TRADE MARKETING OF FAST MOVING CONSUMER GOODS INDUSTRY IN VIETNAM: A CASE STUDY OF PROCTER & GAMBLE

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Abstract:

Trade marketing is a discipline of marketing that focuses on increasing the demand at wholesaler, retailer or distributor level rather than consumer level *(Howard, 2011)*. Trade marketing is of utmost importance when it comes to increasing revenue for fast moving consumer good (FMCG) section. However, trade marketing is still a new term in Vietnam while many companies choose to focus on spending money on extravagant commercials rather than attracting shoppers at the points of sales. As a big multinational FMCG corporations, Procter & Gamble (P&G) is still one of the market leaders in Vietnam. However, because developing markets such as Vietnam is not the strategic target of the corporation, thus not receiving big investment, they are losing their top place here (Nielsen, 2015). If the company wants to be No 1 in Vietnam, it is essential that the company should invest more in trade marketing strategy to compete with its rivals. By using case study method combined with interviewing agents, merchants and cosumers in urban cities namely Ho Chi Minh city and Hanoi, authors would like to analyse a specific case of trade marketing in P&G to pinpoint some strengths and weaknesses of a real trade marketing strategy and propose some practical recommendations for Vietnam FMCG companies to conduct an effective trade marketing strategy.

Keywords: trade marketing, fast moving consumer goods

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1. Overview about Trade Marketing in Fast Moving Consumer Goods industry

The term of trade marketing has various definitions by many different contributors. One theory in common among different authors is that trade marketing emerged as a result of the change between supplier and retailer, when from a passive position as an intermediary, retailer took a much more active role in delivering products to consumers. Bjerre (1999) believes that the first definition was given by Lawrence (1983) in his book "The management of trade marketing" which cited equal attention to both consumer and retailer by stating that the manufacturer must develop marketing policies through the trade by equal attention to the needs of both consumer and the distributive trade. In the same year, Lawrence further illustrated this relationship in "twin marketing strategy". He analyses that there are two markets that suppliers must conquer, the middle and the final one or intermediary and the end user. From this viewpoint, marketing activities are therefore divided into two components: trade marketing oriented to business customers and consumer marketing oriented to consumers. Trade marketing is complementary to consumer marketing. Randal (1994) refer to trade marketing as a change occurred as a result of the increasing power of retailers. Instead of seeing the retailer as a distribution channel, they emphasized the importance of viewing retailer as a customer. Therefore, they suggested that trade marketing should focus on meeting consumer and market needs through an intergral strategy of supplier and retailer marketing activities. Many other authors also refer to the concept of integration between supplier and retailer to satisfy consumer needs to a greater extend, that strategic alliance between suppliers and retailers is indispensible not only for satisfying the final consumers but also for improving benefits of the members involved.

Corstjens and Corstjens (1995) pinpoints the biggest difference between trade marketing and consumer marketing: “Trade marketing is industrial marketing. In essence, trade marketing is a balancing act involving three issues: First, maximizing the value offered to retailers. Second, ensuring the profitability of individual accounts. Third, since the client base is much more concentrated in industrial markets, the danger of dependence is much more dramatic.” The most profound works on this definition, however, belongs to Bjerre (1999). He analyses even further than trade marketing to bring another definition which is being used in real FMCG companies: “key account management”. Key accounts mean key customers who are big wholesalers or retailers of

a provider. And key account manager is the trade marketing manager who is in charge of a key account. He shares the same perspective with Lawrence (1983) believing that trade marketing has two primary focuses, one is the retailer, and the other is the end user. Bjerre (1999) calls the strategic alliance between supplier and key account for marketing effort toward end-users "trade account marketing".

Trade marketing's definitions are summed up as follows:

- Trade Marketing emerged as a response to the change in role of supplier and retailer/wholesaler
- Trade Marketing can be an integration of supplier's and Customer's (retailer/wholesaler) marketing toward end users.
- Trade Marketing is the management of the customer portfolio (key account)

Recently, trade marketing is playing a more and more important role in FMCG industries as companies have realized the shifting power base in retailing relationship. From the consumer's perspective, fast moving consumer goods (FMCG) are frequently purchased. This is a low involvement category which does not require much time and effort for considering different brands. Typical purchase points are local stores, grocery stores, supermarkets and hypermarkets. From a retailer's perspective, FMCG has low margins, high shelf turnover and high volume sales. Therefore, even though the margin for each item is low, it is a low involvement product purchased on a daily basis so the volume sold is significant. With its low involvement characteristics, FMCG is the section where trade marketing is of maximum use and necessity. Therefore, trade marketing in this section carries all its essence and principles.

