CHAPTER IV

VIETTEL’S INTERNATIONAL MARKET ENTRY STRATEGY

4.1 The general situation of Viettel’s international market entry strategy

This part is an overview of the business operation of Viettel in their foreign target market with the reliable figures, most of them are provided by the Viettel Global. Currently, Viettel has developed their business in Cambodia, Laos, Mozambique, Peru and Haiti. The international market penetration strategy of Viettel has begun in 2009 with the launch of two mobile network operators in Cambodia (MetFone-2/2009) and in Laos (Unitel-10/2009). Currently, Viettel is in the process of negotiating with the number of governments in order to expand their business activities in the international environments such as Laos, Thailand, Myanmar, and Cuba.

In the invested and investing market of Viettel, Peru is the country with the largest population of over 31 million people (2015, ranked 42nd in the world). The next rank is Mozambique with 23 million people (2010, ranked 51st in the world). Among these countries, the population structure of Peru is similar to Vietnam. The population group in labor age is nearly double the population group in dependent age. The proportion of children below the age of 15 in 2015 was 27.9%, 65.3% was between 15 and 65 years of age, while 6.8% was 65 years or older.

One of other foreign market of Viettel, Mozambique, has the same situation. This country is one of the countries in the world having the youngest population with the average age of 16.8 years old. The percentage of population of children below the age of 15 in 2014 was 45.3%, 51.8% was between 15 and 65 years of age, while 2.9% was 65 years or older. Because the characteristics of the population in these countries have similarity in comparison with the population situation in Vietnam, Viettel has a great opportunity to achieve success in telecommunication service in these countries.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population (x 1000)</th>
<th>Population aged 1 – 14 (%)</th>
<th>Population aged 15 – 64 (%)</th>
<th>Population aged 65+ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>19545</td>
<td>40.3</td>
<td>55.9</td>
<td>3.8</td>
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</table>
FIGURE 5. The population demographics of Peru (2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population (x 1000)</th>
<th>Population aged 1-14 (%)</th>
<th>Population aged 15-64 (%)</th>
<th>Population aged 65+ (%)</th>
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</thead>
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<tr>
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<td>52.2</td>
<td>3.1</td>
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<td>45.3</td>
<td>51.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

FIGURE 6. The population demographics of Mozambique (2014)

The revenue of Viettel from foreign market in quarter 1/2011 has increased 200% over the same period. In 2010, the telecommunication turnover from Cambodia and Laos market is 220 million USD, in which the revenue from Cambodia was 161 million USD and this number in Laos was around 61 million USD (increase 2.8 and 4.5 time in comparison with the same period in 2009). In 2011, the market turnover of Viettel in Cambodia was 256.4 million USD, up 76% compared to 2010. Profit after tax of Viettel increased 32% from 3.132 million USD to 3.590 million USD. In Laos, in 2011, the profit receiving from Star Telecom is about 10.07 million USD – increase 50% in comparison with 1010.

It could be found that the overseas investment strategy of Viettel is a transnational strategy. It is applied when a company faces up with the pressure on decreasing the cost and satisfies the requirements of the local. Most of the countries in which Viettel focused on
searching for investment opportunities are developing market, both on economic and telecommunication. Simply because Viettel is a young operator, all of the attractive market have been invested and expanded by the well-known operators. However, Viettel investigated their advantage in this difficult market. In total 30 international telecom investors, Viettel is the poorest. Because of poverty, growing up in a developing market like Vietnam, Viettel has a number of experiences to operate their business in difficult market, understand and share the things that the developing country concerns. That confirmed that Viettel expand to foreign countries with the ambition to become one of the largest operators in the host countries. In order to do that, Viettel has applied to the blue ocean strategy-it means that they created themselves a new business branch, a new market, an “ocean” of the new service in a land still has not been one explored.

