha, 2005, p. 73f)

The second alternative means trying to change the prerequisites prevailing in the country. This can seem to be a vast and invasive alternative but many multinationals are powerful enough to change the context they operate in. For example the entrance of foreign products on a market place can change the concept of quality, in that way affecting the domestic competitors. Other examples of these kinds of changes are when foreign companies require auditing services and attract accounting firms to start up branches in the emerging market in turn leading to raised financial reporting and auditing standards for every company in the country. (Khanna, Palepu & Sinha, 2005, p. 74)

The last alternative is to be chosen when the costs of the other two alternatives are greater than the expected profits, and thus a campaign would not be economically defensible. (Khanna, Palepu & Sinha, 2005, p. 73)

4.4 Market Planning

When targeting a market there are lots of different factors that impact on the result, and some of them are difficult or impossible to map in advance. On

the other hand, a well defined market plan worked out in detail raise the quality of the forecasts and predicts some of the major pitfalls. Firstly, it is important to understand the potential customer's situation, mind and processes. Secondly and more complicated is to forecast the size and growth of the potential market. This plan can be formed by the following three steps: (Kubr, Illar & Marchesi, 2005, p. 73)

1. Investigate the market and the competitors
2. Prioritize and choose target market
 - a. Segmentation
 - b. Market positioning
3. Define market strategy

There are many different ways to estimate the size of the market. The working mode should be based on the type of product that is to be sold and should also take into account facts, figures and logical reasoning. Since the result is only estimations it is recommended to use triangulation which means to use different calculations and methods and then calibrate the results to get as close to the reality as possible. There are no limitations when choosing a way to work, the more creative a method is (suitable for the product or service), the better the estimation will be in the end. It is better to base the analysis on facts and valid information than starting to guess and use non-reliable sources. Sources can be complemented by interviews and existing market surveys. Trade organizations are efficient sources that normally contribute with useful information and statistics. Besides, they possess certain knowledge about the market trends, market leaders, laws and rules. For an industrial company that sells a technical product to other companies an example of investigation mode can be to look at the market and try to find out how many equivalent products that are sold today. Another way is to estimate the sales potential through distribution channels meaning to find out how many distributors acting on the market at this point. A third example is to study similar markets in other countries and use that information to do the estimation. (Kubr, Illar & Marchesi, 2005, p. 75)

When entering a market it is important to know who the main competitors are. Who is the market leader, which market share do they have, how do they work and what are their strengths and weaknesses? It is vital to also find out how long time it will take for a new supplier with similar products to penetrate the market and how that would affect the business results. (Kubr, Illar & Marchesi, 2005, p. 83)

Within the total market there is a need to define a goal market and find out who the most important customers are, and what their special criteria and needs are. The segmentation helps to focus on the most profitable customers that are easy to reach and who are ready to pay for the company's products. This is a dynamic procedure and may change over time thus the work should keep on continuously. The organization of the customers in different groups can be based on different criteria. For industry products it is suitable to use one of the following factors when doing the segmentation: (Kubr, Illar & Marchesi, 2005, p. 83ff)

- Demographic factors such as company size, branch or position
- Operative factors: technological base
- Purchase pattern: central or local purchase division, criteria and supplier contracts
- Situation factors: urgent needs, size of the commands etc.

Different segments can be interested in the products for different reasons and by identifying those reasons it is easier to fulfill every segment's needs and make customized market strategies for each of them including positioning the products. (Kubr, Illar & Marchesi, 2005, p. 86)

When the segmentation is done the work continues with prioritizing and choice of main segment that will bring the best profit today and in the future. A successful positioning contains how to find a unique selling proposition and inculcate this in the customers' minds. Well positioned products give the customers positive associations and satisfy the customer better than the competitor products. The advantages shall be adoptable and easy to remember and convey an added value to the customer. A convincing positioning is essential for the long-term survival of the company and takes a lot of resources and intellectual work.

The market strategy formulates the way to reach the posted goal and define the arrangements it takes to fulfill the market plan. The motion can briefly be described with the marketing mix, also called the 4P, product, price, place and promotion. (Kubr, Illar & Marchesi, 2005, p. 86ff)

Below is mentioned what information has to be included in a market plan when working with company customers and some examples of characteristics on this type of market: (Kubr, Illar & Marchesi, 2005, p. 89)

- Market and competition: Deep, thorough relation with potential customers and suppliers
- Goal market: Few bigger customers, many decision makers, limited market information
- Product: Simple to complex products
- Price: Negotiated price
- Place: Concentrated distribution, direct sales or through sales channels
- Promotion: Fairs, customer visits, trade press, internal sales force, branding

When working with business to business (B2B) it may be good to in addition to the 4 P:s also take into account partners, people and package. (Kubr, Illar & Marchesi, 2005, p. 90)

To verify if the market plan could be helpful, use the checklist below. If there are no or few answers to the questions the market plan should be reviewed. (Kubr, Illar & Marchesi, 2005, p. 99)

1. Is the unique offer clear and precisely defined for the customers' point of view?
2. How big is the total market? How big is the goal market? How will it develop over time?
3. Which customers are included in the goal segment? Why is this segment interesting for the company?
4. Who are the main competitors? What substitute products exist on the market?
5. How will the market share develop? What is the forecasted turnover?
6. What is the pricing?
7. How do you reach the customers? Which distribution channels are to be used?
8. How will the marketing be done and what will it cost?
9. Which obstacles exist to enter the market? How do you circumvent them?

4.5 Sales Planning and Management

Sales are a wide and well explored field of research that can be divided into many different sectors. We will focus on the framework for sales planning

and management including all logical sequences of actions that should be undertaken by sales managers. By studying existing literature discussing this topic, Castro and Neves (2007) have identified eight main gaps that have been more or less treated by the literature but have not been well integrated into the framework of sales planning and management. These are: (Castro & Neves, 2007, p. 10ff)

Gap 1: Information and Communication management regarding the salespeople, territorial sales managers and the firm

There is not enough information about market developments, new products opportunities, competitor actions communicated from the sales people. The distance between the sales people and the firm is often perceived as too far away which results in a short exchange of information important for the improvement of the business. A clearer design of information and communication flows would be a great improvement.

Gap 2: Conflict management

Using multiple marketing channels on direct sales and among representatives may lead to several problems of marketing channel efficiency. Common territorial interests can be avoided by better integration between the direct sales force and the marketing channels.

Gap 3: Territorial and other sales policies

It is important to set up rules for selling across territories. Is it ok to contact a potential customer in another territory? How to handle when a client prefer to buy from another representative and not from the original sales person in the territory? How to handle the competition between the sales people?

Gap 4: Definition of the sales manager's role

The role of the sales manager is vague and not clearly defined of the firm. This often results in that the sales manager focus too much on the sales and the management is left behind.

Gap 5: The choice between representatives and employed salesperson

The make or buy decision in sales deserve more emphasis and should be positioned as one of the first choices a firm makes considering how much analysis this subject claims.

Gap 6: Recommendation for the management of representatives

There are many pitfalls using representatives that can be avoided by investing time in building and reviewing marketing contracts. It might be

interesting to add steps of sales persons management in a sales management framework when using them.

Gap 7: Strategic and operational integration of sales with other marketing variables

Just like other marketing variables, sales have to be integrated into the marketing mix. This is not an easy task and it is important to make clear guidelines for this work as it is a critical aspect to the firm’s performance.

Gap 8: Collective sales forces and support

Opportunities for collective actions in sales area are increasing due to short marketing budgets. In some situations bundling solutions is wanted by the customer and then it is important to investigate that opportunity.

Taking into account all the gaps in the above section will most likely generate a positive outcome in the sales planning and management.

The proposed framework will be formed as the figure shows below: (Castro & Neves, 2007, p.12)

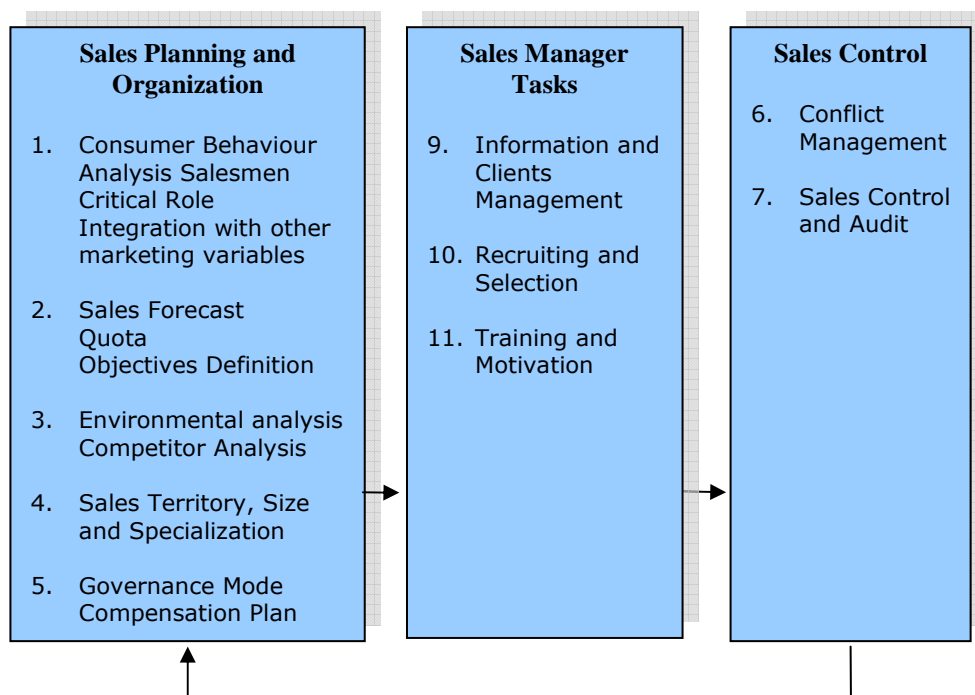


Figure 11 Framework for Sales Planning and Management (Castro & Neves, 2007, p.12)

For the sales organization it is imperative to stress the consumer behavior analysis and the importance of defining the role of the salespeople. In this way the relationship between the firm and its salespeople is regulated at the beginning of the process and an effort is made to anticipate the side effects of this choice. In order to strengthen the marketing efforts it is also needed to integrate the other marketing variables in a coordinated way. (Castro & Neves, 2007, p.12)

The second phase focuses on expected results and activities from the salespeople and this phase is strongly aligned to the critical role in step 1. Furthermore, in addition to the competitor analysis step 3 may include a PESTEL analysis such as the one in chapter 5.2 in this thesis. In step 4 the decisions is brought up to a territory level where each territory defines a type of specialization and amount of salespeople. This work can be facilitated by using optimization models when delineating the territories. The decision to use sales persons or employed salespeople and the definition of the remuneration plan is treated in step 5. These two decisions are grouped together as they normally have a legal connection. There is almost never an optimal choice regarding these decisions but in this step the purpose is to minimize the possible side effects. (Castro & Neves, 2007, p.12)

The second phase focus on the sales manager's task to link the information between the local field (clients and sales people) and the central management. But it also contains the responsibility to find a way to acquire and maintain skilled sales people. (Castro & Neves, 2007, p.13)

Finally the third phase is a control phase which should deal with both conflict management and control measurement. Step 9 embodies aspects such as multiple distribution channel conflicts and territorial conflicts among other very usual daily activities in sales management. Step 10 should be closely aligned with the steps 1 (sales people role), 3 (quotas definition) and 5 (compensation) otherwise the sales plan will be inconsistent. (Castro & Neves, 2007, p.13)

4.6 Sales Organization

Harvard Business Review has over the past 12 years published an annual survey of chief sales officers to define key sales effectiveness factors. These studies are made by Barry Trailer and Jim Dickie, partners at a research firm specialized on how companies market, sell and provide service to customers. The purpose of the study is to identify and understand the challenges in a sales organization and how they change over time. The survey also aims at finding out how sales leaders face these challenges and what actions yield positive results. (Trailer & Dickie, 2006, p. 48)

One central conclusion in the study is that the selling context is changing across industries, buyers' behavior is different and the work required of the sales organization is becoming more complex and difficult. 85% of the responding companies report a wider product range, more complex products and that they have increased their participation in new markets. In the same time the ramp-up period to full productivity for a new salesperson is getting longer every year and may now take more than seven months. The given quotas to every salesperson have also been raised significantly meanwhile the help in meeting their goals stays as before. (Trailer & Dickie, 2006, p. 48)

However, the last year's surveys have indicated a declining percentage of leads resulting in initial meetings, initial meetings leading to formal presentations and presentations that ends up in sales. This means that it now takes more leads and more energy and work to get the same amount of closing deals. To explain these trends the authors of the article have made in-depth interviews with sales executives. One identified reason is the fast development of internet which has shortened the buyer's life-cycle. (Trailer & Dickie, 2006, p. 49) Nowadays the customers are well informed and possess certain knowledge about the company or the product before the first meeting with the sales person. This requires more of the sales person who needs to be prepared for advanced questions. In some cases they are acting to late, the customer has already made their choice based on self collected information. Another reason that the sales productivity has gone down is the changes in how buyers make decisions. Before, the decision was often made by one person responsible for the deal but the trends shows that this is about to change. To move ahead, approval from committees or multiple layers all equally important to close the deal is needed. This result in longer sales cycles and more number of sales calls not only to the same person but to different people before the decisions are made. (Trailer & Dickie, 2006, p.

50) When top sales managers were asked what kind of improvement they were focusing on in their sales process the list came out as follows: (Trailer & Dickie, 2006, p. 51)

1. Optimize lead-generation programs
2. Revise sales process
3. Align sales and marketing more closely

The generation of leads is by far the top priority including increasing campaign response rate, improving the hit rate in making initial leads into qualified prospects and making the most out of leads when generated. The survey shows that the sales people spend about 20% of their time on prospecting new leads. It also points out that the leads tend to be more qualified the bigger the total amount of leads are. Then the selected leads usually have shorter sales cycles, higher contributions to profits, higher customer-satisfaction ratings and fewer complications. This new selling context implicates on how sales executives hire, train, manage and retain their sales people. As mentioned before, the sales people now needs to provide more knowledge and expertise and sometimes they must even be able to “unhook” some of what buyers believe they already know without rejecting them. It is hard to find skilled people that fulfill these demands. (Trailer & Dickie, 2006, p. 52) Their sales ability regarding customer relationship often follows a four-step progression. From vendor that only needs a good product or service to be able to sell, to preferred seller and then to consultant which needs a larger understanding for the customer’s business. Further progression makes the sales person a contributor that needs to understand the customer’s industry and finally to be a partner requires understanding of the customer’s organizational issues. When having found those skilled persons, the challenge is to retain them in the company. The survey shows that many companies tend to increase their sales forces, and that the experienced sales staff is targeted to hire. This shows the importance of retaining the best sales talents in the company otherwise they will be lost to another company. Keeping the experienced sales people will generate advantages in percentage of salesmen making quotas, in higher average deal size and shorter average sales cycle. One way to motivate the sales force is to build up compensation programs, another is to provide administration people so the sales persons can focus on the relations and the sales. (Trailer & Dickie, 2006, p. 53)

4.7 Customer Buying Behavior

To understand the customer behavior is undeniably important when setting out to develop a sales process targeting just that customer. The knowledge of the buying process and driving force of a customer helps to conceive a well balanced offer to the customer and ultimately to improve sales figures. Much literature on this subject handles the case of consumer buying behavior and thus is not very useful for the scope of this thesis. However in the following chapter the focus is solely on organizational buying behavior.