Compared to other sections, FMCG companies have to struggle in a much more competitive environment with too many suppliers. Moreover, FMCG products, despite being indispensable, can be easily replaced by a similar brand. Therefore, FMCG companies have to implement more trade marketing activities than other sections. However, there is a huge advantage of FMCG which is the available retail outlet system of customers, which makes it easier for FMCG companies to distribute its products and reach more consumers.

For FMCG, because almost all purchasing decisions are made at points of sales, the role of retailer is even bigger than in other industries, not just because every decision related

to trade marketing inside the stores is made by retailers, but also because they are the influencers of shoppers. Therefore, trade marketing here requires an integrated approach: marketing effort toward both customer and end-user, effort of both supplier and retailer.

2. Components of Trade Marketing at FMCG companies

For trade marketing, trade marketing factors (retail fundamentals) concept which consists of distribution, pricing/promotion, shelving and display at point of sale is the most comprehensive and widely applied at FMCG companies to catch shopper's attention and encourage shopper to buy.

2.1 Distribution

Distribution is the availability of a stock keep unit (SKU) inside store to make sure the products are always there whenever consumers need. This is the most important of the retail fundamentals and should be placed at top of mind, as the shopper cannot buy the product that is not in store (Lamberti and Noci, 2010).

To measure a brand's distribution, two types of measurements are necessary. The first type is coverage, which means at what level the product can reach its consumers in different locations, the other is measurement inside a specific store to check that product's availability inside each store.

To assess the number of stores covered, companies usually get distribution data from third party vendors such as Nielsen, Euromonitor, Kantar Worldpanel. These reports are submitted every month to provide the latest information for companies. There are four types of measures: depth measures such as numeric distribution (ND) and weighted distribution (WD), breadth measure such as on-hand distribution (Share of stock keeping units) or availability (% out of stock rate) (Randall, 1994).

- Numeric distribution (ND): the quantity of stores where that brand is available. It shows the number of stores which sell that brand as a percentage of number of stores which sell the category. For example, if the universe is 3,000 shops, a numeric distribution of 20% mean a brand is sold in 600 stores. It indicates the quantity of stores covered.

- Weighted distribution (WD) or all commodity value (ACV): This measure shows the percentage of category volume sold through the outlets where the brand is present. It indicates the quality of stores covered.

2.2 Pricing and Promotion

Trade marketing's responsibility is to track the pricing of a brand. While pricing is at the sole discretion of retailer, a brand needs to influence retailer to price within the recommended range. If a retailer decides to price below the suggested price, there is no problem. However, if the retailer price above the suggested range to gain higher profit margin, it's trade marketer's task to share their data and insights to try to pursuade the retailer that the suggested price is the most effective price to attract shoppers.

Promotion can be defined as a mix of incentive-based activities which encourage customer to buy, and buy more. A good promotion can strongly influence immediate customer and shopper behaviors and thus create significant sales response. The effectiveness of promotion is also easy to be tracked and evaluated, based on incremental sales (Brassington, 2000).

According to Shimp (2007), promotion can be categorized into three groups according to its target audience: Consumer promotions, Trade promotions (Wholesaler/ Retailer) and Sales force promotions.

Consumer promotion uses various methods and tools in combination with advertising aiming at attracting new consumers for product trial, increased sales volume and market share, activating sales of a maturing product, or representing response to competitor's activities. This type of promotion is therefore called pull strategy because it attracts consumers with beneficial choices (Shimp, 2007).

There are several tools which can be utilized in consumer sales promotion:

- Price promotions: discount to the original price of the product. Most popular tools are direct discount, bonus or coupon.
- Samples: is utilized to turn shopper to user by encouraging product trial (trade in), usually used for new brands or innovative products. This tool is probably the most effective technique to increase trials, even though it incurs high cost.
- Premiums and gifts: are the additional things shoppers get for the purchased product.
- Competitions and loyalty program: are utilized to stimulate loyalty. The shopper's purchases are recorded in a loyalty card to gain various discounts or advantages in the future. Such information can also be used by suppliers to gain business intelligence with a lot of personal data and purchase history, which can be used to form marketing strategy.

Trade sales promotion, also referred to as push strategy, is targeted on trade intermediaries (wholesaler, retailer, or distributor) to create an incentive for bigger purchase, repeated purchase or displaying, stocking and advertising the promoted brand. Tools in trade sales promotion include: Trade allowance, Discounts (depending on the target purchase or repeated purchase), Free or symbolic products, Share of the point-of-sale advertising cost, Sales competitions or motivational programs (rewards for increased sales volume), Advertisement tools (promotional products or gifts), Category management, Reward for product displays, Guaranteed buyback of products…

Sales force promotion is used to encourage sales force, retail sales staff or external sales representatives to better performance. Incentives can be used are competition in sales volume or increasing market share, specialized trainings, meetings, incentives, sales and promotional tools (sales handbooks, promotional items)…

2.3 Shelving

Shelving is an integration of both the quantity and quality strategy of product placement on shelf. According to Reigna (2005), 88% purchases happen at the main shelf, which makes this location really important. A shelving strategy requires mutual planning and effort between supplier and retailer because it does not only impact the supplier's product placement but also contributes to the category design effectiveness of the whole store.

