

To study markets in SE Asia and determine an appropriate market entry strategy

- MYANMAR
- CAMBODIA
- VIETNAM



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Introduction :

I was given an opportunity to work with the TAFE Export team to study three markets in SE Asia. Myanmar, Vietnam and Cambodia. Given the current pandemic situation and the travel restrictions, most of our meetings were held virtually. Much of the information contained in the reports was obtained through online research. Teleconferences with primary contacts and past visit reports were also extensively used while putting together the reports.

Approach to the study :

During my interactions with the Exports team, I understood that the general approach to entering a new market would cover the steps given below.

In the case of the identified markets, I have focussed on analysing the market, the growth drivers, tractor industry volumes (TIV), competitors, potential products, distribution/selling models and retail financing options.

#	Market Entry Stages	Activities	Inputs	Outputs
1	Market Selection	Prepare initial list of markets	1. World Tractor Industry Report 2. Directions from top management 3. Scope of EEM 4. Corporate and divisional objectives	Initial List
2		Analyse future potential of each market	1. Agri Fundamental growth drivers like crop land, GDP, Agri GDP per Capita etc. 2. Mechanisation level - tractor density	1. List of "Priority/ Focus" Countries 2. List of "Be Present for Future" markets

3	Market Study	Analyse market entry feasibility via secondary research (PESTEL analysis)	<ol style="list-style-type: none"> 1. Political stability and Govt. initiatives to support Agriculture 2. Tariff and non-tariff barriers 3. Homologation requirements 4. Product testing & certification requirements 5. Currency fluctuation 6. Inflation rates & disposable income 7. Interest rates & retail finance ecosystem 8. Cultural barriers 9. Safety norms 10. Climate and soil conditions 	Go / No-Go decisions
4		Tractor market study	<ol style="list-style-type: none"> 1. Product segments, HP segments 2. Crop mix and application segments 3. Region-wise analysis 4. Customer segments 5. Competition analysis 	Go To Market (GTM) with clarity on brand, products, prices, network
5	Distributor Appointment	Prioritize and assign weightage to Criteria for selecting prospective distributors based on GTM and our previous experience in selecting distributors.	<ol style="list-style-type: none"> 1. GTM 2. Standard list of criteria 	<p>Weightage for the following Criteria:</p> <ol style="list-style-type: none"> 1. Financial Strength 2. Network: Branches/ Dealerships in strategic locations or willing to open the same 3. Prior Experience in Tractor/ Automobile Distributorship/ Dealership 4. Willingness to do ATL and BTL activities 5. Service Workshops/ tie up with local garages in strategic locations or willing to do the same 6. Manpower for Sales, Marketing and Service 7. Previous tender success rate of the distributor 8. Willing to invest and expand
6		Identify prospective distributors	<ol style="list-style-type: none"> 1. Desk Research 2. Embassies 3. Exhibitions 4. Contacts 	List of 5 to 6 prospective distributors

7		Contacting prospective distributors over emails and phone calls or during market study visit to assess their interest level in TAFE tractors distributorship	List of 5 to 6 prospective distributors	Interest levels
8		Visit distributors and inspect facilities	List of shortlisted prospective distributors	Prospective distributor visit report
9		Filling up DFF (Distributorship Franchise Form) for all interested prospective distributors		Filled up DFFs
10		Finalizing distributor based on set criteria	Criteria with weightages	Finalized distributor prospect
11		Firm up products specs and prices	GTM & Competition analysis	Final list of products with specs and approved prices.
12		Distributor's visit to TAFE plant, PTC, J-Farm, HO		
13		Firming up broad business plan with 3 years sales volume plan (target)		
14		Signing of MoU (one year validity) / Trial order	Business Plan	MoU signed by TAFE & Distributor
15	Distributor Onboarding	Sharing and explaining distributor installation documents	Warranty Policy Brand Identity Manual Market Development Activities SOPs High res. Photos of selected models TAFE Leaflets/ product Brochures FAB and sales kit for selected models Organisation Structure and escalation matrix	
16		Detailed Business Plan including man power recruitment plan, 3S network development plan, Marketing activities plan, Sales and Service training plan	Market study reports	Market Strategy Document
17		Product Launch Event/ Press Release by distributor to announce about his appointment as TAFE distributor		
18	Distributor Evaluation	Distributor Evaluation in Jul every year based on performance	Distributor Evaluation Form	Action Plan / Decision on renewal of MoU or Overseas Distributorship Agreement

Observations :

1. Myanmar, Vietnam and Cambodia are countries in SE Asia. Being a part of the Lower Mekong area, they have a rich agricultural history and share similar climatic conditions. Together, these countries are home to more than 168 Million people. Vietnam with a population of 96 Mill is the largest, followed by Myanmar, 56 Mill and Cambodia, 16 Mill. As is typical of developing nations, a significant percentage of the population is employed by the agricultural sector. Myanmar in fact employs 70%, while Vietnam and Cambodia employ 40% and 48.7% respectively. Myanmar has the largest land area at 676,000 Sq Km, followed by Vietnam at 331,000 Sq Km and Cambodia at 181,000 Sq Km.
2. These countries are also characterized by their militarized pasts and have been making efforts to modernize their economy with a view to improving the standard of living of their people. Myanmar with its enigmatic leader Aung San Su Kyi has been most vocal about its need to move to a democracy, while the military continues to play a dominant role in the affairs of the state. Cambodia continues to be ruled with an iron fist by Prime Minister Hun Sen and his near dictatorial control on all aspects of Cambodian life and The Communist Party of Vietnam and its unitary government, currently under President Nguyen Phu Trong continue to serve the people of Vietnam.
3. The economic performance of the three countries has been satisfactory with all three consistently showing GDP growth rates of > 6%. While Myanmar and Cambodia currently show Per Capita GDP's of USD 1330, Vietnam's is far more impressive at USD 2286. These countries have all managed their inflation rates well and availability of bank finance at reasonable rates is good.
4. In keeping with success stories of other successful Asian economies, these countries have all developed and are pursuing policies that would facilitate sustainable and equitable GDP growth rates. Some of these policies are:
 - a) Increased trade integration with the world and the neighboring countries to spur productivity growth in agriculture and manufacturing.
 - b) Adopt and develop 'Best Fit' policies Vs "Best Practices" to leverage the countries individual strengths.
 - c) Structural change in agricultural practices to encourage a more systematic shift towards high productive manufacturing and lucrative services sector.
 - d) Prudent public finance management, macro -economic stability and a robust banking sector to sustain the rapid growth required by these economies.

Study Recommendations :

- a) Vietnam sells the largest volume of tractors with FY 20 seeing a volume of 4452 numbers. However, it is to be noted that 40% of these are less than 12 HP. We see a steady volume of 3000 Units/annum in Myanmar and 1400 Units/annum in Cambodia.
- b) Kubota of Japan is a formidable competitor in this region.
- c) However, with a systematic application development program to place the right products, ensuring availability of spare parts, partnering with the right financially strong channel partner and positioning TAFE as a premium brand with low maintenance costs, gaining a 10% market share in this geography, by FY 23 is an achievable target.

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