The main difference between consumer buying and organizational buying, meaning B2B, is that psychological and emotional aspects should not apply for the latter. However, since organizational buyers in fact are human, these factors can not be totally ignored. Neither should they stand in the center of the analysis. The main similarity between consumer and organizational buyer behavior is that they both in an obvious way represent a need-satisfying process. The need is expressed in a buying behavior and this behavior is important to understand to be able to form attractive offers to the targeted customers. (Lancaster & Reynolds, 2004, p. 72)

The organizational buyer is most likely to have great technical as well as commercial knowledge and thus could be viewed to be a tougher customer than the average consumer. Furthermore, the organizational purchaser has to take into account the budgetary and commercial interests of the organization or companies represented, and also look at the logistic prerequisites of the purchase. This combined gives the organizational purchaser narrower constraints when conducting a purchase than a consumer, most often, is put under. (Lancaster & Reynolds, 2004, p. 73)

There are mainly three types of situations that organizational buying can be split into, namely *industrial buying*, *buying for resale* and *institutional buying*. *Industrial buying* means a company buying products to use in the enhancement of their own products either by letting the bought products serve as part systems in the main product or by using the bought products in the production of the main products. *Buying for resale* means buying products, to mark them up and then redistributing them and *Institutional buying* is made by governmental institutions. (Lancaster & Reynolds, 2004, p. 71f)

Figure 12 proposes a model for the organizational purchasing decision process. It is important to note that industrial buyers often investigate the

supplier company quite rigorously before placing the first order. This is done to make sure that the supplier can deliver the quality and quantity promised and also to avoid winding up in business with a company with a shady or sometimes even illegal background. (Lancaster & Reynolds, 2004, p. 73f)

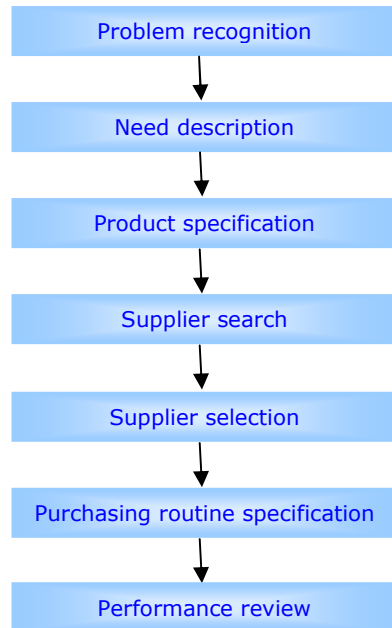


Figure 12 The organizational purchasing decision process. (Lancaster & Reynolds, 2004)

Even though it can be established that organizational buying behavior is scientific, the effect of marketing efforts can no be ruled out. The individual purchasers of a company can be, and are, subject to marketing efforts from current and potential suppliers. Apart from this there are reference groups within companies affecting purchases in different ways. It is critical for marketers to locate powerful buyers of a company since these tend to have more direct say in purchasing decisions at the negotiation stage. The powerful buyers are not necessarily the persons that are most important in a company. Instead the powerful buyers can be located low in the organization but hold one of the following five power bases: (Lancaster & Reynolds, 2004, p. 75f)

1. *Reward*, Ability to provide monetary, social, political or psychological rewards to others for compliance.

2. *Coercive*, Ability to withhold monetary payments or other punishments for non-compliance.
3. *Attraction*, Ability to elicit compliance from other because they like you.
4. *Expert*, Ability to elicit compliance because of actual or reputed technical expertise.
5. *Status*, Compliance from the ability derived from a legitimate position of power in a company.

In companies, often a purchase decision is a result of a team effort. Webster and Wind (1972) have tried to structure the different roles within the *decision-making unit* in the following way.

- **Gatekeepers** control the flow of information to and from the people who buy.
- **Users** are the people who use the products. In some companies and situations these people are involved in the decision process.
- **Deciders** are the ones who actually make the buying decision. Most often this is the buyer but in some situations it can be the specifier or the accountant.
- **Buyers** are people who have authority to make buying decisions.
- **Influencers** have the possibility to affect the decision in different ways.

These roles are sometimes occupied by different people and sometimes some of the roles are occupied by the same person. (Lancaster & Reynolds, 2004, p. 80)

4.8 Relationship Marketing

Relations have always been a part of business, but until the late 1970's and 1980's the effect of relations were left untouched by the academia and theoretical frameworks. In the late 1970's though, the status of the marketing mix as the only and omnipotent theory for explaining marketing phenomena was questioned and the theory of relationship marketing was formed. In the beginning of the 1980's Gummesson (1995, p. 76) started his work in this area and found that the concepts of relationship, networks and interaction were almost non-existent in the contemporary marketing literature. This was a fact even though the concepts were widely used in practice. In the mid 1990's the move towards relationship marketing from

transition-based business was praised as a paradigm shift in theory as well as in the practice of marketing. (O'Malley, 2003, p. 125)

Different literature concerning relationship marketing essentially has four common features. First of all, both sellers and buyers are active in the relationship at hand. This is imperative to make sure that both parties are satisfied in the relationship and the satisfaction is fundamental in its importance for relationship marketing. Second, a distinction between transactions and relationships are made. A transaction is a one time exchange with no history and no future as opposed to a relationship that is a long term commitment to the counterpart. Third, there is an understanding of deepened trust and commitment as a direct consequence of relationship building between buyers and sellers. Last but not least, different literature agrees that relationships develop and change over time, something that is referred to as the relationship life-cycle. These different stages of a relationship all require a different strategy to be dealt with in an optimal way. (O'Malley, 2003, pp. 126f)

4.8.1 Interaction

Most academic research performed on this subject concurs to the conclusion that relationships develop between people and that the relationships develop as a result of personal interaction. The service experience of a customer can be split into two different areas namely, *Technical quality* and *Functional quality*. The technical quality refers to the core product or service delivered by the seller and the functional quality refers to how the service is delivered. More and more companies develop products that are of acceptable technical quality which means that organizations more and more tend to compete in the area of functional quality. Research made in the area suggests that a company is more likely to exceed customers expectations based on the functional quality of a service rather than the technical quality. This conclusion has lead many organizations to focus on training, rewarding and empowerment of their employees as a means to improve the customers' interaction experience. (O'Malley, 2003, p. 128)

4.8.2 The Distinction between Transactions and Relationships

According to O'Malley (2003, p. 129) a transaction can be defined as: "*...the exchange of money for an easily measured commodity. Thus the identities of the actors are unimportant; indeed, they must be ignored or*

else relations creep in.”. The relational view, on the other hand, crystallizes the identity of the “actors” and takes into account their history and the possibility of future exchange. According to the marketing strategy continuum presented in figure 13, relationship marketing increases in appropriateness as the focus moves from left to right. (O’Malley, 2003, p. 129)

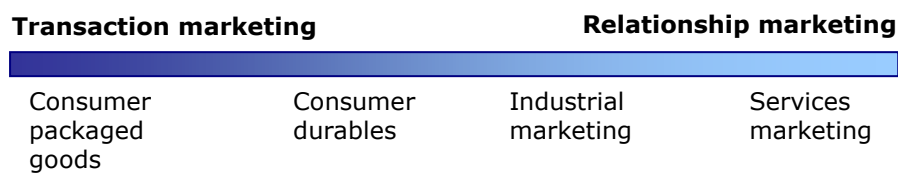


Figure 13 The marketing strategy continuum. (O’Malley, 2003)

Much of the management focus has shifted from the transactional product-based view to the total customer-perceived quality in long term relations. The relationship marketing concept is tightly connected to the concept of Service Management where the latter concept offers a broader view on the term of service. (Grönroos, 1994, p. 5)

The model suggests that industrial marketing is suitable for a relationship marketing approach however less suitable than in services marketing. This has been questioned as extended interpersonal contacts are of utmost importance in almost every industrial market to facilitate a successful exchange given the complex nature of most industrial products. (O’Malley, 2003, p. 129)

4.8.3 Trust and Commitment

Relationships are often defined by three key elements trust, commitment and the bonds that uphold the relationship. (O’Malley, 2003, p. 130)

Trust is imperative to maintain a relationship. Having a business relationship without trust makes exchange very hard to achieve. This is common knowledge and much research is conducted in this area, but to understand trust though, remains difficult. Trust occurs between an individual or organization and another individual, organization or a quality symbol or brand. In an attempt to simplify what trust is O’Malley (2003, p. 131) states; “...we will engage in market exchanges when we trust (rely on

or have confidence in) the word of an individual, organization or brand.”. Trust strengthens or weakens with every single experience and thus it is important to constantly build and extend trust throughout a relationship life-cycle. (O’Malley, 2003, p. 131)

Commitment is central to any given relationship. In fact, without commitment a relationship is very likely to degenerate and vanish. Sometimes one partner in a relationship deliberately ceases to commit in an attempt to end the relationship and the other partner is not aware of the problems. This can depend on the fact that the relationship has been institutionalized as a result of static approaches to the relationship itself where no routines or processes are questioned even though they may very well be obsolete. (O’Malley, 2003, p. 132) Relationships are, according to O’Malley (2003, p. 132), developed through interaction, cooperation and communication and it is the degree of communication and cooperation that decides to which extent the parties are committed.

Different kinds of bonds always exist in a relationship. These bonds tend to be varying in importance depending on what kind of relationship they concern. Generally there are two different types of bonds, social and structural. Social bonds are built on personal friendship and these bonds just as relationships in general evolve over time through interaction. Social bonds are believed to be important when it comes to accept service failure and to strengthen the will to resolve business conflicts. Thus, social bonds can be said to develop loyalty to a company. Structural bonds evolve as a consequence of technology, knowledge, legal or economic elements. As companies get intertwined by increased business and services to each other structural bonds evolve. In this situation one party may find itself in a position where the change of supplier would be very complicated and thus too costly to follow through. Legal and economic bonds are built on the foundation of contracts and legal agreements. Through the signing of these agreements customers can be locked in for a specified period of time. Even though structural bonds can be proven to be important for the building and retaining of a good relationship they can not be measured to the importance of social bonds that tend to generate more positive emotions towards the service provider. (O’Malley, 2003, p. 132f)

4.8.4 The Relationship Lifecycle

Many researchers have set out to map the stages of business-to-business relationships and most of them have at least some similar features. These are

that the parties in a relationship always assess the benefits and the drawbacks of a deepened relation to the counterpart. The parties then move from transactional towards a relational cooperation, a process that is supported by ever increasing trust. The increasing trust is a premise for relationships to evolve since the commitment to a relation puts the parties in vulnerable positions to one another. (O'Malley, 2003, p. 133)

Another important aspect of a relationship is what is referred to as attraction. Attraction measures how appealing a company finds a potential partner to be in terms of ability to provide financial benefits, access to important resources and to what extent the companies are socially compatible. Generally reduction of risk is the most powerful incentive to seek a relationship. This results in the fact that companies tend to be very willing to develop relations to the providers that supply key equipment or knowledge. Personal contacts are used to oil the machinery of cooperation and these personal relationships are often long-term, tight and often involve complex social patterns. (O'Malley, 2003, p. 133)

The experience of many corporate leaders is that reality is not as simple as theory. Of course, relationships are not guaranteed to prosper as long as a few theoretical rules are applied. Instead, relationships are constantly challenged by competitors to either party and also subject to the ever changing prerequisites of the macro environment. (O'Malley, 2003, p. 134)

4.9 Summary

Before moving on, a short summary of the theoretical framework will be given to the reader. In order to cover our purpose numerous theories have been used. As presented in our model several different areas influence a successful penetration on an emerging market. To improve this process combined actions are needed in all areas as they are closely dependent on each other. Many theories cover more than one of the parts in our model for theoretical approach and are therefore useful in more than one area. Before this, figure 14 presenting a model first presented in chapter 2.2, on which our approach is built will be reviewed.



Figure 14 The methodological framework

Target Market

The following theoretical chapters regard the area of targeting a market:

- 4.2 What Are Emerging Markets
- 4.3 Entering Emerging Markets
- 4.4 Market Planning

These theories give the reader an understanding of the market forces reigning on an emerging market. This understanding is imperative to comprehend the following analysis of the identified problems.

Sales Approach

The following theoretical chapters regard the area of sales approach:

- 4.7 Customer Buying Behavior
- 4.8 Relationship Marketing

These theories do not apply specifically for emerging markets but instead try to describe the buyer behavior and relations of any given market place. There are currently no theories regarding these subjects targeting emerging markets and this fact is what makes this thesis relevant.

Managing & Leading

The following theoretical chapters regard the area of managing and leading:

- 4.5 Sales Planning and Management
- 4.6 Sales Organization

Just as for the theories on sales approach these theories do not apply specifically for emerging markets but instead for any market in the world. The reason for us choosing these theories anyway is the same as for choosing the theories chosen in sales approach.

Cultural Context

Several of the theories processed in this chapter deal with concerns regarding cultural differences and all aspects regarding this is included continuously in the analysis instead of in a chapter of its own. It is important to still have in mind that the cultural context of a country is impossible or at least nearly impossible, to change and thus lay down the ground rules after which the game has to be played.

5 The Current Situation

This chapter gives the reader insight into the prevailing circumstances of the EFU markets in general and the Vietnam market in particular. The information on the Vietnam market is structured according to the PESTEL framework to give the reader a good overview of the market setting on the industrial market. The chapter also provides information on the nine different sales companies across the world with which initial interviews were performed. The last three sections present the information gathered during the field study in Vietnam and thus represent the most important base for the following analysis.

5.1 Sales Companies in Emerging Markets

When conducting this thesis the main focus has been on the Vietnam market. However a study has also been made on several Alfa Laval sales companies on emerging markets around the world. The objective of these interviews was to get a broader knowledge about the subject and be able to find similar issues and activities on the different markets. The chosen companies are presented in table 3 below.

Country	Nbr EFU sales reps	Time spent on EFU	Contact	Date
Czech Republic	1 person	100%	Vachova	2008-06-26
Slovakia	1 person	50%	Vachova	2008-06-26
Hungary*	1 person	30%	Vachova	2008-06-26
Taiwan	1 person	100%	Yeh	2008-06-27
Russia	1 person	50%	Butsalov	2008-06-30
Philippines	1 person	10-15 %	Tan	2008-06-30
Turkey	2 persons	180%	Uzman	2008-06-30
Indonesia	1 person	100%	Danus	2008-06-30
Romania	1 person	20%	Lazar	2008-06-30
Brazil	2 persons	200%	Cecchetti	2008-07-07
Chile	1 person	30%	David	2008-07-10
Peru**	1 person	30%	David	2008-07-10
Vietnam	1 person	100%	Nguyen, L	2008-08-14

Table 3 A table of all interviewed countries.

* Czech Republic, Slovakia and Hungary have one joint sales company named central Europe

** Peru belongs to the Chile office

5.1.1 Target Market

The opinion about the segment of EFU is that it contains many different markets and the size of each of them is small. (Yeh, 080627) The market sometimes feels limited and the products are not specialized for the segment. (Danus, 080630) EFU customers are very diverse and need many different products and some of these products are not in the Alfa Laval portfolio. (Danus, 080630) In big countries with scattered industries it is hard to have the time and resources to give the customers the attention they need. (Cecchetti, 080707)

In Russia the sales persons tried to study and understand the market and then started to find partners and projects. (Butsalov, 080627) On the other hand in Turkey they started with a niche market as oil recovery and then continued finding new customers from there. (Uzman, 080630) A third example is the market in Indonesia where the sales person at first found a distributor and then mapped the segment on a large scale. (Danus, 080630) Finally in Taiwan they have not found the EFU market potential yet and do not know how to do it. (Yeh, 080627)

A market analysis or figures and statistics regarding how many PHE sold in the country or which industries are growing would improve the sales person's work. (Yeh, 080627), (Tan, 080630) In 2006 the sales company for central Europe got a market analysis from Swedish Trade Council and this report had a very positive effect on the sales. (Vachova, 080626)

In Taiwan it takes up to six months for a sales person to get familiar with the company and the products, 1-2 years to learn about the applications and after 3-5 years a sales person is well informed about the market and the industry. (Yeh, 080627)

In many of the sales companies the sales persons' opinion is that training and a better knowledge in especially applications would improve the sales. (Danus, 080630; Cecchetti 080707; David, 080710) It would be great to have more technical courses for newcomers. It is also important to find a person with both sales skills and a technical background when hiring new employees. There is a lack of monthly updates online in addition to existing education and catalogues and improved sales tools would help the sales person in the sales process. (Yeh, 080627)

Successful Penetration of Emerging Markets

It is hard to compete with companies that have been on the market for a very long time as they already have good relations and contacts with the customers. (Butsalov, 080627) Furthermore there is a strong competition from low cost companies in China, the good-enough-market² is large. (Tan, 080630) Many international companies especially the Asian companies try to get in to the market and it becomes more and more challenging to be a premium brand. (Yeh, 080627) Price competitiveness and competition from local firms is a big challenge for Alfa Laval. (Uzman, 080630)

5.1.2 Sales Approach

The sales procedure varies between the different sales companies. In many of the interviewed companies the most common sales channels are through distributors, system builders or contractors. This is the case in Brazil, Russia and Central Europe among others. (Cecchetti, 080707; Butsalov, 080627; Vachova, 080626) In Peru they only have direct sales at the moment as they have problems finding a good sales channel. (David, 080710) To sell directly to end-users is also frequent when selling whole systems. (Yeh, 080627; Tan, 080630) In Romania the market is very immature but they are trying to focus on approaching end-users and contractors. (Lazar, 080630) Chile sometimes uses complementary products' companies as a sales channel in addition to the above mentioned channels. In this specific case they sell through Tetra Pak. (David, 080710)

	Brand & Reputation	Quality	Support & Service	Pay-back Time	References & Success stories	Environmental Aspects	Local Resources
Czechia	X			X			
Slovakia	X			X			
Hungary	X			X			
Taiwan	X	X	X				X
Russia	X				X		
Philippines			X				
Turkey	X	X					
Indonesia	X			X			
Romania	X	X					
Brazil		X	X	X		X	
Chile		X			X	X	
Peru		X			X	X	

Table 4 Common selling points for sales companies in emerging markets

² Refers to companies manufacturing equipment that meet the customers' demands, and nothing more.