All retailers strive to get the biggest share of shelf (SOS- percentage of space a brand has compared to other competitors in the same category) as possible, but normally share of shelf is dependent on a brand's value share inside a store. For example, if Tide contributes 20% to the total sales of detergent category, Tide must have at least 20% share of shelf. To increase SOS and gain a competitive position by persuasion, supplier must find out the logic behind retailer's planogram. Each retailer has a goal in mind which stimulates them to design the store that way. For modern retailers, profit margin ratio is the measure. Therefore, to get that location, product B must increase its profit margin ratio for retailer, which means lowering its price for retailer or let retailer raise price to end user. For lowering price for retailer, supplier's profit margin decreases. For letting retailer raise price, supplier's target price strategy will be ruined and impact negatively on its brand. Therefore, shelving is the most difficult and expensive issue to deal with concerning trade marketing

2.3.1 Merchandising

Merchandising is the use of point of sale display to draw shopper's attraction to the brand. These displays are used especially for new products, products on promotion or for special events. Merchandising's reponsibility is to feature products at point of sales, creating space and increasing visibility to boost the sales of a product. Merchandising consits of different instruments, techniques and types. One important aspect of merchandising is visual merchandising, which means the display of the product in promotional spot and the use of point of purchase materials to enhance product attractiveness.

Endcap is the most effective tool for displaying a product to catch unplanned purchased. Endcap is a display for a product which is designed at the beginning or the end of an aisle, also known as gondolas. This space belongs to retailer but is available for lease to supplier to sell products at a faster pace. Endcap is highly visible to shoppers, especially in case of brands of which the main shelf is in an disadvantageous location because endcap is the first thing shoppers see when they want to visit a category and can According to Reigna (2005), 88% purchases happen at the main shelf and 12% consumers buy at promotional spot.

Another effective display is promotion island which is a big pile of one brand or many brands in the same category all in special promotion. Promotion islands are usually put in the highest traffic places and are very visible, moreover, because they are displayed in great volume, they give the impression of a real bargain.

3 Analysis of trade marketing strategy of Procter & Gamble Vietnam

3.1 Overview about Procter & Gamble Vietnam

Procter & Gamble Co. (also known as P&G) is a multinational company in fast moving consumer goods industry headquartered in Cincinnati, Ohio, United States. In 179 years of operation, from a family business making soap and candle, P&G has become a leading company with the largest number of products manufactured. According to the 2015 Annual report, P&G owns 65 brands in which 21 brands with annual sales of $1 billion to about $10 billion (P&G, 2015). In Vietnam, P&G came into operation in 1995 as one of the first American corporations here.

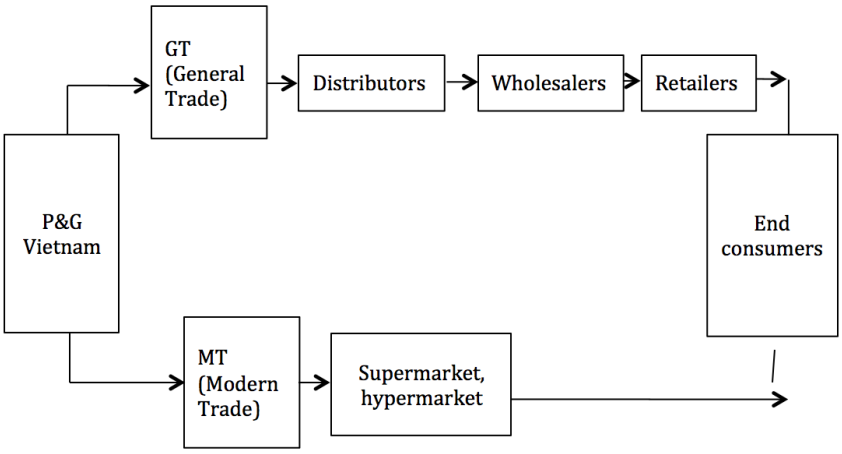
3.2 Analysis of components of trade marketing in P&G Vietnam

3.2.1 Distribution

Distribution strategy undoubtedly plays a critical role in the continual increase of P&G's market share and sales during recent years. In their early years, instead of

building a wide distribution to cover the whole country, P&G aims at certain target customers and regions.

Figure 1. Distribution chart of P&G Vietnam



Source: CBD Department of P&G (2014)

To save cost yet achieve efficiency, P&G optimizes 20/80 principle, which states that 20% of target customers accounted for 80% of sales. P&G focuses its business in urban regions, where 20% of population purchase 80% of the company total sales.

