

## CHAPTER I INTRODUCTION

### 1.1 Background of the Study

The internationalization brings a number of challenges and opportunities to all economies around the world. International process has affected all aspects of the economy in all countries around the world. All of the enterprises in each country must have their own plan for maintenance and growth in international context. In cases, a number of enterprises choose to go international. There are many reasons for this choice of enterprises. Several cases invested to other countries because they have their own evaluation on domestic and foreign market and have conclusion that the domestic market is so stagnant and going abroad is one of the best way for growing faster. The other go abroad in order to compete with their domestic competitors. Whatever reasons for going international, the final purpose of every enterprise is the prospected profit to be made. In order to achieve this aim, each enterprise must have suitable entry mode choice to expand.

Internationalization process implements in all area of global economy. Telecommunication is not an exception. According to Afullo (1999, 287-296), telecommunication is the engine for economic growth. It has participated to internationalization process of all areas of the global economy. It helps other service business to deliver service and help international communication to become easier and faster.

In Vietnam, the internationalization has influenced in all aspects of the economy. The accession of the international associations, organization (WTO, ASEAN, AFTA, CEPT, CAPT) opened the door for domestic enterprises to integrate the global economy. In international process, Vietnam has rapidly expanded to import, export promote the development of domestic manufacture, create more job, etc... in 1990, the export volume reached 2.404 billion USD and import volume was 2.752 billion USD. To 11/2011, the total volume of export and import reach 197,28 billion USD (General Department of Customs, 2012)

In Vietnam, the internationalization process of mobile network operators have grown rapidly and play a vital role to the economy of the country. Before 2000, the Vietnamese

telecommunication market had only one supplier named Vietnam Posts and Telecommunications Corporation (VNPT). With the entry of Viettel in 2004, the Vietnamese telecommunication market become more competitive; eliminate the monopoly status in the market. Besides, after accessing the WTO, with its commitments, Vietnam has to break a number of tariff and non-tariff barriers, open the domestic market to the foreign enterprises. It leads to the fact that the Vietnamese market becomes more competitive because not only domestic enterprises but also foreign enterprises (Vinpelcom, Gtel Hutchison, Comvik, and SKtelecom) have traded in telecommunication sector. This is a great challenge for Vietnamese operators but also an opportunity for domestic operators to evaluate themselves in order to investigate the way to maintain and develop brand and the market share. In this context, expansion is one of the best choices for operators. On the one hand, domestic operators have a number of strategies such as developed more new technology such as 3G, increase the service quality, cut tariff in order to attract the customer and maintain in the domestic market. On the other hand, with suitable strategies, Vietnamese operators expand to the foreign market by investing infrastructure, having merger and acquisition deals with the domestic operators in the host countries. The Vietnamese operators have invested up to hundreds of millions dollars to expand in the targeted foreign market. And up to this time, they had the initial results.

In international trend of Vietnamese telecommunication suppliers, Viettel is the pioneer. In 2006, Viettel started looking for overseas market research and to 2/2009, Viettel has officially opened Metfone mobile network in Cambodia, and has begun the process of doing business in foreign countries. After that, Viettel continued to expand its market to Laos with branded mobile network Unitel on 10/2009. On 9/2011, Viettel penetrated to the American market with the opening of the mobile network Natcom in Haiti. Viettel has invested and traded in three continents such as Asia (Cambodia, Laos), the Americas (Haiti, Peru) and Africa (Mozambique, Cameroon). In particular, in 2012, Viettel launched a mobile network in Mozambique and had more investment license in Cameroon. Besides, Viettel has promoted to invest in other areas such as Kenya, Ethiopia. The telecommunication network that Viettel investment and overseas business after two years are starting with interest and become large companies in the host country. With all of efforts, it is the first time Vietnam has one brand ranked in the 100 biggest networks. Nevertheless, Viettel has faced up with a number of difficulties. It requires a document to study detailed on the entry mode strategy of Vietnamese telecom operators in general and Viettel in particular. But in scope of this study,

the researcher only focuses on the entry mode strategies of Viettel in Cambodia telecommunication market because it is the first foreign market that Viettel entered and the lessons from this foreign entry strategy could have recommendations for the next foreign markets.

## **1.2 Research objective**

There are five main research objectives of this research as followings:

- To clarify theoretical issue on international market entry strategy.
- To identify the external and internal environment factors that had been affected the development of Viettel business in Cambodia.
- To study and evaluate the efficiency of international market entry strategy of Viettel in Cambodia.
- Formulate the recommendations for Viettel in order to develop the international market entry strategy in Cambodia and in other country market.
- To provide the Viettel business's concepts and Viettel business in Cambodia market and international market.

## **1.3 Research question**

This research has four questions:

- What is Viettel's choice in order to entry a foreign market?
- How Viettel business evolved and developed in international market?
- Why Viettel business decided to invest in Cambodia as the first step?
- Which Viettel gain from the foreign market and what difficulties that they have to face up with?

## **1.4 Significance of the study**

This study is contributed and contributes to both the theoretical and practical side:

Academically, this study investigates the theories related to international market entry mode such as conception of internationalization, international market entry mode.

Practically, this research also provides the general point of internationalization process around the world especially in telecommunication sector. In this context, the

Vietnamese telecommunication market has been also more competitive. The domestic operators have had a number of difficulties in order to maintain and develop in the traditional market. Expanding to the targeted foreign market is a good solution for them. But not all Vietnamese enterprises could invest abroad and not all of them could gain profit from the foreign market. Thus, analyzing the case study of Military Telecom Corporation Viettel could be a useful lesson for other Vietnamese enterprise, not only telecom enterprise but also enterprises in other sectors, who want to expand to foreign market. It is one of the most important values of this research.

## **1.5 The outline structure of the study**

### **Chapter 1: Introduction**

This chapter provides a background of Viettel Company and its internationalization as well as internationalization process around the world, especially in telecommunication sector. It also presents a general international market entry situation of Viettel. Moreover, this chapter also provides the research objective, research questions and the significance of the study.

### **Chapter 2: Literature review**

This chapter focuses on providing theories on international market entry mode, the target market.

### **Chapter 3: Research methodology**

This chapter presents theories related to the research strategy as well as research method and data collection.

### **Chapter 4: Viettel's international market entry strategy**

This chapter presents the business situation of Viettel in domestic market as well as investigates the strength and weakness of the Viettel when expanding to foreign Countries. In the next part, this chapter analyzes the market entry mode of Viettel with case study in Cambodia.

### **Chapter 5: Evaluation, recommendation and conclusion on the situation of Viettel in Cambodia**

This chapter summarizes all the contents and analyses of the study, Moreover, it also provides a number of recommendations for the international market entry mode of Viettel.