As seen in table 4 above the most regular selling points on the investigated markets are brand and reputation. Confidence is very high on Scandinavian brand and they convey quality and honesty. (Lazar, 080630) All of the countries that mention brand as an important selling point also apprehend that the brand recognition is good in their country. The perception is a bit better on the PHE market than for separators. (Tan, 080630)

Apart from these arguments support and service is perceived as very good at Alfa Laval as they, thanks to an efficient data system, can reply on technical questions in minutes when competitors sometimes needs days. (Tan, 080630) Payback time is another sales argument, but sometimes the customers have a very short focus and do not want to invest in something that does not immediately improve the effect. (Cecchetti, 080707) References were also mentioned as an important key selling factor. There are not that many references available for the EFU segment at present but it would be helpful to have success stories that show what sort of customer buys the products on other emerging markets to be able to target the same type. (Tan, 080630) A case story is also efficient to show for potential customers to convince them in a selling situation. (Vachova, 080626) In Brazil success stories is already in use. These thorough presentations of products, applications and offers are based on past sales and are shown to potential customers followed by a visit in the factory to look at potential Alfa Laval applications. This method has worked out very well and has generated more sales. (Cecchetti, 080707)

Regarding the environmental concerns the interviewees from Brazil, Chile and Peru mention this as a selling point whilst in Taiwan it is not regarded as a positive aspect, the environmental awareness is not completely developed yet but may be in the future. (Tan, 080630) On an emerging market it is not always possible to get subsidized taxes if they keep a good environmental focus. (Vachova, 080626)

5.1.3 Managing & Leading

It is hard to find and keep qualified sales people and the management oversee the issues. For a sales person not working 100 % for EFU the challenge is to know what to focus on and normally more efforts are made for the other segments. (Uzman, 080630; Yeh, 080627; Cecchetti, 080707).

When the sales company in central Europe got a full time EFU person the sales improved immediately. (Vachova, 080626)

The central management have not made visits to the sales companies in a very long time and the distance is perceived as too far away by many of the interviewees. (Yeh, 080627; Danus, 080630; Uzman, 080630)

Organizational structure is another common problem in the sales companies around the world. The strategies are too local and there is no collaboration between the countries to enable them to learn from each other. (Yeh, 080627) All sales companies are in need of help from central management to define the right strategy for EFU. (Uzman, 080630)

5.2 Vietnam Industrial Market

Vietnam is the case country of this thesis, and the current situation as well as historical development of the country is of importance to understand. In this chapter we try to give the reader the background necessary to understand the reasoning and conclusions made in the end of the thesis.

5.2.1 Political Situation

Vietnam has a troubled past with a lot of political instability and conflicts. In 1885 Vietnam was recognized as a French colony and it remained so until 1954, when the French lost the battle of Dien Bien Phu. The battle stood after an eight year long gerilla war against Viet Minh lead by Ho Chi Minh. After some political hassle on an international level the Vietnam War (called the American War in Vietnam) broke out in 1961. USA left Vietnam in 1973 but the war continued between North Vietnam/FNL and South Vietnam until 1975. The year after, the two parts of the country were officially reunited and the Socialist Republic of Vietnam was founded. In 1976 the North Vietnamese model was introduced in the entire country and a planned economy was expected to derive a fast development of the economy. However, the country wound up in a deepening crisis which was turned around in 1986 when the change policy of *doi moi* was founded. The introduction of *doi moi* meant that the country assumed a market oriented economy, that in the long run, lead to change in the legal as well as the administrative sector. (Thaning, 2008, p. 2f)

Between 1979 and 1989 Vietnam occupied parts of Cambodia where the Red Khmers reigned. China took Cambodia's party and Vietnam was cut off from the outside world. When Vietnam left Cambodia in 1989 a long isolation of Vietnam was resolved and Vietnam was elected into ASEAN (Association of South East Asian Nations) in 1995, two years after the American-led aid boycott was eased (WWT, p. 13). (Thaning, 2008, p. 3)

During the 1990's Vietnam opened up to the rest of the world and the economic situation was stabilized at the same time as the growth rate picked up. The general standard of the Vietnamese people rose and the political scope was widened, but still today Vietnam is run by the communist party that is the only allowed party in the country. (Thaning, 2008, p. 3)

In 2007 Vietnam became a member of WTO (World Trade Organization) and during 2008-2009 Vietnam enjoys a non permanent place in the UN Security Council. Today the diplomatic relations between Vietnam and USA has a central place in Vietnam's foreign policy work, something that is emphasized by the fact that USA is Vietnam's largest international trade partner. EU is the second largest trade partner after USA and especially France and Germany has an important role in the development of Vietnam. Apart from these countries Vietnam has strong connections to Japan, Russia and Eastern Europe. (Thaning, 2008, p. 3f)

From the introduction of doi moi in 1986, Ho Chi Minh adopted a growth promotional policy that stood in contrast to the Marxist-Leninist ideology, previously run by the communist reign. The new guidelines has allowed an economical growth and the general poverty has decreased dramatically. In the same time the political space has grown and negative opinions against the government are more common but it is still taboo to question the position of the communist party. It is increasingly common with differences of opinions within the party where different fractions appear to exist. This may be seen as an embryo of a multi-party system and some experts claim that the political rule of Vietnam is more pluralistic than the systems in many other South East Asian countries. The economical differences in Vietnam are ever increasing, but this problem is identified by the government that is actively trying to prevent this development. Corruption is a big issue in Vietnam, but in 2005 a progressive anti corruption law was passed and the last few years, Vietnamese media has reported openly about corruption scandals. Sweden assists Vietnam in the anti corruption work with expertise. However, there are still a lot to be done to prevent corruption in Vietnam. (Thaning, 2008, p. 4f)

Vietnam's Relation to Sweden

In 1969 Sweden was the first country to establish diplomatic relations to Vietnam. Ever since then Sweden and Vietnam has had a special relationship, something Swedish companies enjoys the advantages of today. The Swedish export to Vietnam however, is relatively small. In 2007 the export amounted to 1180 MSEK, an increase of 15% compared to 2006. The export was mainly comprised of engineering machines, chemical products, paper and pulp, telecommunications equipment and energy and transport equipment. There is a potential for Swedish export and investments in, among other areas, equipment for paper and pulp, heating and cooling, energy and distribution. There are approximately 60 Swedish companies in Vietnam among them: Comvik, Ericsson, Electrolux, SAAB, Tetra Pak, Alfa Laval, Atlas Copco, SKF and IKEA. IKEA is one of Vietnam's largest net export companies employing about 60 000 people direct and 180 000 people through subcontractors. The current strategy of the Swedish development assistance is to, in an environmentally sustainable way, reduce poverty, promote openness and democracy and to develop the respect for human rights. (Swedish Trade Council, 080625; Thaning, 2008, p. 7f)

5.2.2 Economical Situation

The economic growth rate of Vietnam has been tremendous and one of the highest in the world since the beginning of the 1990's. The last few years the growth rate has been around 8% (see figure 15) which has contributed to the fast poverty decrease dramatically. Export has posed the most important actuation but the domestic market is also starting to grow fast. The public sector accounts for 40% of GDP but lately investments from companies with foreign interests have expanded heavily. At the UN Conference on Trade and Development, multinationals where asked where they planned to invest the coming two years, and as the only South-East Asian country in a top ten placing Vietnam was found at number six (HFR, 2008, p. 4). In 2000, a corporate law was passed that started off a boom in the expansion of domestic privately owned companies. Most often these companies are owned by politically influential persons. (Swedish Trade Council, 080625)

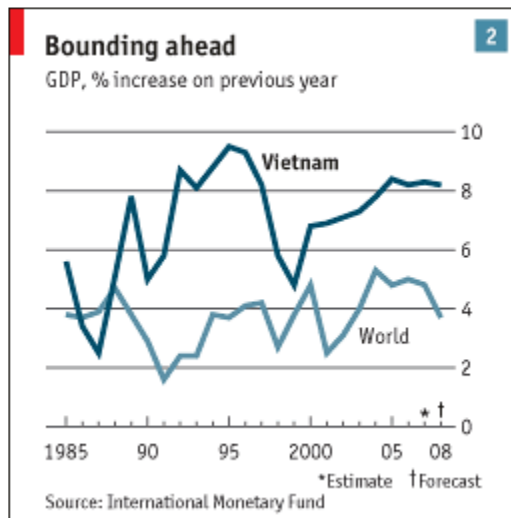


Figure 15 The GDP growth of Vietnam. (HFR, 2008)

The steep economic growth does however, have some distressing effects. The economy is in imbalance which is shown by the lack of educated people and an overheated stock and real estate market. Also, Vietnam was suffering from a troublesome inflation of 8,3% in average during 2007. Food prices increased by 30% during 2007 and at the same time the real estate and building supply prices went up. Vietnam has to handle the rising inflation at the same time as trying to continue the positive trend in the economic growth. This is not an easy task and the inflation together with a heavily increased trade deficit and the financial worries of 2008, causes some to anticipate an upcoming financial crisis. (Thaning, 2008, p. 5)

The recent financial instability in the U.S. will probably result in limited direct impact on the Vietnam financial market. There could however, be indirect affects and these effects could be positive as well as negative. The investors fleeing the U.S. market can focus on emerging markets such as Vietnam seeking high return rates. They could also prove to turn against the emerging markets as they often do in times of turmoil. Lately a lot has pointed in the direction of the latter alternative. (Dinh et. al, 2008, p. 1)

Despite the generally positive economical trends, the benchmark of Vietnam's stock market, the VN Index, has fallen 53% since January 2008 until July 2008 making it the world's worst performer among 90 key indexes tracked by Bloomberg. (Giang, 2008-07-08) In February 2008, Vietnam was faced with a setback to the economical situation of the country, when a financial crisis emerged. The high amount of foreign investment has

created a trade deficit and pushed the inflation to a current level of 30%. (Runeberg, 080826)

Since 2003 until 2008, the price of oil has tripled and the prices of non-oil commodities have doubled. This does not seem to be a brief tendency but rather a rooted trend and so Vietnam has to adjust to the situation. As Vietnam is a net exporter of food, particularly of rice which is one commodity that has experienced a larger price raise than others, and the country imports about the same amount of gasoline as it exports crude oil, it should gain from higher prices. However, as a result of geographical and social differences this becomes a double-edged question. One scenario is that the farm-gate price of rice will go up by 15,5% and the retail price by 11,2%. This will lead to a welfare increase by 4,3% on average for a household and by 6,3% for a rural household but, at the same time 51% percent of all households and 86% of urban households are worse off should the scenario come true. (Dinh et. al, 2008, p. 1ff)

Vietnam does not yet enjoy a market economy status in EU, but the transition from a planned economy has come far. The process is underway and a few of the important events in this work recently are the government's recognition of the importance of the domestic private sector and their positive position on international integration. About 65% of the citizens work in agriculture, a sector that accounts for 21% of GDP. Industry accounts for 41% of GDP, with a growth of about 15% yearly the last few years. Manufacturing in the public as well as the private sector is capital-intensive and the manufacturing industry is comprised to 42% of foreign companies, 31% of publically owned companies and 27% of privately owned domestic companies. The selling of public companies continues and the ones that are kept publically are in the process of equitization, meaning they are starting to be run on commercial terms. In the beginning of 2008 there were 2000 publically owned companies as opposed to 5500 in 2001. Still, bureaucracy is extensive and favours publically owned companies even if some measures are taken to ease this. (Swedish Trade Council, 080625; Thaning, 2008, p. 6)

The banking sector of Vietnam is currently under investigation and development. Today the banks are focused on supporting the publically owned companies, but this is about to change. Apart from the governmental banks there are several privately owned banks. These are however, relatively small and the business of the international banks is limited by legislation. (Thaning, 2008, p. 6)

The import into Vietnam is ever increasing and in 2007 the imports grew by 39,4%. The import of steel grew by 74% and computer and electronics components by 45%. The growth in intermediate goods such as material for garments and footwear, chemical products and plastic materials was 41%. Foreign-invested companies accounted for 30% of the total import and their import of machinery and equipment increased by 55%. (Dinh et. al, 2008, p. 7)

Vietnam has positioned itself as the market leader in a few areas lately, among them the export of: coffee, pepper, fish and shellfish, clothing, textile, shoes and leather. As the general educational level is good and the labour costs are low, the supply of skilled workers, however is low. Also, Vietnam has problems with the lack of knowledge of markets and an underdeveloped quality focus. (Thaning, 2008, p. 6f)

5.2.3 Social Situation

The quality of life has improved significantly for the citizens of Vietnam the last few years. The larger cities have received a recovering hand from the government retaining the colonial charm once significant for the cities of Vietnam. However, increasing traffic and construction work is starting to put their marks on the urban areas. The government has heaved money at the public services, and still public debt is at an acceptable 43% of GDP. (HFR, 2008, p. 4)

Just as in China, that a few years ago went through the same transformation as Vietnam is currently experiencing, the effects of the market-based reform is somewhat delayed. On the other hand, now, when they start to kick in, the poverty-reducing growth is rapid and the previous investments start paying off (see figure 16). The World Bank is very satisfied with the market-oriented reform that has been underway in Vietnam since the late 1980's and has claimed that Vietnam is a paragon in this transition. Vietnam is also successful in following the Millennium Development Goals which is the anti-poverty blueprint of UN. Furthermore, the number of households with electricity has been doubled since the early 1990's and currently are at a level of 94%. (HFR, 2008, p. 4)

Vietnam has come far in reducing poverty since the market-economy campaign started, but a study in 2006 by the Vietnamese Academy of Social Sciences points to a large challenge ahead. The study shows that the continuing of this reduction will require higher growth rates than has been

the case so far. This is because the people that have crossed the poverty line so far are ones that did not have very far to go from the beginning, leaving those well below the line far behind. (HFR, 2008, p. 4)

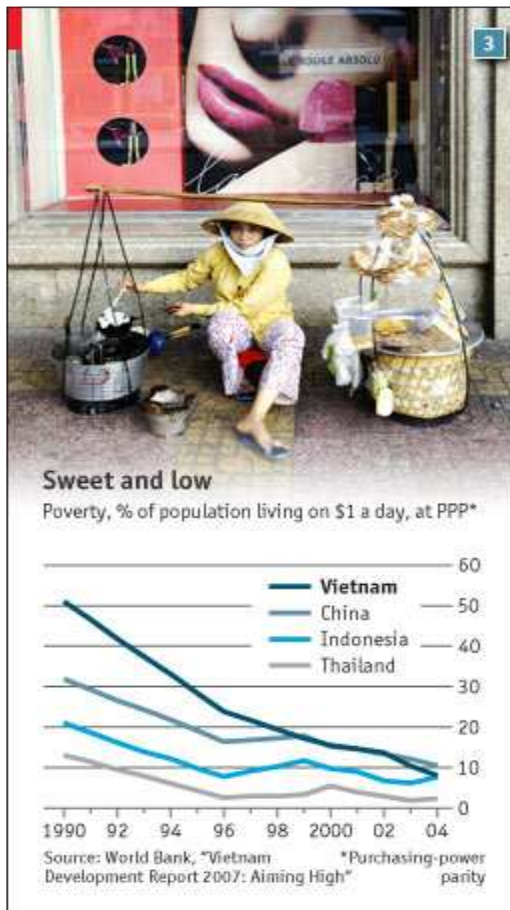


Figure 16 The poverty of Vietnam is decreasing at a fast pace. (TWG, 2008)

The concerns of the Vietnamese Academy of Social Sciences stands in contrast to the findings of Ajay Chhibber (2008), the country director of the World Bank in Vietnam, who has a more positive view of the situation. Chhibber claims that the depth of poverty, when measured as the number of people that are far from the poverty line (e.g. that are very poor), is declining at a rapid pace. This implies that a lot of people can be expected to escape poverty in the near future. Chhibber's reasoning is backed up by the Gini coefficient, a measure of income inequality, that only has increased from 0,34 to 0,36 in 2006. This increase is lower than in other emerging

economies and entails that the entire people of Vietnam gets affected by the positive effects of the growing economy. On the other hand, there are some people claiming that the Gini coefficient is limited in credibility since it may be stabilized by a large number of people parked in an ever-increasing middle class. This means that the two extremes, the very wealthy and the very poor, are neutralized and so the government of Vietnam has to focus on these two extremes when analyzing the social equality state of the country. (Chhibber, 2008; TWG, 2008, p. 6)

The large majority of economic development is concentrated to the urban areas with Ho Chi Minh-city and Hanoi as the two most important clusters. Vietnam is divided into 64 provinces and the rural part of these has not been affected in a positive way to such large extent as the urban areas. Public investing is divided evenly but this has not been enough to outweigh the massive investments from the private sector in the metropolis areas. However, even if the poverty is lower in the urban areas – approximately 4% in 2006 – the rural areas have not entirely been left out. Since 1993, when two-thirds of the rural population was considered poor, the decline of this number has been massive, and today one-fifth of the population in these areas is considered poor. (Thaning, 2008, p. 6; Chhibber, 2008)

According to TNS, a market-research firm, one-third of the people in the “deep rural” zones have mobile phones, and more than nine out of ten rural homes have a cooker and a television set. This point, according to Ralf Matthaes who is the boss of TNS in Vietnam, is that there must be something wrong with the numbers of the World Bank saying that the national income per person is only \$3,300. He continues by saying that the explanation could be the old tradition in Vietnam to hide income from the government. Up until the year 2000 when the law that allowed privately owned businesses was passed many families ran micro-businesses and consequently had to hide their incomes. (TWG, 2008, p. 6)