In these recent years, P&G aimed at more extensive distribution to gain larger market share and become the market leader in Vietnam. To distribute products to end consumers, P&G choses the indirect distribution channel with intermediaries. Some representative distributors are in charge of delivering the products to wholesaler and retailer. P&G has realized that for consumer goods, the final decision is made at the point of sales, which means what they do at the store really matters. P&G has invested a large amount of money in marketing activities in the retail store (point of sales marketing to gain more customers). This includes assuring the timely distribution of necessary products, the display of product and promotions. According to the company's annual report, these activities have increased sales volume by 20% and turned more than 30% of potential customers into customers with frequent purchase rate. While building strong relationship with large supermarket and hypermarket such as BigC or Metro, P&G still put strong effort in improving the retail quality. The company has 13 distributors nationwide, 140,000 wholesale and retail stores, 256 supermarkets that satisfy different need and buying behavior (CBD Department of P&G 2015).

P&G is known to be the strongest player in developed markets such as America, Europe, Japan and these regions account for 37% total revenue of the brand when

Unilever invests and develops more in emerging markets with 56% revenue earned here (Nielsen, 2015). In Vietnam, P&G follows the same strategy, to focus on the high end market and urban area. This method seems strategic while urban spending accounts for 53% of total FMCG spending. This is a place where the population is mainly middle-high class who are willing to spend more.

However, while urban market has begun to grown, rural regions, with 74% Vietnamese population which accounts for 47% total FMCG revenue, has shown positive growth. Especially for washing powder and toothpaste category, 2/3 total revenues are incurred in rural areas. While the growth in urban in the past year is only 9%, the growth of rural area is only 5% (Nielsen, 2015). Nielsen senior manager Quynh Nguyen (2015) has confirmed that the rising population of rural area is a significant source of growth for many manufacturers but many companies are still unaware of this opportunity. P&G is sure well aware of this potential market and has taken several steps to achieve the coverage here. But following "first come, first served" rule, Unilever has already covered 99% of the rural are when P&G only covered 86% (Nielsen, 2015), which means Unilever has an advantage of 13% of the rural stores. Moreover, P&G has very strick standards in choosing distributors, which makes P&G's number of distributors limited despite its high quality. A major product of P&G, Ariel detergent is even not distributed in some mountainous areas. Rural areas are a place that even Vietnamese local brands can not reach. Therefore, Unilever has easily become the sole player here. This can be regarded as Unilever's biggest competitive advantage in Vietnam: a huge coverage.

As a result, in last year's Brand Footprint report, Kantar Worldpanel announces Unilever as the leader ranking number 1 as the most chosen brand in rural area. This company has its products chosen more than 407 million times annually in rural Vietnam and owns almost 100% market penetration (Table 1). Unilever owns the top brands in both Health & Beauty and Home Care with P/S, Omo and Sunlight nation-wide. In the mean time, even though P&G has shown great achievement, it is only in 5th place and has 86% market penetration. This probably comes down to P&G's criteria in choosing distributor are very strict and hardly flexible in certain situations, thus leave out potential candidates. Therefore, even with 13 competent distributors, P&G cannot meet all actual demands. Moreover, P&G has quite complete general and modern trade, but out of home channel -

channel for salon, spa,...hasn't been developed, even though this channel has many potentials for both reputation and sales incremental. Moreover, since the product is distributed via multiple intermediaries, the feedback from customers are sometimes slow and inaccurate that prevent the company from immediate respond to the changes in customer taste and preferences.

Table 1. Top chosen brands in Vietnam

No	Manufacturer	Consumer reach	Coverage
1	Unilever	407,009,306	99.8%
2	Masan	297,555,856	97.8%
3	Vinamilk	212,873,299	81.7%
4	Vina Acecook	142,707,986	80.9%
5	P&G	94,751,331	86.1%
6	Asia Foods	113,258,816	72.6%
7	Ajinomoto	95,280,533	78.5%
8	Liwayway	76,933,256	41.7%
9	Friesland Campina	76,620,923	55.7%
10	Calofic	95,686,739	79.9%

Source: Nielsen, 2015

3.2.2 Pricing/ Promotion

P&G uses value pricing strategy, which states a relatively higher amount compared to competitors. This gives consumers a sense of premium quality, right at heart of P&G's target consumers, middle to high income shoppers. The price of P&G products are usually propositioned at 5% higher than Unilever. This strategy is in line with brand image and yield higher margin for company. P&G tries to promote one price strategy among wholesellers and retailers, however, because the price to the final users are decided by the retailers, there are cases when the price at supermarkets are too high compared to competitors.