Chhibber (2008) argues there are mainly three factors leading to the success of Vietnam in economic growth; literacy, trade and infrastructure. The literacy improvement work started as early as 1945 and continued through to present day, and today the literacy level is at 95%, which is higher than both India and China. (Chhibber, 2008)

Today almost every child attends primary school learning to read and write as a minimum and nearly two-thirds continue school to an upper secondary level. The health sector is under development rising from a low base. *The Lancet*, a medical journal recently conducted a study showing that

approximately one-third of every child under five years is below the expected height as a result of under nutrition. Despite this a welfare system similar to European ones is slowly starting to form in Vietnam. In 2003, the government decided to extend the social-security system to include also private-sector workers and not only, as previously, state employees. To complement this system a national unemployment-insurance scheme is underway to start during next year. (HFR, 2008, p. 4; TWG, 2008, p. 6)

5.2.4 Technological Situation

Margins are sinking in many electronics segments and so OEMs of these segments naturally are looking to find a low-cost country to place manufacturing. Vietnam has risen as an alternative in this quest, but as everything else it has its' downsides as well as upsides. On the upside you find the low labour costs and the fact the high educated people are very skilled, speak good English and on top of this they are eager to learn what they do not already know. On the downside on the other hand there is a skilled labour shortage. This shortage of highly educated people in addition to rising wages could discourage companies to invest in the country. The turnover rate is as high as 40% on highly educated, internationalized Vietnamese people. These skilled people can double their salary every six months to a year by constantly changing employer. Thus, retaining staff is a big issue in Vietnam. Jason Craft, managing director of Spartronics has solved this problem by being the only westerner in the plant. By keeping Vietnamese people in managing positions all workers feel they have a chance of advancing within the company. He continues by saying: "*You'd better know what motivates and drives them so you can create benefits and retain them.*", and claims that an important feature for Vietnamese workers is to keep learning. If Vietnamese engineers lack anything in their education they make up for it with a thirst for knowledge. (Roberts, 2008, p. 22)

The entrance of transnational companies (TNC) in Vietnam could prove a way to develop the technological knowledge of Vietnamese workers and engineers. However, this development demands that the business moved to Vietnam is somewhat advanced, but this is most often not the case. Instead the factories set up are reproduction factories using mature technology, which means that the knowledge contribution to the domestic engineers is slim. Furthermore, the training received is not in technical fields, but instead in labour management. This leads to limited or no experience enhancing changes in the local workforce. Another way of improving the local technology knowledge is by knowledge spill over onto local firms through

supplier relations. This does, however, demand that there is a linkage between the TNCs and the local firms which is not normally the case and thus, the knowledge sharing stays limited. (Vind, 2008, p. 1480)

Industrial upgrading do not always equal increased profits since you not only have to develop a new way of doing things but also have to capitalize on that in a competitive market. This means that not all companies try to evolve into more advanced and complex products and processes at the same time as trying to climb in the value chain. Instead, some companies follow a 'downgrading' strategy, meaning they are seeking economies of scale as subcontractors. There are for certain some examples of South East Asian companies, preferably from South Korea, Hong Kong and Taiwan, which has succeeded in advancing in the value chain from OEM to ODM or even OBM, but these examples are few. Luckily, there are other ways to achieve a profitable business than this value chain climb. Many firms in the Asian emerging economies have chosen to focus on product and process upgrades while staying put in the role as subcontractors to large TNCs. (Vind, 2008, p. 1482)

The segmentation of the electronics industry in the Ho Chi Minh region is very clear. One part of the industry is domestic and joint venture companies that works with assembly of consumer electronics for the Vietnamese market like TVs and DVD players. The other part is owned entirely by foreign TNCs and manufactures electronics for export out of Vietnam. (Vind, 2008, p. 1484)

The general attitude towards investing in R&D projects in Vietnamese firms is reserved. This is perhaps because most of the manufacturing industry in the region is a result of foreign direct investments, FDI, and these multinationals investing in Vietnam are fond of keeping the R&D close to the home market. This leads to that the companies behind the FDIs are not ready to transfer knowledge about design, engineering data and blueprints to the manufacturing plants in Vietnam. This information is imperative to promote R&D and thus no development is possible. Furthermore, newly industrialized countries focus on using low cost manufacturing as a comparative advantage instead of investing in innovation, but this advantage most often prove short-term as wages rise with the increase of FDIs and a growing economy. Features of an industry can be divided into one of two different categories. The order qualifiers, meaning the features necessary to be in the race of the orders and the order winners that differentiate one firm from another. Today low cost manufacturing is an order winner in newly industrialised countries, but in the future low cost will merely pose as an

order qualifier and the competitive advantage that wins orders and FDIs, will rather be skills in innovation and flexibility. (Prajogo et. al, 2007, p. 52, 62f)

5.2.5 Environmental Situation

Industrial production has grown rapidly over the past few years in Vietnam. This growth is very positive for the economic growth of Vietnam, but has a large negative impact on the environment as the plants in Vietnam often are run with old machinery, lack of environmental control and inadequate handling of wastewater and air pollution. There are some measures taken to improve the environmental situation such as the implementation of fees on water pollution. However, these new regulations have to be implemented with rigour to have any real effect. Air and water pollution is derived to a large extent from small-scale enterprises, which lacks knowledge, will and resources to make sustainable use of natural resources. (The World Bank, 080707)

The most important factors counteracting the implementation of clean technologies are shortage of capital and lack of knowledge about the benefits of these technologies. Also, shortage of skilled workers, poor market conditions and scarcity of appropriate industrial land are identified as important factors. The governmental organisation that monitors and legislate the environmental area has recently been reorganized. The Ministry of Natural Resources and Environment, created in 2002, is the organization responsible for governmental environmental work in Vietnam. The main responsibilities however, are assigned to the Vietnam Environmental Agency. Konstadakopulos (2007, p. 60) argues that it is evident that the policymakers of Vietnam is increasingly aware of the environmental problems of the country and The Law of Environmental Protection was revised in 2006 to give a better protection. Among other things the law now include the notion of corporate environmental responsibility and a licensing system for waste producers. (Konstadakopulos, 2007, p. 51, 56)

There is not only one player in natural administration in Vietnam. Aside from the Ministry of Natural Resources and Environment, there are numerous other institutions protecting the environment making Vietnam an example of extreme fragmentation in this area. The implementation of environmental laws is up to the departments of the provincial governments to realize. The effectiveness of this work varies widely between different provinces. Vietnam is regarded to be a 'conflicted environmental state',

meaning it is forced by its citizens and local environmental departments to adopt new technologies and mechanisms to deal with industrial polluters. These departments are inert, ineffective and argumentative, lack technical expertise and do not participate enough in internal governmental debates. (Konstadakopulos, 2007, p. 51, 56)

Foreign direct investments has led the government to start building modern industrialized zones outside the Hanoi instead of keep building on the older zones that sometimes lies within the centre of Hanoi. The older areas lack the environmental infrastructure and service needed to keep the environmental affect of the industries on an acceptable level. The water supply in Hanoi is a problem area since the water systems dates back to 1894 when French colonists laid the groundwork to the first water supply network. Since early 20th century the city has also utilized groundwater for supplying water. However, in the year 2000 leakage in the archaic pipeline network led to that about 50% of the supplied water was wasted. Annually 120 million m³ of untreated sewage and industrial water is discharged in Hanoi and looking at the industrial and commercial development the volume of wastewater is expected to be 15 times higher than today. Government officials claim that the biggest issue in implementing environmental changes is the lack of environmental awareness in the population. (Minh Nguyen, Nurul Amin, 2002, p. 282f, 290)

5.2.6 Legal Situation

The judicial system of Vietnam is elementary and lawyers have no access to previous cases and rulings which means it is very hard to use precedents to win cases. The legislative processes are very slow since law propositions have to be approved in numerous institutions before being passed. The government is however working to simplify bureaucracy and legislative processes by cutting the number of ministries from 28 to 22. But for now the bureaucracy stops among other things the building of roads and power stations. (HFR, p. 4)

The integration into the global society has led Vietnam to develop and implement laws necessary to do business. The legislation covering relations between the state and society and also covering civil society organization is however, still missing. Even as this kind of legislation is missing that is not the most pressing problem with the legal system of Vietnam. This biggest issue is the one concerning the judiciary. There is a shortage of specialized judges which means that it is hard for the legal system to keep up with the

economic development of Vietnam. The National Assembly, the organ issuing new laws, has picked up pace the last few years shown by the fact that in 2004 just eight laws were passed but in 2005 that number increased to 22. The legislators of the National Assembly often lack the technical knowledge to properly shape and assess the ever increasingly technical laws. There have been a few civil transactions that were 'criminalized' by the courts leading to investors getting cold feet and hesitating on large investments. Corruption in the judiciary is a very important issue since it leads to distrust in the legal system and gravely disadvantages the poor and less powerful. (Rama, 2006, p. 154ff)

Private firms in Vietnam are crippled by bureaucracy, corruption, poor regulations, a frail legal system and an under dimensioned infrastructure. Despite this, entrepreneurs are popping up all over Vietnam. Vietnam did not do well in the annual league table of the World Bank measuring how easy it is to do business in different countries, even if it did beat Indonesia, the Philippines and India. This pattern comes again when looking at the corruption index produced by Transparency International which is a non-profit organisation, where Vietnam was not the worst but by far not the best either. It is important to note that the standards of corporate governance are pitiful in Vietnam and the figures presented by companies are often purely fictional. The inexperienced legal regulators of Vietnam are yet to prove themselves in an Enron or Northern Rock disaster, which very well may be necessary in the future. The bankruptcy laws are undeveloped and could lead to the authorities mishandling a high-profile failure should it appear. (EU, p. 7f)

5.3 Target Market

5.3.1 The EFU Market in Vietnam

Oil and gas is the biggest industry in Vietnam but only sometimes generates business for Alfa Laval. The industry may use decanters from Alfa Laval, but the offshore oil drilling has no waste heat and in that case Alfa Laval's products are not so efficient. Food technology is another growing industry that has a great potential for Alfa Laval but no sales is done so far. (Nguyen, L, 080827). In 2008 the process industry such as sugar and ethanol, petrochemical and refinery industry will grow. (Nguyen L, 080827)

Large global logistic firms are established in the country and the logistic companies do not normally cause problems. (Nguyen, T, 080819) However the infrastructure have been neglected for a very long time and the reliability is not very good. Vietnam has good logistic potential because of the position in Asia and the ports are in quite good shape. (Holgersson, 080818)

5.3.2 The Method Today

When starting to sell for EFU the sales person in Vietnam firstly gathered market information and then did a market analysis for a few weeks. Then he started to contact potential customers. If any sales are made he tries to find leads to make even more sales in that industry. During this time every step is reported by written weekly reports to the country manager who then gives feedback and support. (Nguyen, T, 080819) It takes time to gather information about the market but mostly it is possible. Personal contacts are very helpful in these situations. (Nguyen, L, 080827) In the same manner it is difficult to get information about the customers and their needs and purchase behaviour. This analysis is often based on personal experience. A few market research firms acts in the country but the largest consultant firms mostly focus on audit and finance. (Nguyen, T, 080819) Also local consultants are available. (Holgersson, 080818)

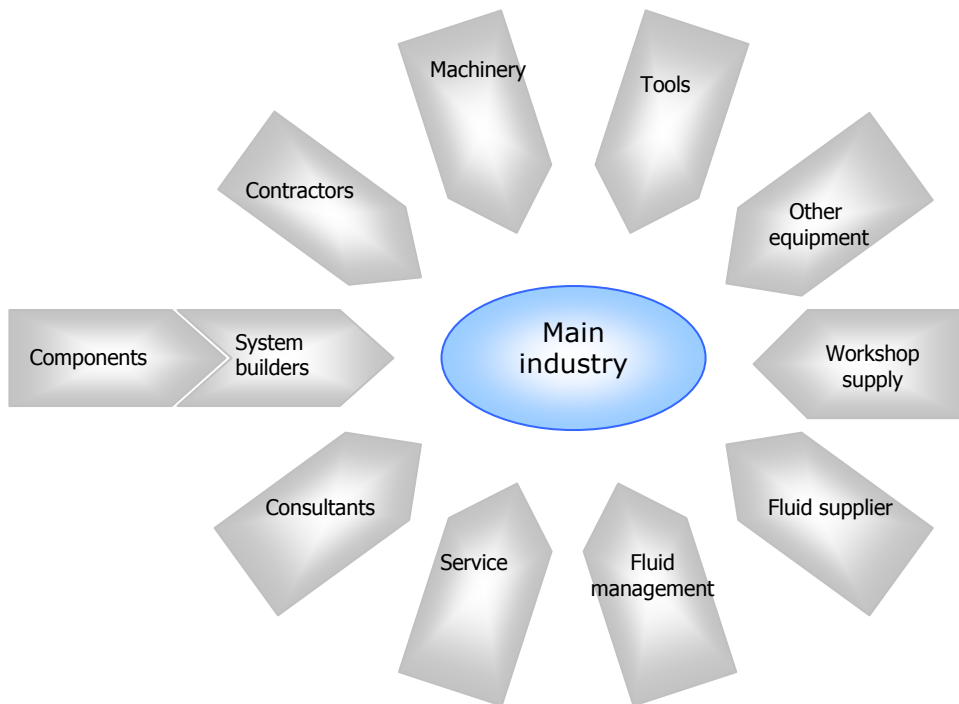


Figure 17 The manufacturing industry

Figure 17 shows the structure of the manufacturing industry. The mode of targeting the market is to approach an industry in the middle and then identify all the sub contractors surrounding that factory or company. The present sales person in Vietnam started with the automotive and metalworking industries as he had some contacts and leads in those industries. Once he finds that he has investigated every possibility in an industry he moves on to the next one. (Nguyen, T, 080819) In EFU Vietnam the sales person primarily focus on main contractors and system builders, machinery and equipments when targeting the market. At present 100 % of sales are plate heat exchangers but maybe separators will be sold in the future. (Nguyen, T, 080821)

In Vietnam the unique offer of Alfa Laval is taken in by the market and many in the industry know what Alfa Laval stands for. (Nguyen T, 080815)

5.3.3 Market Potential in Vietnam

The goal market is estimated partly by number of customers and their investments (for EFU 5000-10000 Euro/customer) and partly by number of replacement required on the market.

About 40 % of the revenue comes from multi purchase and 80 % of the customers return to Alfa Laval which is a good sign of satisfied customers. Today the goal market is 1M Euro but it is estimated to grow to 2M Euro in 2010. (Nguyen T, 080815)



Figure 18 The competition of Alfa Laval sorted in different categories. (Nguyen T, 080815)

The main competitors are the big international group such as Westfalia, GEA, Hisaka and APV but there is also a competition by the Chinese, Taiwanese and Korean companies in the same product segment. Finally Alfa Laval competes with other type of substitute products that could replace a purchase such as shell and tubes, filters or even copies. (Nguyen, T, 080815) The competitors can be illustrated as in the figure 18 above with different layers of competition. Many customers use shell and tubes and filters, but more and more start to buy PHE. The local companies mostly produce less sophisticated technologies and therefore compete with alternative technology and/or price. (Nguyen L, 080814)

At present Alfa Laval holds a market share of 17-18 % but in 2010 the forecast is up to 20%. (fig. 19)

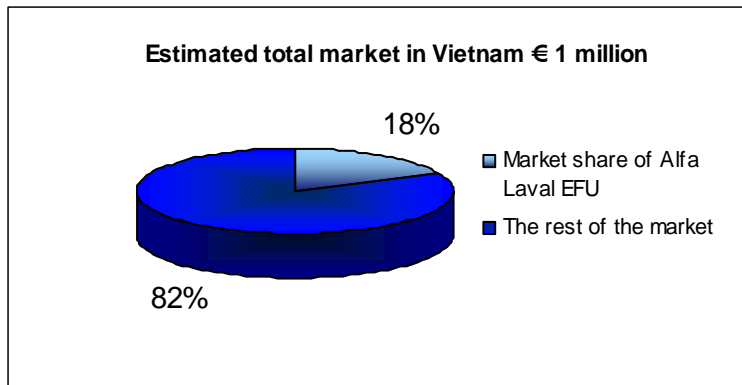


Figure 19 The market share of EFU in Vietnam 2008. (Nguyen T, 080815)

5.3.4 Education

The employees would benefit in more education and training, especially in separator applications. The best way of doing this is to study a real case on a customer and not only education in a conference room. Internet education is not good enough in a technical point of view, sometimes it is more valuable to have workshops and practical training. (Nguyen, T, 080819) The local training of an EFU sales person is difficult when it is only one person responsible as no one before have experience in selling in the EFU segment and the knowledge level is low in the office. (Nguyen L, 080814)

Self learning is very important and efficient and it is even more important than education from central management. (Nguyen, L, 080827) In meetings the sales persons try to educate the customers in the products and sometimes they organize seminars to spread knowledge about the company. (Nguyen L, 080827)

5.4 Sales Approach

Sales approach refers to the part of a sales person's work that contains some form of customer contact or the preparation of these contact contingencies. In some aspects the sales approach in Vietnam differs a lot from the one on western markets and thus it is important to identify the differences to be able to model and prepare the process in an optimal way.

5.4.1 The Process

In Vietnam, when sending out emails you can not expect to get an answer. This is true almost anywhere in the world but even more so in Vietnam than most places. Everything that needs to be done must be done through personal contacts. This is true in a political as well as in a corporate context. (Holgersson, 080818)

Business in Vietnam is fast and it gives status to be a partner to a foreign company. There is a mentality in Vietnam; “...it is better with one dollar today than a thousand tomorrow”. The Vietnamese generally never say no when faced with a business opportunity. This means that before contracts are signed, omnipotent research and control of the other party is required. (Holgersson, 080818)

Branding is important and with the right brand you can sell, almost regardless of price. Attributes such as recognition, sustainability and reputation are important. There are more magazines in Vietnamese now compared to before and this means more publicity and branding in general in Vietnam. The people get more aware and care more about different brands and this does also apply for industrial products and not just consumer goods. Sweden and Swedish brands in general have a good reputation in Vietnam. Swedish companies are known for quality products and supreme brands. (Holgersson, 080818)

Vietnam has been a one party state for a long time and this has lead to the fact that the country today is a low confidence country, meaning that there is basically no trust between people, between people and the government, between people and companies, between companies or between companies and the government. Because of this creating trust on a personal level is imperative in doing business and making a sale. Trust develops in long term campaigns in the country. This is very important for success. Many Swedish companies have this long term view and after a year or so, they are most often up and running. The one year delay is because you have to have time to build the necessary trust. (Holgersson, 080818) Generally bigger companies tend to trust western companies to a larger extent than smaller companies do. (Nguyen T., 080819)

The process for a typical sale procedure started by a lead is as shown in figure 20. (Nguyen T, 080821)

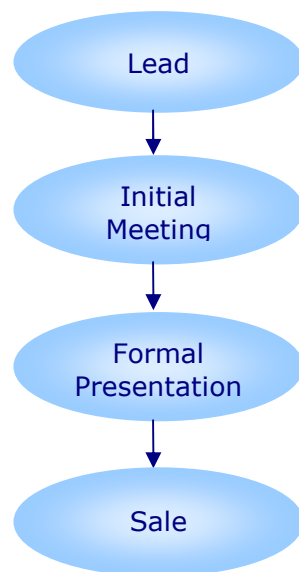


Figure 20 The sales process when initiated by a lead (Nguyen T, 080821)

The time from meeting to order is most often a few calls on the telephone and emails and after that two to three visits at the customer site. 20% of the time is spent on prospecting new leads. The rest of the time is used nurturing existing contacts and meeting all other requirements of the job. (Nguyen T, 080821)

Generally Vietnamese people have a positive image of Sweden, although they do not know of many Swedish companies. The reputation of Swedish products is that they are of high quality but are expensive. Other attributes common when Vietnamese people speak about Swedish companies are honest, friendly, environmentally focused and healthy. The Nordic Chamber of Commerce work actively to convince the Vietnamese government to cherish Swedish companies as organizations that creates better environment and better working climate than many other foreign companies. However, Vietnamese companies in general have a lack of money and thus are price sensitive. They are in many cases not yet ready to pay for quality. (Runeberg, 080826)

The sales channels used by EFU are mainly direct sales to end-users and through EPC contractors. The EPC contractors are companies that construct plants for others. Most often the sales through these EPC contractors are negotiated at central management and thus they are obliged to use Alfa

Laval products. There are quite few system builders in Vietnam. The ones that do exist are small and have small volumes. Mostly they construct hydraulic power systems, water cooling units or compressors. Apart from direct sales and EPC contractors, EFU sometimes use the possibility of trading companies. These are used when there are not enough sales resources in house to meet with all possible customers. Sales through trading companies are made on a case by case basis though, and hence there are no obligations to them and vice versa. There is a difference between trading companies and distributors and this difference is comprised of the closeness and obligations between the parties. The relationship to a distributor is more long term and closer than the one to a trading company. (Nguyen L, 080814)

It has proven very hard to find a suitable distributor in Vietnam. There are distributors on the market but they generally have too many brands in their assortment distracting them, hence they are not focusing on the products of Alfa Laval. Thanh Nguyen (080819) ponders on desirable features of a distributor:

“We need a distributor that delivers good support for both our customers and us.”

To improve sales in Vietnam for EFU, as well as for other segments, branding and references are important. Apart from these two things presence in the market place is important. To constantly be seen by customers in the context of heating, cooling and separation is important to create awareness of our brand. (Nguyen L, 080814, 080827)

5.4.2 The Sales Pitch

Marketing and sales are integrated today since there is no marketing department in Vietnam. Consequently the same people that sell are the ones doing the marketing. However there is no heavy marketing conducted, but rather through marketing material such as flyers and brochures that are handed out at sales meetings. Every sales person prepares their own marketing material. Possibly EFU will participate in local exhibitions and fairs in one or two years. This is not possible today since the segment is too small in Vietnam. (Nguyen T, 080819)

The use of success stories could prove very efficient since Vietnamese people like to see opportunities and successes of others. The Vietnamese

people especially look up to Korea and Japan and thus success stories from these countries could prove to be particularly proficient. (Runeberg, 080826) The lack of success stories and references poses a problem since Alfa Laval is a new brand for many of the potential customers and no pre-existing sales have been made in the area. To prove that Alfa Laval is a high quality brand, worth paying for, sometimes is very hard when references are scarce. Many customers do not even know they need our kind of products. (Nguyen L. 080814) Success stories are used a lot by some segments and it has proven to be very efficient as a complementary sales tool. (Nguyen L, 080827)

Branding is used when possible to facilitate sales, but this is not used very often when selling in the segment of EFU since most companies are not acquainted with the brand. Service and relations are imperative to, in particular, get repetitive business. However, obtaining good relations are difficult since EFU are new on the market and thus the sales resource is inexperienced and the competition from more established brands is fierce. Word of mouth is important to grow the business and make new sales. To build the trust the sales person must nurture the customer relations by visiting customers, providing product and application knowledge and last and perhaps most importantly build friendship and use personal contacts. Other sales points are of course comprised by facts true all over the world such as quality and pay back time. (Nguyen L, 080814) The ACE-system³ will be implemented in Vietnam in the near future and this will facilitate the handling of contacts and the personal network of our sales persons. (Nguyen L, 080827)

It is important not to promise too much so that the customer can always be kept satisfied. This means that deliveries may not be late and of course that the correct deliveries are sent to the correct customers. This is unfortunately not always the case since we have experienced problems with the production site in India. (Nguyen L. 080814)

5.4.3 Challenges

One of the greatest challenges in selling on the Vietnam market is to understand the decision process in different companies. To penetrate the company on an appropriate level and get to talk to the decision maker can prove very difficult. To develop the ability to value trustworthiness of different people and to build a personal network takes time. Probably the

³ A Customer Relationship Management-system

best way of selling is to use one Swedish and one Vietnamese person on meetings. This approach would open doors and convey trust to the potential customers. Gossip plays a substantial role on Vietnamese workplaces and should not be dismissed. (Runeberg, 080826) A big challenge in selling in this region is to understand the culture and local buying behaviour of the Vietnamese. Normally it is necessary to meet with the customer face to face to convince the customer of the advantages a quality product offers and very often the customers are price sensitive. (Clement, 080827) Generally it is best to try to talk to the director or perhaps the technical manager of a potential customer since these are the persons actually making the decision to buy a product. Preferably, talking to machine engineers or technicians is avoided since people in these positions often tend to want to seem important, but rarely are in a position to actually make a decision. Also, there are different technicians for different machines and systems and so obtaining repetitiveness in business with these people is very hard even if one sale is made. (Nguyen T, 080812)

Some problems are experienced with the after sales service. This service is collective for all Alfa Laval segments and is conducted by one engineer that travels around and performs maintenance and service in customer sites. However, the service engineer is too busy which leads to long lead times and thus, unsatisfied customers. (Nguyen L, 080819)

Finding information and contacts and getting through to talk to the right person is hard and worse for medium or small companies than for large multinationals. The language poses a barrier for business as the general knowledge of English is quite low. The business for a company conducting sales in Vietnam thus depends on the limited number of people who speak Vietnamese in that company. (Holgersson, 080818)

Vietnam laws always apply, no matter how well revised contracts. It takes a lot to run a process against copying companies or bad business. Corruption could lead to the capital punishment. However this does not mean there is no corruption, on the contrary. The government fights against corruption, but slowly. Too many people gain on the corruption for it to decrease at such a rapid pace as is desirable. It is important to be very careful when doing business in Vietnam and it is hard to find fully trustworthy people. (Holgersson, 080818)

There is a rather widespread egoism and survivor instinct in Vietnam making people take their chances and as mentioned previously not trusting anyone. In this lies also another problem namely that people sometimes try

to get profits for themselves and thereby not honouring contracts. By having a long-term view and getting established in the country a company can protect itself from these problems since domestic companies tend to follow contracts with well established partners to a larger extent. (Holgersson, 080818)

Pricing is unarguably a problem at present. The price of Alfa Laval products is quite high compared to other brands both locally and globally, and potential customers, often previously unaware of the Alfa Laval brand, question why they should pay so much more for the products of Alfa Laval. Also, customers question why the products are so expensive when they are produced in countries such as India or China. They claim that the quality of these products is lower than it would be should the products be manufactured in Sweden, but still the price is the same. (Nguyen L, 080814) A special pricing would be recommendable on the Vietnam market. We often sell the products at a very low margin, sometimes as low as 3-5% just to get into the market. The prices of Alfa Laval, even with discount, are a bit higher than our competitor's prices. (Nguyen T, 080815)

5.5 Managing & Leading

Throughout all interviews the managers' role and mindset has been pointed out as an important factor of success in Vietnam. Many different actions were mentioned and the following chapter describe the activities that are essential when managing and leading employees in a good and motivating way.

5.5.1 The Labour Market

For EFU the order value is smaller than for other segments within Alfa Laval which sometimes is discouraging. The market is fragmented both regarding geography and industries which means that a single sales person have to travel across the entire country and focus on a lot of different industries which takes much energy and time. (Nguyen L, 080819)

Young people want to be promoted and get a high salary, and for experienced and well educated persons there are many possibilities to change work often and negotiate a lucrative offer. (Nguyen L, 080827) Vietnamese people educated abroad most often in the US, are attractive on the market, but they tend to be both expensive and not so loyal. (Holgersson

080818) Alfa Laval has only experienced people leaving to start up their own business and most people find it very interesting to stay in the company as the working environment and company policies makes the employees wanting to come to the office every day. Keeping the salaries at the same level as competitors is also important to keep the employees. (Nguyen L, 080827)

Last few years a lot of people have gotten richer and the labour market holds a lot of opportunities which results in a large rotation of people. The monthly salary for a well educated person is about \$600 to \$1500. People from the north and the south of Vietnam are perceived to be very different. From the north the people think more long-term and they generally stay longer on a job than a person from the south. The average working time in one company in Ho Chi Minh City is 1.5 year. It is not unusual to change work ten times in a year and believe that it is an advantage to have that much experience. Many recently established foreign companies are not aware of the salary levels and normally they put a higher level than expected to attract work force. This leads to raised salaries, an unstable market and encourage people to change their work all the time. (Runeberg, 080826) Hence, it is important to compete with reputation and the fact that it is status to work for a global western company. Reputation for a company is based on the brand name and the market position. Alfa Laval is well known in the industry but there are also other multinational companies that are better known than Alfa Laval. (Nguyen L, 080827)

There are many ways to retain employees. Marc Clement (080827), general manager at SKF Vietnam, mention the importance of finding the right person by conducting stringent interviews and not only rely on head hunters when hiring people. On the other hand, it is also important to create a team feeling and high spirit in the company and have continuous training and coaching on the job. A challenging task for the human resource department is to select core function staff having in mind long term perspectives. Furthermore, Runeberg (080826) mention that northern people appreciate the company culture and Swedish companies' benefits while southern people are more driven by income.

The incentives system is based on company standards and is hard to affect. It is desirable to have a higher percentage of performance based salary as it today is only a few percent. (Nguyen T, 080819)

5.5.2 Attention

More attention from central management might make a difference to the daily work in the sales companies. They hold experience and knowledge that could help improve the process and facilitate the work for a local sales person. When working in a sales company for a global company it is not always obvious to feel like a part of the entire corporation. It is up to every person to be updated in what happens globally. The distance sometimes is perceived as too far from central support and it takes time to get answers to questions that could not be answered by ALround. (Nguyen T, 080819) The communication works differently between different segments. The pricing system is mostly quite clear but in some segments it is not. This leads to contacts with central management for every offering to get the price since it is not available on ALround. (Nguyen L, 080827)

The newly employed Asia Business Manager would be a good way to motivate the local sales force and it will also facilitate and accelerate the communication and sales support. Presence at meetings with customers will have a positive influence at the outcome and give a professional impression to the customer. But many layers of managers can also create territorial conflicts and conflicts such as “you have your budget in my budget”. (Nguyen L, 080827)

5.5.3 Control

The sales persons at Alfa Laval in Vietnam make a weekly report to the general manager including hot projects, lost projects, visits planned, visits made and outcome of the visits. This is an efficient way of following the process and controlling how it develops over time. It works very well especially in the beginning when a sales person is unused to the procedures. In addition the sales persons make a customer plan plotting potential customer of the segment. (Nguyen L, 080827)

5.6 Summary

This section aims at summarizing the result of the efforts in collecting the empirics needed to solve the issue at hand. The field study in Vietnam presented the authors with the lion’s share of empirics and this is according to the plan outlined in chapter 2.

Selling in emerging markets, or at least in Vietnam, seems to be complex but the empirics gathered and structured gives a solid ground to stand on coming to the analytical part of the thesis. There are many areas to analyze to get to the core of the problem comprised of slow growth in emerging markets.



Figure 21 The methodological framework

After the PESTEL-analysis the information collected in Vietnam is presented. This information together with the PESTEL-analysis will be the foundation on which the following analysis is conducted and the information in section 5.1 will later on act as information for the generalization attempted in section 6.8. The information from Vietnam is structured according to the methodological framework first presented in section 2.2 giving the reader a structured line of argument through the entire thesis. The methodological framework can be viewed in figure 21 above.

6 Areas of Improvement & Generalization

In this chapter the data collected throughout the thesis is analyzed. The chapter presents a link between the assignment given by the management of EFU, in chapter 1 and the solution presented in chapter 7. The analysis is grouped into three different areas that follow the structure of chapter 4.

6.1 Analysis of the Situation in Vietnam

6.1.1 Target Market

There are many different factors that combined aggravates a market analysis in Vietnam. There are no trade organizations covering the industries that EFU targets in the market of Vietnam. Similar products sold have a just as immature market as the EFU segment to deal with so they do not offer a good comparison market. The Vietnam market is highly flexible and ever changing with new competitors and customers entering the market all the time. This makes the market estimation assignment very hard to carry out in practice. Since it is so hard to find reliable data and the decision to enter the market in question is already made, perhaps sales persons and the management in Vietnam should not put too much emphasize on estimating the market size. What could be interesting would be to find a country with a similar market where Alfa Laval has been established for a longer time and compare the different markets. This would however, demand a good and efficient information flow between different emerging markets within Alfa Laval and especially between different EFU sales persons. Such an information flow should be facilitated by central management to support the local offices with relevant and useful material within fields of interest. Central Management has a global overview and resources to collocate information in an efficient way. Interesting areas to focus on could be new product opportunities, competitor actions or figures and statistics regarding sales in the country.

Market sizing information is scarce and thus analyses aiming at developing these kinds of estimations are time consuming and stealing time from customer development work. Not having a good understanding of the market size and the shares of competitors is not desirable, but having wrongful figures in these areas is perhaps even worse since these flawed numbers should not, under any circumstances, be the basis on which market strategy decisions are made. Even if market estimations should not be in the

centre of mind for the sales person in the start-up phase, information on the market and especially on the competitors should of course be collected and structured when encountered.

Almost all of the main competitors of Alfa Laval are represented in the Vietnam market. This means that they together share the market of advanced heating, cooling and separation in between them. This is by all means certain knowledge, however how the percentages are divided remains unknown since no one really knows the market size and no company knows the sales figures of any of the competitors. It would be desirable to have good communication possibilities between the different emerging markets since getting an understanding of market shares in other emerging markets could give an indication of how the market shares are divided in the country in question. Furthermore, the market can be expected to grow and perhaps also, at least in the long run, to grow rapidly. This means that the main focus of EFU in emerging markets should not be on trying to steal market shares from others, but instead to win the customers today using inferior technology to solve their temperature and separating issues. These customers are bound to be easier to win since the technical performance of the products of Alfa Laval, many times, should be enough to convince the customer to switch supplier.