While some consumers do not care about promotions, the rest still seek for promotions whenever they come to store. According to Nielsen (2015), 51% consumers will focus on buying products on promotions. Besides ensured quality, promotion is also the main reason shoppers go to supermarket, instead of local stores. Compared to other Asian countries, Vietnamese shoppers have the highest promotion sensitivity rate with 87%, which means 87% purchase decision will be influenced by promotion. Understanding the importance of promotion is not enough, but to find the right promotion strategy is a puzzle that even top

managers find hard to solve. Only 13% consumers say they only buy a product on promotion if that is they had had interest in the product before.

At present, P&G is offering promotion programs for both consumer and customer promotion.

❖ **Consumer promotions**

- **Price promotion**

This method is applied regularly in haircare and fabric softener categories which have shown great growth with 25% and 40% respectively. Direct discount is also top choice among shoppers with 75% shoppers want direct discount. The reason is that shoppers are mainly housewives, middle-aged women who are bargain-seekers and also compare brands to find the most affordable ones. This segment is very realistic, therefore they sometimes do not want gifts with purchase because gifts are not always useful. According to shopper survey conducted by the authors, among 200 shoppers asked in the top 10 biggest supermarkets, discount proves to be the most effective method in short term, with an average of 75% shoppers asking for discount, especially housewives who think more practically and strive to save money. Therefore, discount program for hair care and fabric softener had good performance, with growth respectively of 23% and 35% in the 2014 - 2015 period.

- **Competition and loyalty program**

In P&G, this type of promotion is also called "shopper marketing program". Shopper marketing program is an important tool to attract new consumers, increase consumer basket size and cross sales (consumers buying other brands from the same providers, for example, an user of Pantene now buys more Ariel).

Unlike Unilever who invests heavily in shopper marketing program with new events every month, P&G focuses on the most profitable months of the year to arrange a shopper marketing program, for the biggest brands, which is from November to January, because this is the period where consumers stock a lot of different brands for Tet holiday. 38% of Vietnamese buy products two weeks before Tet, while 24 percent said they will prepare stockpiles one month prior to the holiday. People in Hanoi prefer shopping in traditional markets to going to supermarkets or stores (Tuoi tre, 2015).

The types of shopper marketing program are usually bigger basket (buy a certain amount of all P&G products to get a gift) which can increase cross sales. The amount of

purchase needed is determined by the current average basket size. For example, now consumer usually buy a total 200,000 dong P&G product each time. An award for 250,000 purchase will be the incentive for shoppers to buy an additional product of approximately 50,000 dong. Shoppers' psychology view 50,000 dong as a small addition to the current amount, so they are usually willing to buy more to get the gift.

- **Premium and gift**

At P&G, every gift with purchase must be relevant to product function and image. For example, a household care product like detergent, basin and cloth basket are given. To decide which gift to use, sales department must at first draw out a list of the most possible and suitable choices, then submit to marketing function to check if these gifts are suitable for brand image. However, consumers do not know the superior quality of P&G gift compared to other providers and because the same gifts are given throughout the year, shoppers lose interest in buying more product. Especially for household care category where loyalty rate is the lowest and 87% shoppers seek for promotion, P&G's repetitive gifts were unfavorable.

Compared to P&G, Unilever has a more attractive promotion program which responds fast to the market trend and changes regularly once per month. Unilever invests a lot of money in promotional gifts and shopper marketing programs, with many attractive campaigns such as: "buy 250,000 of Unilever products to get a free bag!", or "buy 2 P/S to get free ticket to our musical show!". These campaigns not only help Unilever increase cross-selling among Unilever brands but also attract competitor's consumers.

There is a reason behind P&G's repetitie gift. To follow the effective strategy, P&G orders a big amount of gifts from manufacturers. This amount will then be used for the whole year, or even the next year. However, this cost-effective strategy seems uneffective when it loses the original idea of attracting shoppers.

❖ **Customer trade promotions**

Discount: For wholesaler and retailer, company gives a discount of 1.5% to wholesaler and 1% of sales revenues before tax to retailer. For super and hypermarket, an attractive discount of 4% is offered. For 13 representative distributors, if they can commit the payment within 10 days of receipt of goods, all can receive a commission of 6.25% of sales revenue before tax (P&G, 2015).

Whereas, Unilever has more programs for customers, for example incentive for

product display this program for every wholesaler in Vietnam. Some wholesalers admit that this reward really motivates them in displaying Unilever products in a more outstanding position. However, modern trade is not available in rural areas; therefore, P&G's display is totally outshined by Unilever here.

To sum up, promotion is P&G's most serious weakness in its trade marketing strategy. Without a good promotion program, P&G cannot have an effective distribution, shelving or display.

3.2.3 Shelving

Shelving can be assessed in two way: quantity and quality. Quality means the share of shelf a brand has and quantity means the location and effectiveness of that space.

Share of shelf must be at least equal to value share of a brand at that store. In this aspect, P&G has done very well, with most share of shelf bigger than value share. For example, P&G detergent accounts for 17% total revenue of detergent category but have an average share of shelf of 21%. That of hair care is 30% and 34% respectively. However, for Downy, the best seller of P&G with faster global growth of all fabric softeners in 2015, even though this brand's value share is 41%, it only has a share of shelf of 33% (P&G, 2015).