It should be pointed out that as the regular features of an important customer applies, another and important aspect applying for Vietnam is where the sales person have leads or knows a person who can help with the initial contact. This is of essence since trust is scarce in the business environment of Vietnam. Even though contracts and other judicial documents are used they do not create such large confidence as they normally do in more developed markets. Consequently the trust and confidence must be built on other grounds than those given by the government. It is important to note that the sales of Alfa Laval's products often pose a huge investment for a Vietnamese company that is used to domestic products which obviously are in a lower price range. This means that convincing these customers of the advantages of Alfa Laval's products demands a high level of trust and a long-term view on cooperation. After initializing a successful contact the personal network of the contact at the newly won customer should be addressed regarding new leads in the industry. The issue of personal network is further discussed in section 6.1.2.

The customer base of Alfa Laval needs to be educated to realize the gains of Alfa Laval's products. Educating the customer base in the advantages of high quality products such as Alfa Laval provides may very well result in

sales but, it could also result in sales for latecomers in the market profiting from the market education work performed by Alfa Laval. In the same way a shrewd strategy is to identify the customers or customer segments that are targeted by the competition and try to win their prospective customers in the final stage. If this is an attractive strategy or not is up to the country manager or sales person to decide since circumstances differ between different countries. If the market is expanding perhaps it is more efficient to target customers that have not been approached by competitors to avoid the obvious hazard of out-performing a competitor instead focusing on educating the customer in the gains of a more advanced technology than what they use today. A direct competitive strategy will eventually probably lead to price competition and this is not beneficial for any of the actors on the market, of course except for the customers. The market has potential to grow, and as the demands for qualitative products in general will grow, the demand for products such as Alfa Laval's also will. Especially, the domestic companies producing to and supplying companies from developed economies could prove to be a strong customer segment since these companies probably will demand higher quality than what is available with domestic low quality heating, cooling and separating equipment.

The line of action when starting up sales in a new industry market is not clear. A sales person does not have a standard structure and begins randomly in different markets and with different products. This is not efficient since the same problems are encountered and solved over and over again. In the same way the same mistakes are made on different markets at different times even though this could be avoided by a clear and determined initial structure for the sales persons starting up sales for EFU in emerging markets.

When setting out to sell the products of EFU the sales person should choose which market to target first. When this choice has been made it is important to think through what key selling points will be most important for that particular segment and make sure to learn the selling points before addressing the first customer. Doing so will improve the sales/sale meeting ratio and lead to better penetration of the segments targeted. One single sales person can not penetrate the entire EFU market at one time when starting up sales in a company, but must instead focus on the markets that have the highest potential. By focusing in this way the sales person can develop expert knowledge in an industry leading to better sales results. Only when the first targeted industry or perhaps industries, if several industries can be targeted without losing the specialization possibilities, is penetrated to a satisfactory level new industries should be targeted. When the first

customer has been approached in an industry, whether it results in a sale or not, the sales person should use that contact to find new leads in that specific or related industries. When approaching the second customer the sales person will be confident and relaxed with the sales pitch and thus be able to make an even better impression, in the end giving the sales person expert knowledge of the industry.

6.1.2 Sales Approach

A selling point that can often be used in western countries, but that is practically useless in Vietnam is the question of environmental friendliness. Even though the use of Alfa Laval's products often is better for the environment than competitive technologies this can not be used as a big issue in Vietnam. The environmental laws of Vietnam are in some regards quite strict, but they are not implemented in an effective way and thus they stand ineffective on the market. However, just as the developed country customers to the customers of Alfa Laval in Vietnam can demand the use of high quality products in heating and separating processes to ensure the quality of the goods, they can also demand the use of environmental friendly methods to fit with their overall company values. Should the laws at some point, and it is probable they will, be better implemented Alfa Laval should obviously be prepared and aggressive in the use of this argument since this is a clear positioning of the company globally.

Selling is a complex process that nowadays requires a lot of the sales people. The market demands a qualified sales person with good knowledge not only about the products but also about potential markets, customers' behaviour and changes on the market. Even as these areas are quite demanding to conquer they are not enough to guarantee that the sales person develop the business of EFU in the right direction. The sales person must also be educated in the core values of Alfa Laval to convey the correct image of the company to the customers. This is important since the sales person in many cases is the first contact between Alfa Laval and the potential customers. Should a wrongful image of the company be conveyed, it can be very hard to change in a later scenario. Therefore it is important to educate a new sales person to fulfil these high demands already in the beginning. Today the education is insufficient and the first real training is not available until at least half a year of employment. In practice the training often is not attended until a few years after employment and this delay is unacceptable. The first period is the most important phase for learning and collecting knowledge and if this is not done in a good way this time could very well prove to be a

waste of time. The sales person gets stranded in the office without any tools showing how to approach the customers. This does not only result in a slow and inefficient start up but could also lead to an incorrect direction of the business development. Learning by doing can be very efficient but it is also important to give the newly employed sales person in an emerging market the right bearings to assure the work is developing in the right direction.

Attracting the Customers

The attraction of Alfa Laval should in the long run be built on a local reputation of supplying superior products with pristine service. However, as the business of Alfa Laval still is quite new on the EFU market in Vietnam the reputation has not yet had time to settle. Instead sales persons should focus on the attraction that is based on the fact that Alfa Laval is a European company giving it a natural appeal among many Vietnamese companies. This global reputation must in every way possible be conveyed to the market of Vietnam. The reputation of the other segments that often are started before EFU in emerging markets and thus have had the time to build a stronger position could also be used in the development of marketing information. Every gained customer must then be handled and valued in a good way to let the stronger basis of the local reputation to build up.

All the main competitors of Alfa Laval in the global setting also are present in the Vietnam market. This means that there are plenty of alternatives matching the technical specifications of Alfa Laval's products. Hence, technical brilliance is no means for key selling points but rather a condition to be in the market place at all. Alfa Laval must instead find other ways to differentiate from the competition. This can be done in numerous ways and it is important to decide what strategy to use while doing so.

Word of mouth is a good way to create trust since the "word" most often travels between people who trust each other. However, trust is not immediately built between the potential customer and the sales person because of this, but instead the sales person must work hard to get within the circle of trust. Nonetheless, word of mouth poses a good basis to start from and can typically lead to an initial meeting.

The fact that psychological and emotional aspects play an important role, as implied in section 4.8, even in organizational buying and not just consumer buying in Vietnam is unquestionable. Trust is not created between contracts and a human but instead between humans. Thus, the personal contacts and ability to create trust is just as important as, and perhaps sometimes more

important than, having an optimally designed offer for the customer. A sales person must be aware of this and take time to nurture existing relations from the everyday work. A task that is just as important as booking sales meetings and place orders since it is this task that in the long run generates sales and gets new customers.

It is, for any sales person, important to acknowledge that it is desirable to build not only social bonds but also structural bonds. However, while working towards this it is also of importance to not make the customer feel painted into a corner and left without alternative since this could scare the customer off. In the end though, the social bonds are of greater importance than structural bonds and this applies to a greater extent in Vietnam than in many developed countries.

Finding information about organizational customer behaviour in Vietnam is very hard and proves to be an obstacle when trying to adapt the offer of Alfa Laval in general to the conditions of Vietnam. Often the sales persons are left with the only alternative of using gut feeling when addressing and targeting customers since information necessary for a proper analysis is not available. This is, to say the least, not efficient and can result in the loss of potential customers since they easily can be approached in an inappropriate manner where the key factors applying for them are overlooked. It is reasonable to make the assumption that a customer that once has been lost after the initial sales meeting is very hard or even impossible, to win back. Thus, ill prepared customer approaches must be avoided. This could possibly be done by communicating experience between different EFU entities on emerging markets all over the world and especially between those that can be expected to have similar markets.

To locate powerful buyers in a Vietnamese company can prove to be very hard and not finding the right person or group instantly is part of every day for a salesperson. However, spending time on someone that does not have the authority to decide, are affecting the decider in the company or act as a gatekeeper is a waste of time. Generally this should be avoided since the time of the sales person is precious and badly spent time can be viewed as, not only a waste of time but also a waste of money. This problem is worsened by the fact that sales decisions more and more are taken not by one single person but by an entire group of people making the decision chain a bit slower and harder to convince.

Under normal circumstances the industrial or organizational purchaser is of great technical knowledge and this can aggravate as well as simplify the

work of a sales person. In Vietnam the sales person often is faced with a situation in which the potential customer is not familiar with the superior technology of Alfa Laval's products but instead is used to older and sometimes even obsolete technologies. This means that the sales person must educate the customer before a purchaser could be interested in paying the, in comparison, high price of Alfa Laval's products. This is time consuming but will as the market gets educated and evolves decrease in importance and eventually the players in the market will have the same knowledge level as would be found on any western market today. However, so far the education is imperative and a natural element of many sales on emerging markets.

Forcing the products of Alfa Laval into the market via one-time sales with low margins is not recommendable since this could mean a long-term distortion of the market's expectations on the prices of the products. Hence, the global positioning strategy of Alfa Laval would be in danger on the Vietnam market. This is bound to mean trouble in the future if the global positioning strategy is going to be applied. It is generally important to make sure that the global strategy adopted by the EFU segment is also applied in the emerging markets since it can prove to be very hard to recover from a damaged reputation or a wrongful impression of the company in the view of the customers. At the same time the strategy must be adapted to some extent to fit the prevailing circumstances of the Vietnam market. However, the core values of Alfa Laval as a company may never be compromised to fit with the conditions of Vietnam or any other market for that matter.

Retaining the Customers

Alfa Laval and EFU are not only facing the competition of equivalent or even comparable products, but also from technology competition made up of domestic inferior technology. In this competition it is utterly important to differentiate Alfa Laval from the competition in the aspect of transaction marketing versus relationship marketing. By showing the customers that the product of Alfa Laval is not just a physical product, but also the service and support around the physical product and help with processes comprising the physical product a real differentiation can be made. Of course the technical superiority of the Alfa Laval products cannot be left out in the sales process, but it is imperative to note that the relationship aspect of the sale is just as important. As the customer knowledge and expectations on the technical aspects of the products increase the need for a focus on relationships will increase even more to enjoy a sustainable and superior market position.

Trust is the backbone of every successful business deal in the world. In developed countries trust is facilitated by the legal system and the judicial documents within the system, but this is not the case in Vietnam. Instead trust must be based almost solely on personal connections making the work of the sales persons extremely important. To maintain trust it is of course important to stick to your promises. This puts the question of service and lead times in focus. Not delivering on time and having long lead times on service makes it hard to uphold the trust that has been built up through numerous occasions and meetings. After a few successful business deals trust should be possible to build up between the customer and the company itself and not only to the sales person even if the sales person continuously will play an important role in developing and maintaining the relationship.

When trust has been built between Alfa Laval and a customer it is imperative to always work actively on the relationship to improve since the relationship degenerates just as easy from passiveness as from bad service or any other directly harmful action. The active work can be approached in different ways and will probably differ between different countries, but what is common among all markets is the fact that it is needed. By actively working on a relationship it is not only maintained but strengthened and thus a customer after a few years will be very strongly tied to Alfa Laval. It is also more probable that such a customer that has a strong link to the company will speak positively about it and in that way can create new potential customers. People who are believed to be influential in an industry should be extra well taken care of so that their word can start to facilitate the sales of EFU.

There does not seem to be any indications of competition or territorial conflicts between sales people in Vietnam. Generally within EFU there is only one person working with sales and that person is responsible for the whole country. The distinction between the different segments is clear and if another segment finds a business opportunity for EFU the contact or information is transmitted without territorial conflicts. On the contrary there is a demand of a larger collaboration between mainly the different sales offices and more knowledge exchange is desired. When working alone with a task it is sometimes difficult to find motivation and leads and to share problems and ideas with other persons in the same situation could be very helpful. These discussions could be between both different segments within a country and also between different EFU units in different emerging markets.

Another possibility is to have joint market events or sales campaigns with EFU units in other countries. When one country identifies a potential market area it is important to convey this information to other countries so that they could use the same approach. In some countries it is possible to run multinational sales project and try to approach a potential customer in many countries at the same time. Collective actions in sales are an efficient way to strengthen the company's reputation and win larger deals.

6.1.3 Managing & Leading

The political climate of Vietnam poses some obstacles for entry into the market such as the prohibition of foreign owned companies making Alfa Laval having to control the sales company of Vietnam from Thailand. According to theories about emerging markets in chapter 4.3-4.4 a country that is regarded to be closed to some extent can present a company in the market with advantages not given to other companies and sometimes other companies are even prohibited to enter the market. However, even if some political obstacles exist that could have given Alfa Laval an advantage, the company does not hold an exceptional position towards the competition. Neither has any competitor gained such a position, and thus no advantages or disadvantages are given Alfa Laval from the government. Hence, competition is on equal terms in the industry. When it comes to the embracing of western ideals Vietnam should be viewed as relatively open and interested in western and market economic ideals. This does to a large extent apply for the general educated employee in Vietnam and perhaps a bit less for the government of Vietnam that still obviously reigns in a one party system with an approach that can be viewed as a market economic planned economy.

When it comes to country risk the Vietnam economy is currently in a recession and previously this year (2008) there was a large burst of inflation shooting it up to levels of 30%. This will, of course, affect the sales figures of this year. Even though the economic climate may currently be turbulent the political climate remains stable and this is a prerequisite for a quick recovery from the current financially troublesome situation. These are however, factors not possible to affect for an organization such as Alfa Laval. Hence, the only reasonable action regarding this situation is to "sit tight" and doing the best of the situation while maintaining a dynamic approach towards changes in the market place.

The economic as well as cultural distance to Vietnam from Swedish prerequisites is unquestionably large which presents Alfa Laval and hence also EFU with challenges in trying to adapt the market knowledge and offers to fit with Vietnamese conditions. However, the company should be quite familiar with adapting to new market conditions even when the economic and/or cultural distance is large since new markets, all over the world, have been entered since the beginning of the 20th century. Nevertheless, the problem is real and prevails. Another challenge perhaps easier to accept is that it could be the size of the company that has grown so large that it has grown inflexible, making adaptation to new conditions slow. According to the theory in section 4.3 smaller firms generally are more successful entering emerging markets than larger firms. It is possible that Alfa Laval has come up against the problems often facing large firms in emerging markets namely, being too rigid in the adaptation to the specific market conditions of emerging markets. That is, the offer to, or approaching of the customers are not adequately adapted to the prevailing market settings.

The sales office of Vietnam, just as in any other country, is a wholly owned subsidiary of the Alfa Laval Corporation. This gives the central management of Alfa Laval a high degree of control over the actions and events taking place in Vietnam. However, as the company is owned, and controlled, by Alfa Laval and not just the segment of EFU, the central management of EFU is in a position where they share resources such as the local management in Vietnam with other segments. This means that it hard to, for example control to what degree a newly employed EFU sales person is educated.

The sales process is getting more and more complex and sales work is a challenging and difficult task to manage. For an international industrial group it is of course important to have a well defined global sales strategy but even more important is the way the central management convey this strategy to the local companies. The communication between the company in Vietnam and central management in Lund is modest to non-existing and the employees in Vietnam do not feel like a part of the group of Alfa Laval. Attention is important not only for the business but also for the motivation of the sales people. For a small segment on a growing market it is helpful to get guidance and support from the management.

The manager's role in Vietnam is rather focused on sales and results than on training and motivation. It is a challenge to be responsible for nine different segments and as EFU is the smallest segment it is not getting so much attention from the management. For a sales person working for a small

segment that has not yet started to generate any sales there is an important need for attention and support to succeed. As the local management does not always have time or resources to do so, the sales person gets stuck in between with little or no guidance.

Once again, it should be noted that people from the north of Vietnam differs to some extent in behavioural patterns on the labour market from people from the south of Vietnam. These differences regard the loyalty towards employers and the drivers of motivation and thus employees from respective part of the country should be handled and motivated in different ways. It is reasonable to think that a mix of both northern and southern people is the best way to create a good working environment and knowledge base as diversity is beneficial in most group dynamics cases.

Since personal relations are such a big part of sales in the Vietnam market, and these relations by obvious reasons take a long time to build it is imperative to attract and retain the right people to the sales force of Vietnam. This however, can prove to be hard since there are no big recruiting firms and because people in the labour market in general tend to be a bit disloyal. The disloyalty is in part created by foreign companies coming into the market offering sometimes twice as high salaries as the industry standards. By doing so the market equilibrium gets disturbed and thus changes quite often.

The ramp-up period for full productivity for an EFU sales person starting from scratch is quite long. Studies reinforce this fact as the same concerns exist in western countries and there, the average ramp-up period even increases every year. The person hired for EFU in Vietnam had two years of experience after the university but no relevant experience from the industry and with no existing network. In Vietnam it takes a very long time to obtain knowledge and create a network. As the labour market is very unbalanced, sales persons tend to change work very often. Every time a sales person quit their position this ramp-up period starts all over again. Therefore it is imperative to do everything to keep the sales persons.

6.1.4 Main Findings

Of all the interesting aspects that came up in the analysis of Vietnam in the precedent sections, the most important findings are presented below. The findings are made up of nine different areas of improvement. The selection

and grouping of the results was based on several aspects and is further described in the working process in chapter 2.2.



Figure 22 The methodological framework

The nine identified factors from the analysis have been divided into three different areas according to the methodological approach first presented in chapter 2 and reviewed in figure 22. The three areas are Target Market, Sales Approach and Managing & Leading, but the line between these areas is not always clear. Some of the results concern more than one area and are important for both sales people and managers. All of the areas are affected by the cultural context and these aspects are taken into considerations in every of the other three areas.

Below you can find the grouping of the nine most important areas of improvement that have been identified during the analysis.

Target Market

- Market Information
- Knowledge & Education
- Initial Structure

Sales Approach

- Relations & Network
- Service Level
- Success Stories

Managing & Leading

- Communication
- Attention
- Keeping & Motivating Your Sales persons

The breakdown of the nine areas of improvement into the three areas of our methodological framework is clarified in figure 23. Some of the areas of improvement are not strictly belonging to one main area of the methodological framework but instead have applications in two different areas. In these cases, the areas of improvement are put in the adjoining corners of respective area of the methodological framework. It is important to mention that it is combined improvements in all three areas that will give the best results. An effort is needed from actors on all levels from the local sales person up to the central management.



Figure 23 The nine areas of improvement

In chapter 7, recommendations will be presented for each of the nine areas of improvement above, but first a short review will be made in section 6.2. This section also discusses the possibility of making the areas of improvement generic to fit all emerging markets.

6.2 Generalization

The overall objective of this thesis is to develop a successful market penetration plan for emerging markets based on the case study of the Vietnam market. Hence, the findings of the case study in Vietnam shall be generalized to fit different emerging markets around the world. This objective is not compatible with the findings of Khanna, Palepu and Sinha presented in chapter 4.4. Regardless of this, an effort is made to generalize the results of the Vietnam case study to, at least to some extent, fit with other emerging markets. Of course, some adjustments will be necessary for each and every one of the different emerging markets that currently is, or in the future will be targeted by EFU. In line with Patel's point of view regarding generalizations in chapter 2.4, the authors believe that emerging markets have so many similarities that a generic action plan is feasible.

As seen in the methodological framework (fig. 22), both management and cultural contexts have a great influence on the sales process and these two factors vary between countries. The authors believe that this thesis could contribute with a generic methodology that could be used in different countries with well-reasoned modifications. Every country has their own manager with his or her personal values and ideas that are reflected in the organization. Each manager holds a personal experience and knowledge that differs in comparison to other managers. It is important to take advantage of this unique competence and make sure that it is used in an efficient way. Furthermore, every different country has their unique culture and the business environment differs a lot between the countries. Relations are built up in diverse ways; social codes are exclusive for every culture and the business climate change over the borders. However, these countries also have very much in common and today these collective factors are not taken into account when strategies for emerging markets are defined. The findings and recommendations of this thesis are made to be used in combination with the local prerequisites in a country described above. By merging local strategy, the unique competence and experience of the

manager, with a generic methodology a complete action plan could be developed. This can be illustrated with the help figure 24 below:

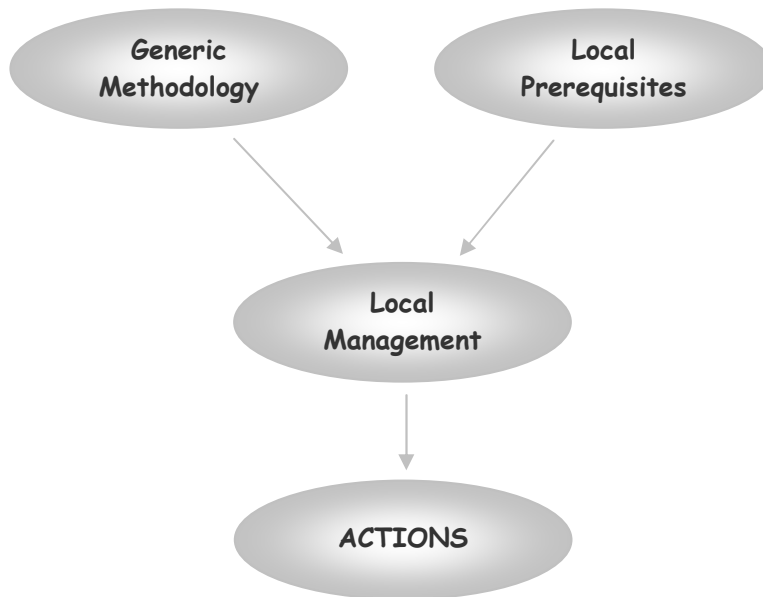


Figure 24 Development of a complete action plan

Before giving further recommendations in chapter 7, a discussion is made whether a generalization is feasible or not for each finding. All of the results below were to a large extent mentioned by the other sales companies in the follow-up interviews, but some of them would need more research and investigations before a completely valid generalization could be made.

Market Information is Hard to Retrieve

As the EFU market is generally apprehended as hard to define, it is consequently difficult to find relevant information about the market. This problem seems to vary between markets, and foremost the type of information not found appears to differ among the countries. In some countries, it is easy to find statistics and figures, but mostly it seems to be almost impossible. The sales persons do not know what to look for and what information could be interesting and valuable for the sales work. It is hard to make general conclusions about this factor, but it is clear that this aspect is seen as an issue by many sales persons in emerging markets and we believe that everybody is in need of improvements.

Knowledge & Education

As it takes time to gather information, it also takes time for the sales person to obtain knowledge about the market. All interviewed sales companies accentuated the need for more training and education especially in EFU applications but also about the market and in sales procedure. Not so many respondents mentioned the lack of education among the customers. However, as several sales companies use both quality and pay back time as selling points, improvements in customers' knowledge will have a positive effect on their sales. Therefore a generalization is possible.

Initial Structure

The line of action seems to differ between the countries; the sales person begins randomly in different markets and with different products and no standard structure is put in place. The sales persons are often insecure about how to start and do not feel that they get enough support from the management. It is a big issue that no one is around that can teach you the trade of selling for EFU when starting up sales in an emerging market. Consequently, the newly hired sales person is left with nothing else but imagination and the intranet to ease the lack of knowledge. The mistakes could be avoided by information sharing between different countries. Where learning from each others mistakes could prove to be a very interesting way to develop the sales of EFU in these kinds of markets and perhaps also in other, more developed markets. A generic solution to this problem is absolutely applicable and is desirable among many of the sales companies.

Relations & Network

When doing the first interviews with the sales companies, relations and network were not mentioned as an important aspect. However, the questions did not focus on this kind of subjects and maybe the respondents did not think about relations and network as something abnormal. In many emerging markets, it is common to rely very much on relations and network thus, they do not see this as a problem. When doing the follow up interview, the entire group of respondent agreed on the statement that this is important. Therefore this fact is believed possible to generalize. A conclusion is that the local sales people normally are aware of this factor but they do not understand that there are potential improvements to be made in this area as it is a natural part of their everyday work.

Service Level

Many companies believe that their low sales volume makes it hard to get attention from central management. Even if they show a large growth potential, the attention is still left behind. The emerging markets perceive

that they are down-prioritized for this reason when it comes to delivery and service, and therefore their lead times are too long. This seems to be a common problem and a generic recommendation could improve this area.

Success Stories

The sales procedure is not at all standardized in emerging markets. Each country use their own approach, and it seems to be difficult to find the right sales channels. What many sales companies have in common is that they use the same selling point as the rest of the world and do not modify them to fit an emerging market. Companies in emerging markets are normally not that quality aware or do not consider environmental aspects in the same extent as a western companies. Thus, maybe this selling point is not among the greatest to use. There is a great need of knowledge exchange between the sales companies on emerging markets as they differ so much from the rest of the world. To learn from each other, and get good example from other countries, is desired among many of the respondents, hence this aspect can be generalized.

Communication

The information exchange and communication between local and central organization is not enough to keep the people in the emerging markets satisfied. This is also connected to the service level as an acceptable level is hard to obtain with malfunctioning communication. It takes to long time to get an answer when sending questions to central management which leads to delayed answers to the customer that, of course, generates dissatisfaction among them. This is a general view among the emerging markets and the factor needs a generic solution.

Attention

Very clear signals have been received from all the sales companies on emerging markets, that the attention from central management is insufficient. Local visits are few, which make the distance very far and the emerging markets feels neglected and down-prioritized. This aspect is definitively possible to generalize.

Keeping and Motivating Your Salesmen

To find and keep skilled sales people is a common problem on the emerging markets and the opinion in Vietnam is shared with the other companies. As the labor market is unbalanced, people change work more often than in a western company, and the employees are less loyal. The most frequent comment regarding EFU sales people is the challenge to not have a 100 % EFU person in the sales company. The EFU market is scattered in the first

place, and to besides this, share a resource with another segment makes the work even more unfocused and diverse. Many emerging markets have experienced the challenge of keeping a skilled sales person within EFU. Several times this person has moved to another segment after a year as they attract the sales persons with higher sales volumes and larger sales force. Generic guidelines for this challenge are desired.

6.3 Summary

The situation in Vietnam is complex and many areas of improvement have been identified. Some of the areas need direct improvements and actions whilst some of them are only in need of attention and better awareness. The aim of this chapter was to analyze, identify and structure the findings in a clear way and, in the end, try to make a valid generalization.

Despite the fact that every country is unique and have their own business environment that differs from other countries, the authors are convinced that the similarities are at least as many as the differences. Today, these resemblances are not used in an efficient way and there are no collective guidelines for emerging markets. The produced generic methodology is believed to improve this process and make the business on an emerging market more efficient. The recommendations will be developed based on the case of Vietnam, but they will definitely give very good indications to all emerging markets around the world. The following chapter is addressing not only Vietnam, but is generalized to fit all emerging markets.

7 Actions for success

In this chapter recommendations are given on how to handle the different areas of improvement identified in chapter 6, thus the entire chapter 7 can be viewed as a plan offering guidance on how to act. It is important to note that these are merely recommendations and do not present the reader with the only possible solution. There may be, and probably are, many other solutions on how to improve operations in these areas. However, this is the author's contribution to Alfa Laval.

7.1 Target Market

7.1.1 Market Information

Information about the market is generally hard to retrieve and this makes it utterly time-consuming to develop market sizing estimations. Instead of focusing on estimating the market size, focus of the sales person and sales management should be on mapping and analyzing the drive forces of the customers and model the offer to meet their demands. This would give a better leverage than the time-consuming work of market estimation that on top of all lead to very vague and sometimes even useless results. Of course, information about the market should not be ignored when stumbled across, but putting too much energy into finding this kind of information leads to less time on developing customer relations.

To get an understanding of the market size, similar markets among other emerging markets could be used. If these other markets are a bit more developed perhaps their historical view can help giving guidelines on the size of the market in question.

The most efficient way to get required information is to set up a market analysis firm, e.g. Swedish Trade Council to make a joint market study for the countries in most need of information. A suggestion is to order a region-wise analysis as these markets have most similarities. This is an expensive action, but the internal time and resources gained would focus on more important actions such as networking and mapping customers as mentioned above.

7.1.2 Knowledge & Education

The lack of knowledge among potential customers sometimes poses obstacles in making sales, since the customers question why they should pay extra money for the products of Alfa Laval when they can buy locally produced substitutes. The challenge here is to educate the potential customers efficiently in the gains of high quality heating and cooling products. This can be done at customer meetings, but this is not the most time efficient way. Instead, the sales offices could offer seminars where potential customers are invited to be educated in the demands of western companies when it comes to quality and concepts such as *Total Quality Management* and *Six Sigma*. These seminars will of course have a cost, but could prove to be well invested money if they generate one or a few customers.

To obtain a satisfying customer focus and service centricity, the employees must be properly educated to be able to meet the customer demands in a fast and orderly manner. This education should be given to the sales persons in the very beginning of their start up time in the company and could advantageously be packaged together with other necessary initial information. The sales persons must be aware that Alfa Laval is in between being a supplier of industrial products and services. Without this knowledge it is very hard to incorporate the required service levels in the everyday work of a sales person. Relationship marketing is of absolute essence to keep customers satisfied in the long run and pursuing relationship marketing can only be done by the sales persons, of course with the support of central management.

7.1.3 Initial Structure

An initial structure needs to be developed giving the newly-hired a self explanatory aid on how to start up the business of EFU. This structure should contain information on what kind of customers that typically fall in the scope of EFU and how to find and approach these customers. Furthermore, the structure should contain pointers on how to develop the business after getting the first sales. That is, using the newly won customers to find new leads that in turn could lead to sales. This initial structure should also be reinforced by a collaborative network between other emerging markets in the vicinity of the own country. These other countries have probably experienced, or are experiencing, the same issues facing every other emerging market. By connecting these entities, a lot of the problems slowing down the sales figures in the start up period could probably be

avoided. The connection between the entities could be done with the help of internet, but the strongest bonds between sales persons in different countries will evolve through personal meetings. Having some form of locally arranged “pre-adept” courses would not only help in structuring the startup for newly hired sales persons but also facilitate the building of personal connections between the sales persons.

7.2 Sales Approach

7.2.1 Relations & Network

The importance of relations and network is unquestionable in a sales perspective. Though, coming up with a solution on how to solve the issue of building strong and lasting relations in a snap is not straightforward. However, by acknowledging the importance of this, perhaps some part of the job is already done. The sales person should be valued on how big and how strong the personal network is since this comprises potential future sales. When hiring new sales persons experience and know-how in the business should be of utmost importance since personal network is one of the most important factors when developing sales in an emerging market. In most cases it is probably worth paying a higher salary to attract experienced hires than hiring young, inexperienced but hungry sales persons. In the long run though, a mix of these personalities is probably the most successful composition.

Building the network could efficiently be done at the same time as educating potential customers in different seminars. These seminars pose an excellent opportunity to build new relations and to nurture existing ones.

Since sales to such a high degree depend on the personal network of the individual sales person, Alfa Laval as a company is vulnerable to losing these sales persons. The problem is intensified by the fact that the labor market of emerging markets often is highly volatile and loyalty is scarce. This should be handled by developing existing customer relations to one sales person into several sales persons in the local office. Preferably the relation should evolve into a relation between the customer and the company itself. This way the customers, theoretically, would stay even if the entire work force in a country would be replaced. This is, according to theory impossible, but an attempt could still prove useful. The big question now obviously is how to develop personal relation into relations between

the customer and Alfa Laval. This is done by delivering excellent quality, on time with impeccable service. How hard this may ever be it is the only way to build confidence and trust with the customer when selling products in the top-layer of the market.

By having good relations to a customer, talking to the wrong people can be avoided. This waste of time can also be avoided by asking control questions, such as asking for information that only a person in a higher position would know.

7.2.2 Service Level

Lead times are currently long and the accuracy is low in emerging markets. This makes it very hard for sales persons to build trust with the customers. When the customer pays a substantially higher price than the local products, it expects flawless operations and service. If this is not the case, the customer will be dissatisfied and not only, not return as a customer but also let colleagues and other companies know how the service was handled. Needless to say, this does not help in creating a trustworthy and highly respected brand on a new market. Hence, it is important not to down prioritize smaller markets when it comes to service.

Since technical specifications mostly are no means for differentiating from competitors, Alfa Laval must conquer the competition with functional quality. That is how the service is supposed to be delivered. It is easy to forget this intuitive but very reasonable aspect in a market that is a few years behind developed countries and only focus on pushing the products into the market place. Then there is a risk of forgetting to maintain and nurture existing customers. By focusing on customer closeness and service the brand and reputation of Alfa Laval will improve and separate the brand from the competitors in the long run.

7.2.3 Success Stories

Trust is as mentioned earlier, scarce in emerging markets and an efficient way to remedy this is by the use of success stories. Having successful customer installations to show is a powerful tool in the sales process. However, it is not enough to create these success stories in an appealing framing, but also to make them searchable and thus, easy to manage. A problem today is that even if information is available on the intranet, it is hard and slow to work with. This problem also applies for the question of

initial structure where much needed information is available on the intranet, however, not in an attractive and easy-to-embrace format. Thus, a more user friendly IT-system could help to handle, not only one but, a few of the improvement areas identified.

7.3 Managing & Leading

7.3.1 Communication

Fast and friction-free communication between a sales company and the central management in pricing processes are essential to keep a good customer service. Keeping the customer waiting for days on the amount to be paid for the products will not keep the potential customer satisfied. This process needs to be reviewed and an effort should be made to try to reduce the time to response of price questions.

Communication development is not only necessary between the local sales offices and the central management, but also between different sales offices that should have a lot to learn from each other. The format of this communication is henceforth discussed under the working name *Emerging Exchange* (see chapter 7.4.2) and thus, refers to all communication necessary between different sales offices in emerging markets. It is preferably to be used between offices in adjacent areas that should be faced with similar obstacles and challenges for sales. This communication could prove to be very powerful to facilitate sales in emerging markets and could also pose as a basis for creating a sales culture.