P&G bases its guideline on "decision tree", which is a model illustrates consumer decision making process depending on different category. P&G believes that shoppers "deselect before select", which means shoppers will base on the criteria on their decision tree and decide what does not fit with their criteria then gradually go to the final decision. Therefore, first priority is have a simple, effective design and message to make sure P&G products are not deselected.

3.2.4 Merchandising

P&G implements display strategy following "be more visible versus competition" and "be clear and simple with your message" principles. They believe that they only have a glance to catch shoppers' attention so if the message is not clear enough, no one is attracted. Being visible, clear and simple are not enough, these display must be on equity, which means convey the right brand image. Similar to shelving, display has the same criteria of "hip to eye level" to better catch shopper's eyes. The principle of 80/20 is applied in every domain of P&G. Therefore, P&G does not invest in display everywhere, with every type of display. Only strategic key accounts

have the best display practices, other stores only have the most effective tools, but not every tool.

For modern trade, the main display places utilized by P&G are endcap and promotional island. Endcap must be hired with a very high cost of at least 20 million VND per month, therefore only the best P&G brands are placed here. Endcap is only used for P&G's winning brands, such as Downy which account for 34% value share of P&G, Pantene and Head & Shoulder which each accounts for more than 13%. Detergent such as Tide and Ariel also have their endcap, even though these endcap must be shared between these brands (P&G, 2015).

Promotion island is also used, but not hired. P&G ask for a spot from retailer to display products which are on special promotion or have high inventory. Unlike endcap which has a contract for at least six months, P&G can only place its brands on promotion island for approximately one month. However, this is a very cost effective tool with no cost and still attract shoppers. On the other hand, Unilever invest heavily to rent many displays at point of sales and even a promotion island to display Unilever products only at the cost of at least 100 million Vietnam dong per month. In some stores, P&G also rent a checkout spot to display the most low involvement products such as Gillette and Safeguard (soap).

In traditional trade, P&G sets its heart on driving the up-front visibility by understanding the perspectives of shopper, store owner and the seller.

- Frontage of the store: this come from shopper's perspective because the local store is very small so shopper can not enter easily. This means the shopper would typically stand outside the store and asks the owner for the brands that she wants to purchase. Therefore, if P&G has a chance to influenece her via the visibility of their brands, then it becomes critical to have the brand visible to her even if she stands outside. Therefore, by using frontage with creative merchandising using hangers, air space,…P&G can easily get shoppers' interest even before they enter the store.
- Shelving and up-front visibility: this comes from the perspective of store owner. Because high frequency stores are small and carry a large number of SKU, it is a real challenge for the store owner to manage shelving and stocks of different brands. Therefore, if P&G gives store owner dispensers, shelving devices which can serve dual purpose of driving visibility as well as help store owner in shelving, he is more than

willing to support P&G..

3.3 Evaluation of Procter & Gamble Vietnam's trade marketing strategy

3.3.1 Strengths

One of P&G's biggest strength is its resources in term of information, finance, human and technology in trade marketing. While small enterprises don't have enough resources to implement their ideas, P&G's budget allows the company to execute any trade marketing plan, as long as that plan is fact-based, aligned with objective and can create significant impacts compared to the cost needed. P&G's employees are well-trained and have very strategic perspectives in all situation. They are trained to give facts, not opinions and every proposals must be supported by relevant data. By following P&G's training, available model and unlimited access of information on P&G intranet, P&G employees can make better informed decision. This highly skilled and efficient force saves P&G a significant amount of money to invest in other activities. P&G has advanced technology in both manufacturing and trade marketing activities. With technology, P&G has successfully improved out of stock rate as well as monitor trade marketing operation. Moreover, following the global standard, P&G has trade marketing plan for each business term with clear objectives, key drivers, milestone, measures.

P&G has done quite well with its shelving and display. P&G always seeks for the best places in store and is willing to fight for the ideal shelf. P&G shelves and display can be easily found at the start of category and follow very specific shopper based design which makes sure it's easy for shopper to find and buy P&G products. Compared to market share, P&G has good measures concerning trade marketing factors. Share of stock keeping unit, share of shelf, share of display are all higher than market share, which is the result of P&G trade marketers' endless effort in working and persuading with customer.

In term of distribution, P&G has succeeded in lowering out of stock rate by using effective instock management system. Moreover, P&G has a high quality distribution system where all distributors meet P&G's strict criteria. Especially for P&G's focus which are urban areas and modern trade, P&G has quite successfully executed its trade marketing strategy. With modern trade being the new trend in Vietnam, P&G will have more advantages in the future.