7.3.2 Attention

A closer communication will keep the motivation of the sales persons on top and creates a sense of being a part of the global corporation of Alfa Laval. The implementation of *Emerging Exchange* would improve the feeling of belonging but it needs to be combined with more visits from central management. Today, many emerging markets feel a bit left out and not as a part of Alfa Laval. If central management makes regular visits, the distance will be perceived as closer than before. Furthermore, a stricter control could in this case, generate a positive effect on the motivation. More demands on reports would motivate sales persons to make sales to have something positive to report back to central management.

7.3.3 Keeping and Motivating Your Sales Persons

Loosing a sales person does not only result in the time-consuming effort of hiring a replacement, but, and perhaps more serious, it means loosing that sales person's network. That network takes time to build and has been developed with the help of Alfa Laval resources. Thus, it is important to keep the sales persons pleased with the working conditions. This means paying a competitive salary, but also creating a good working environment and team spirit between sales persons in different segments. A cunning strategy is to target the sales persons with good personal networks of competitors and try to attract them to switch employer. This however, has the disadvantage of getting the competitors on the warpath, probably retaliating by trying to steal employees of Alfa Laval to their camp.

The sales persons of EFU are not only lost to other companies, but are also lost to other segments within Alfa Laval. This is, of course, unfortunate since it means that the different segments cannibalises among the peers. Thus, the issue should be addressed and can only be done so by the central management in discussion with the other segments.

7.4 Tools for Improvements

As mentioned and illustrated in chapter 6.2, the recommendations presented above (chapter 7.1-7.3) is to be merged with local strategy and competence of the local manager in each country. The authors have developed some tools to be used with the aim to facilitate the improvement procedure.

7.4.1 Sales Persons

This section addresses the issue of what should be included in the education of sales persons. The education consists, to a large extent, of information on how to find the customers that exist in every emerging market, even though they may seem illusive. There are mainly four ways of finding potential customers and these are illustrated in figure 25. Below follows a description of the tool *Finding the Customer*.

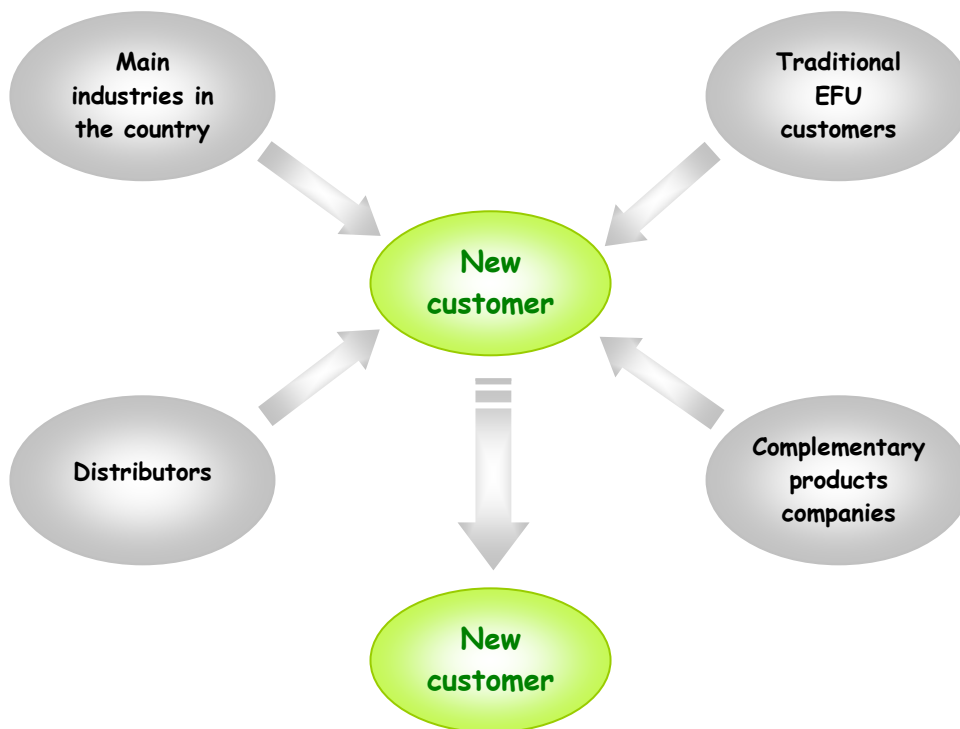


Figure 25 Four ways of finding potential customers

Main Industries in the Country

This alternative means addressing the large main industries of the country in question that often already are targeted by other segments of Alfa Laval. These main industries have sub-systems delivered to them such as hydraulic systems or processed steel almost in every case. These subcontractors of the main industries are typical customers of EFU and should thus be targeted. The sales person should ask the main industry if they can act as lead and provide for example telephone numbers or other contacts to the subcontractors. In the best case, the main industry will agree to demand the use of Alfa Laval products in the production of the sub-systems delivered to them. Should the main industry be big enough the pressure will be heavy in the subcontractor to switch supplier of heating, cooling and separator equipment and a lot of the sales persons' work will already be done.

Traditional EFU Customers

When looking at the intranet of Alfa Laval, all the different traditional EFU industries can be found. An obvious, but yet efficient approach at finding new customers is to start with these industries and find out which are

present in the country in question. If they are present and not yet targeted, consequently, the sales person has a potential and historically promising customer base where the product portfolio of Alfa Laval obviously fits with the demands of the customer industry.

It could also prove efficient to have a list of customers, specifically for emerging markets where the industries targeted and what type of products they use, are listed. The more detailed this list is, the greater is the chance that the targeting in another country will be successful.

Complementary Products Companies

A complementary products company is a company that simply provides a product that is complementary to the products of Alfa Laval. Examples of such products are cutting fluids and other industrial products, such as bearings or cutting tools. By looking at the customers of complementary products companies, customers appropriate for EFU can be identified. The best case scenario is to start cooperating with these complementary products companies and together target and process the market. Perhaps the previously mentioned seminars can be done together making it easier to attract companies and also lowering costs.

Distributors

This is a sales channel very well known to most sales persons. However, few have succeeded in finding adequate distributor partners on emerging markets. This is probably a result of lack of high profile distributors. This does not mean that there is no point in looking for them. Finding a good distributor facilitates sales in a very efficient way, creating repetitive and stable business opportunities. So, finding a distributor should be prioritized in every emerging market where the last stone has not yet been turned in search for such a partner.

Using Existing Customers

After, and during, finding customers using the methods mentioned above, all customers should be asked to recommend new customers. This is a powerful way to find new customers since today satisfied customer could be used as a reference when targeting new customer. Customers leading to many new sales could be given a particular status and perhaps advantages in, for example, service or a discount on the next purchase. In this way, the existing customers will have incentives to be ambassadors for the products of Alfa Laval, and EFU can use the personal networks of every customer creating a powerful and big network covering entire industries.

7.4.2 Central Management

This section will further illustrate the direct actions of improvement for central management and describe a tool that shows how the improvements could be done practically.

Emerging Exchange

Emerging Exchange is a communication system suggested by the authors to facilitate the exchange of information and experience between different emerging markets. It is to be used by both sales people and local managers but should be developed and supported by central management. This communication tool should give the user the following advantages:

- Information on what segments and industries are lucrative
- Helpful in comparative market sizing estimations
- Information on how to approach different kinds of customers
- A means to show sales figures and get a sales culture going
- Obtain ideas and leads by reading success stories

Emerging Exchange could be an IT-system but it does not have to be and without personal meetings it is most likely destined to fail. So, it should be a network of personal connections facilitated by regular meetings and conferences where problematic issues are addressed and experience shared. Probably, the best results will be reached with a mix of the both parts where the regular meetings are essential to keep the information-sharing on the web-system on a good level. Of course, it is desirable to get sales persons in different countries to also call each other and on the whole, communicate in other ways than through the web-system. With support from central management, the web-site should be updated regularly and users should participate actively in the exchange work. It is especially important in the start-up phase to make all participants work actively with the system, and it is recommended to have a kick-off conference or seminar where the project is presented and the system implemented.

Sales Person Profile

EFU does not have an adequate profile on what kind of person is the most suitable as a sales person for the segment. Often, a very inexperienced, technically skilled person is hired with intention to educate this person in sales along the way. By considering the precedent chapters, the authors have developed a list of general characteristics that is important to consider when looking for a new employee within EFU:

- Technical knowledge
- Good knowledge in English
- Experience in:
 - the industry or similar products
 - sales and/or marketing
- Having an existing personal network in the industry
- Driven and outgoing personality

It is the combination of these characteristics that will make a good sales profile for EFU. By transmitting this profile to the local managers, the sales companies will attract the right type of persons. One way is to try to attract experienced employees from competitive companies.

Region Manager

EFU recently hired an Asia Region Manager who will be based in Shanghai. This is a great first step to increase the presence and attention from central management in those countries. It would be an important task for this person to develop a strategy for how to keep a close contact with each market and motivate the sales people. When the manager is established, has worked for a couple of months and created daily routines his work should be evaluated. Discussions should be held if it is possible to hire more general managers for other regions around the world. The main improvements for the region manager regarding this subject are:

- Organize communication and visits to the sales company in a structured way
 - Introduction to new hires
 - Follow ups and monthly reports
 - Visits at least every six month
- Arrange seminars and local training regularly
- Presence at important sales meetings
- Support the *Emerging Exchange program*

8 Conclusions

This chapter sums up the thesis. It contains the contributions from the thesis to the academia as well as to the commissioning body, the corporation of Alfa Laval. Furthermore, the chapter contains proposals for further research regarding subjects that has not fit within the boundaries of this thesis. The chapter is rounded of with a discussion, arguing whether the purpose of the thesis is achieved. Moreover, the weakest parts of the analysis are discussed and an attempt is made to determine the impact of these parts.

8.1 Contributions to the Theoretical Landscape

The contribution to academia from this thesis concerns the market development in emerging markets for industrial products. Today, this area is heavily under-developed and this thesis only scratches the surface of this almost infinite area of business. Hopefully, this thesis can act as inspiration to coming studies that will explore the area additionally.

A well written thesis should not only solve the problem presented to the authors but also contribute to the theoretical landscape of the subject at hand. This section will focus on the contribution of this thesis. This thesis presents the readers with a dual contribution to the academia. First, during the development of the analysis and recommendations for this thesis a general framework has been used to structure the work. This framework, first presented in chapter 2, comprises one part of the dual contribution to the theoretical landscape of this thesis and is presented in figure 23. The three areas Target Market, Sales Approach and Managing & Leading, are sorted in a framework together with Cultural Context that gives the framework the basis on which the analysis should stand. The cultural context has a central position in the figure, and this is no coincidence since the cultural context affects business behaviour in any given geographical area of the world. When using the framework for conducting analyses, the three areas Target Market, Sales Approach and Managing & Leading should be addressed separately. Cultural Context is never addressed individually but instead has a profound part in each and every one of the other three areas.



Figure 26 A general framework for analysis of emerging markets

The general framework in figure 26 can be used to structure analyses of industrial markets in emerging markets, and will give the user a well-organized approach to the potential problems that may arise when targeting this type of market. Basically, the framework can be used when targeting which ever market but it was developed for emerging markets because these tend to differ to a relatively large extent from more developed markets where most multinationals develop from the beginning.

The second part of the contribution to academia sprung from this thesis is the nine areas of improvement. When writing this thesis, nine different areas that are important for the success of industrial sales in emerging markets have been identified. These areas are applicable regardless of what types of industrial products that are marketed, and thus, could be used by any company in the business of industrial products. The geographical generalization of the areas applies for the countries presented in section 5.1. However, it is reasonable to believe that the results apply also for other emerging markets in the world though precaution should be used in those cases. The general applicability of the areas makes them useful for the academia. The areas are illustrated in figure 27 and are sorted into three main areas Target Market, Sales Approach and Managing & Leading, according to the framework previously presented in figure 26. Thus, the two parts of the dual contribution to the theoretical landscape are intimately intertwined and depend on each other to obtain the best results.



Figure 27 Nine areas of interest for selling industrial products on emerging markets

The nine factors can be used to identify potential problem areas in emerging markets and just as the framework in figure 27 pose an excellent starting-point for an analysis of a specific emerging market. Perhaps, all areas are not of interest for every company, but whoever chooses to use the framework will have to adapt it to fit their specific needs. Of course, a user from another company than Alfa Laval can take a peek at the recommendations given EFU in section 7.1-7.4 to see if they fit also for other companies. This should be done with care since the recommendations are aimed specifically at the business of Alfa Laval and EFU and consequently, go for the explicit prerequisites of that company and segment.

8.2 Contributions to Alfa Laval

The direct contribution of this thesis to Alfa Laval and the Equipment Fluids & Utility is twofold. First, the problems leading to weak growth on emerging markets are identified. These problems were not as straightforward as expected when the work on the thesis started. Instead, the problems proved to be complicatedly intertwined consisting of not only areas in need of improvement in the actual sales companies but also areas in need of attention at the level of the central management. Once again, it should be noted that changes are necessary in all areas identified to attain maximum results since they all, in one way or another, are connected. The second part of the contribution to Alfa Laval is the solution presented to handle the different areas of improvement. The solutions presented differ in practicality. Some solutions are simple to grasp and also, at least to some extent, to carry through. Other solutions are difficult to implement since they contain actions such as changing the mindset of people or creating a culture in the sales companies. However, no one said it would be easy to solve the problem presented in the beginning of the thesis.

The contribution discussed above regards the segment of Equipment Fluids & Utility at first hand but could also be used in other segments. Naturally, other segments of Alfa Laval can use the contributions discussed in section 8.1 just as well, and probably better, than any other company trying to apply the solutions presented. Thus, the contribution of the thesis should not be viewed as only pointed at EFU but instead the entire corporation of Alfa Laval.

8.3 Proposals for Further Studies

Except for Vietnam, the generalization made in this thesis is an assumption and should be read as an indication rather than valid facts. A twenty weeks full time study is not enough to come down to a reliable solution, but it is a very useful base for further studies. A deepened benchmark study should be done between all emerging markets so that the findings and recommendations could be tested and validated.

The prerequisites of an emerging market is just as the name implies ever changing, and makes developing theories for this kind of market very tricky since the market actually can change during the development of the theory. An extended study should be performed to clarify how the prerequisites

have changed historically in emerging markets and with the support of this study an assessment of how long-term a theory such as this one can expect to be.

During this thesis, no analysis of the actions of the competition of EFU has been made. Such an analysis could prove very interesting since the competitors' actions to a large extent should affect the actions of EFU. Also, the fact that EFU could have something to learn from the competition can not be ruled out. Furthermore, no analysis of the competitor strength financially, operationally or any other strength for that matter in emerging markets has been made. Accordingly to the previous reasoning, this could also prove very interesting to position EFU efficiently in relation to the competitors.

The buying process in companies in emerging markets could probably prove to differ quite a lot from the same process in developed markets. The knowledge of these differences would be valuable for every Western company doing business in emerging markets. This research, though, was outside the scope (and time limit) of this thesis and, thus, is left for other academics to clarify.

8.4 Discussion

The objective of this thesis was to deliver interesting results to both Alfa Laval and the University and, at the same time, stimulate our own interests and ambitions. We believe that we, after a lot of hard work and some modifications along the way, have reached this goal to a great extent.

As the problem in the beginning was quite unknown and unexplored it was difficult to imagine what the outcome would be when starting up the project. We did not know either what the three weeks trip to Vietnam would generate or if chosen approach would be suitable for this specific project. At the end of this process, we perceive that the stay in Vietnam was extremely rewarding, not only regarding the interesting material we gathered to the thesis but also concerning the personal experience we obtained by being out on the field. It had a positive impact on our personal development which helped us to do our best when producing the thesis.

The abductive approach proved to be a very appropriate method in this case as the result was validated along the way and the worst pitfalls were anticipated.

The biggest challenge has been to fulfil the assignment from Alfa Laval as it was quite specific and based on many preconceptions. As the research progressed, we perceived that the problem was more complex than the assignment first indicated, and as we described in chapter 8.3 the aspect of central management was added to the issue. By having close interaction with the tutor at Alfa Laval, we discussed this aspect and together with all stakeholders the assignment was redefined. The results are not exactly what the tutor at Alfa Laval expected, but this is also an indication that a solution to a problem is not always exactly what it is first assumed to be.

Another challenge has been to make the generalization. This is one of the weaknesses in the thesis and therefore, we have decided to let all generic results be read as indications and guidelines rather than facts.

Most of the information used in the thesis is based on interviews and personal observations. This has the consequence that all conclusions are more or less affected by personal interpretations. During the entire study, the goal has been to stay unbiased, but it is still important to notice as we describe a different culture from our own mindsets and personal logic.

We hope and believe that this thesis will come to great use for Alfa Laval and that our contribution to the academia will be used in research in the future.

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