3.3.2 Weaknesses

Although P&G has a professional and well planned trade marketing strategy, limitations are unavoidable, especially in distribution coverage, promotion program and business intelligence.

P&G's coverage and trade marketing activities in rural areas are still limited. Even though P&G targets middle and high income class, rural area has great growth potential because it has not reached the mature stage yet. Moreover, the world is seeing a significant movement of fast moving consumer goods trend toward middle income class, with China and India as prime examples. Therefore, P&G's coverage in rural areas must be increased.

Another problem with P&G's current trade marketing is unattractive promotion program, for both customers and consumers. For customers, store owners do not receive many attractive promotion package which encourage them to buy more. The same situation happens to shopper promotion, where repetitive gifts for detergent category are given throughout the year. Discount shows positive immediate impact on hair care and fabric softener categories' net outside sales. However, if this method is overused, shoppers will get used to the discounted price, lose interest in the future sales and lower brand value.

Last but not least, P&G does not have consumer market knowledge department to collect and analyse business information. P&G is famous for its global standard and strategy, however being too global makes P&G less local and more distant from consumers than its biggest competitor, Unilever. Without adequate market knowledge, P&G can not get really valuable information of current situation, consumer insights and trade marketing effectiveness. Available human resources such as sales team and retail staff (retail representative, brand ambassador, merchandiser) are the most informative and free of charge information source but are not currently being utilized. These lower level staff work for agencies thus having no direct meeting with P&G. The flow of information, therefore is not adequate and fast enough to make flexible decisions.

4 Suggestions for P&G Vietnam to improve trade marketing

4.1 Improving distribution coverage in rural areas

Even though P&G has made effort in shifting its focus from 80/20 principle to a wider scale, P&G is still left behind in rural area where P&G only has a reach of 86% when its biggest competitor, Unilever has already reached nearly 100% consumers in

rural area. If P&G keep focusing its effort in high end consumer, it will lose a high market share to Unilever in developing market, and rural areas. Therefore, to catch up and overcome Unilever, P&G must develop its distribution system.

In rural area, even though transportation still confronts many difficulties, demand is not as high as in urban area but this is a very potential market with 45% of Vietnamese population which is growing faster than urban area. In this area, P&G should have sub distributors to distribute P&G products to consumers even in the most remote areas. Because consuming speed is slow, there is no need to form different team, just need a general team in charge of one region. In rural areas, it is better to focus on wholesaler swhere all retailers come to get new products.

4.2 Improving promotion activities with push and pull strategy

To increase coverage, to have more stores which carry P&G products, increasing the number of distributors is not enough. Therefore, an intergrated push and pull strategy which attracts more customers and can solve the biggest problem of promotion is the key solution for P&G's current trade marketing situation.

- **Push strategy for wholesalers:**

There is a large quantity of retail stores in urban areas so consumers can easily find items they need without having to looking for wholesaler. In addition, the stores can get products directly from distributors that make the role of wholesales not clearly expressed. However, coverage of the retail stores in remote rural areas is limited, so the use of wholesaler's intermediary is quite reasonable since it helps increase the chance of sales. Currently, due to low discount rate and poor promotion policy, wholesales are not active with the company activities .To help stimulate wholesalers, the company should increase the discount rate; apply cumulative sales programs monthly or quarterly. Last but not least, the company should also support the wholesalers in the trade marketing by educate them some principles in displaying products to get more customer's attention.

- **Push strategy for retailer:**

In the distribution operations of Vietnam FMCG company, intermediaries play a vital role due to effective network. Companies should support the activities of these intermediaries by providing regular discount or even a proportion of sales revenue. In addition, late payment can be accepted for some retail stores based on their specific conditions. With the purpose to encourage all members in the channel, each company

can motivate competitions between intermediates by selecting the best sales representatives and rewarding them. The company can diversify the types of awards in cash or in kind of travel expense

- **Pull strategy for consumer**
    - **Attractive, seasonal gifts**

When being surveyed, 80% shoppers stated that they want a promotional gift which can be used immediately, "useful" is the most important criteria of a gift. When a new gift is introduced, it might be useful. Therefore, the most suitable solution is to give gifts which are always necessary for consumers. The utmost option is to give P&G's products. For example, consumers can get a small size of Pantene conditioner for buying Pantene shampoo; Head & Shoulder for Pantene; Downy for Ariel,…These gifts will save cost in buying promotional gifts from outside suppliers and more important, increase trial for P&G products, an effective tool for cross selling.

- **Shopper marketing program**

Social media in Vietnam where more than 30 million people use facebook everyday (Tuoitre, 2015), it is not unusual for a brand to have its fanpage. Facebook can create thousands of likes, comments and interactions. It is a great tool not only to raise brand awareness and educate consumers but to inform new point of sale programs, to attract more shoppers to the trade marketing program

4.3 Utilizing business intelligence

P&G is well aware of the shopper and customer profile, as well as using the "who, why/where/when, what and how" to deeply understand shopper and customer behaviors. However, they do not catch up with the trend or measure shopper and customer reactions to a trade marketing program. Because of this, the company is slow to realize its weakness and are not close enough to customers. Therefore, P&G needs more business intelligence on its consumers, customers and the effectiveness of current trade marketing program to go local. Having a deeper understanding of customer can help P&G build better relationship with customers, solve their problems better. To assess the effectiveness of trade marketing program, P&G needs more measures on how consumers react to a new program. This objective can be conducted using technology counting the number of purchases changed after implementing a new display, communication tools.

Moreover, P&G should form consumer market knowledge team which is

responsible for trend analysis. This team must be marketing, market research and consumer experts who have deepest understanding about consumer to provide valuable insights for future strategy.

Another opportunity that P&G must seize is the blooming of digital users in Vietnam, especially social media. Trade marketing catches shopper's eyes inside store, but to attract more consumers to the store, the assistance of digital marketing is necessary. P&G can use P&G brand's facebook fanpage to promote for coming shopper program at point of sales..

5. Suggestions for other FMCG companies in Vietnam

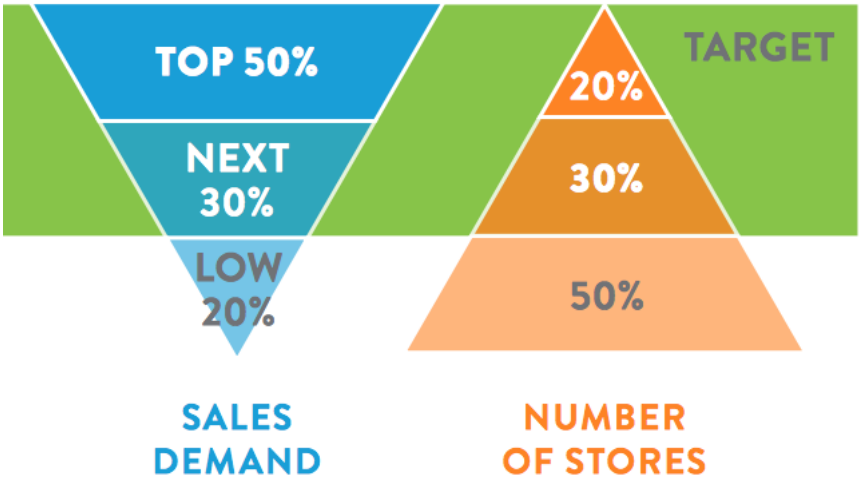
5.1 Set specific trade marketing strategy

To win with trade marketing, at least a company must have strategy with clear objectives, measures and implementation methods. P&G's model of retail fundamentals with distribution, pricing/promotion, shelving and merchandising is an apprehensive and inclusive model which covers almost all aspects of trade marketing activities. To build trade marketing strategy, company must be well aware of its strengths and weaknesses as well as market opportunities and threats. Companies must measure these fundamentals monthly using third party and company staff to make sure current trade marketing strategy is aligned with company objective and satisfy consumers.

5.2 Have strategic focus

With limited reources, FMCG companies must focus on what really matters rather than aggressively invest everywhere. For distribution, Nielsen's concentration curve application is very effective in choosing potential market.

Figure 2 Concentration curve application



Source: Nielsen (2015)

Rather than trying to improve its numeric distribution, FMCG companies in Vietnam should focus first on weighted distribution, which shows the real quality of distribution nework. The first target is to focus on top 20% stores where 50% sales demand is located. With the same sales force, these stores are much more profitable.

5.3 Organize realistic, useful promotion program

Unlike fashion and luxury goods, most of consumers seek for something practical when it comes to FMCG gifts, just as the industry itself. Therefore, it's best to give realistic, practical gifts which can be used easily on a large scale by consumers. Direct discount is effective for impulse purchase but doesn't have positive impact in the long run. Therefore, related products of the same companies and seasonal gifts are highly recommended.

6. Conclusion

Being market leader in FMCG industry, P&G has a set of clearly defined trade marketing strategies which are strictly implemented throughout the world. With monthly assessed measures, P&G can check its trade marketing effectiveness in a timely manner and take appropriate action. P&G has established a high quality distribution network, very well organized and strategic shelving as well as displaying strategy. However, compared to its strongest competitor, P&G's coverage still falls short, and its promotion programs are not very attractive. Therefore, P&G's challenge is to extend its current distribution network, increases the attractiveness of consumer promotion and put a stronger emphasis on customer business intelligence. From P&G's

case, it is suggested that Vietnamese FMCG companies should do what really matters by focusing on the strategic marketplace and strategy. For FMCG with limited trade marketing budget, effectively utilizing their available resources at point of purchases is really important.

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