4.2 Viettel facts in Mozambique

- Brand name: Movitel.
- Movitel was selected among total 22 firms originally bid for the license and finally beat two other firms (TMM, a unit of Portugal Telecom, and UNI-Telecom, a joint venture between Angola's Unitel SA and Mozambique's Energy Capital SA) to win the bidding on October 5th, 2010 thanks to its technical capacity.
- Being licensed by Mozambique Government on January 10th, 2011 to be the third mobile operator, Movitel enters a market dominated by Mozambique Cellular and Vodacom Mozambique, a unit of South Africa's Vodacom.
- 9 months after that, on October 6th, 2011, Movitel realized its commitment with Mozambique Government when putting on air the first 9 mobile stations and completing the constructions of more than 5,000 km fiber optic cable which was already equal to total national fiber optic cable available before.
- Development scale (at launch date):
  - The largest, widest coverage and best quality network in Mozambique featured with:
    - 1,800 (including 2G & 3G stations) reaching 100% districts, all the highways across the country. By 2012 end, the number of stations will be increased to 2,200 to cover more than 80% of the country’s population.
o 12,600km of fiber optic cable spread to 100% of provinces, 60% of districts and highways nationally. By the end of 2012, there will be 20,000km of fiber optic cable covering 100% of the country’s districts.

o Sustainability and reliability: fiber optic cable backbone has been applied with the cutting edge technology (SDH, DWDM wavelength division multiplexing). The backbone’s capacity is 10Gbps. 100% of fiber optic cable routes to all provinces has been provided 1+1 redundancy and backup by fiber optic cable (if the connection failed this route then it will be automatically diverted to other fiber optic cable route).

o Network availability of 99.99% which enables customers to get connected right away and use the service at anytime, anywhere. Call set up success rate reach 99% and call drop rate is managed to be among the lowest in Sub Saharan region, at less than 1%, while the regional average rate is 3-4%.

o Movitel has biggest technical team in Mozambique (3-4 response teams in every province who are on alert 24 hours/day to fix network trouble).

o Movitel network is internationally connected to enable roaming services to 154 countries worldwide.

- Movitel network has the largest and widest distribution channel with 50 shops and 25,000 agents nationwide. Each locality has been served by 1-2 Movitel’s sales staffs.

- Contribution to Mozambique’s telecom industry (at the launch date): Over just more than a year, Movitel has done much better than its commitment with the Mozambique Government (deploy 20% more than committed fiber optic cable length and exceeding by 2.4 times the committed mobile coverage)

Movitel made the following contributions:

- Movitel has contributed 70% of Mozambique’s fiber optic cable network, resulting in:

  o Tripling the network density in Mozambique (from about 239 km fiber optic cable per 1 million people to 787 km fiber optic cable per 1 million people)
o Making Mozambique one of the world’s fastest developing telecommunications networks and placing it among top three in Sub-Saharan Africa in terms of fiber optic cable systems (along with South Africa and Nigeria).

- Movitel has built more than 50% of the mobile network infrastructure of Mozambique, contributing to:
  - Doubling mobile infrastructure density of Mozambique within a year (from 75 mobile stations per one million people to more than 151 mobile stations per one million people).

- Movitel commits to expand the network to make Mozambique one of the world’s and region’s leading developed network infrastructure by the end of 2012 (global infrastructure density: 1,000 km of fiber optic cable per 1 million people and 200 BTS per 1 million people).

### 4.2.1 Investment in Mozambique

On May, 2012, the Mozambique government has granted licenses to provide mobile telecommunications services for Movitel. Movitel gained a victory over two other competitors namely Uni-Telecom, a joint venture between Angola’s Unitel SA and Mozambique’s Energy Capital SA; and TMM, the company’s telecom operator of Portuguese (Portugal Telecom).

Auction given the condition that the involved companies must have at least 2 million customers in the countries where they have operations and have proven that their sales reached over 50 million USD per year. Movitel spent $28 million for the third mobile license in Mozambique. This auction for the 3rd mobile license in Mozambique has 22 participating companies. With this license, within 12 months, Movitel has to start their services provide. In the next five years, Movitel will invest 400 million USD to develop the business while ensuring coverage to 85% of the population of Mozambique.

Movitel is an alliance between Viettel and SPI, a joint stock company of Mozambique. Mozambique currently has over 23 million people, of which about 7 million people have been customers of two mobile service providers Mcel and Vodacom. Capital
income of the people in Mozambique was 464 USD by the year 2009 and is one of the world’s poorest countries.

On 13/11/2012, Movitel has become the enterprise with the best solution to improve telecommunication is Africa rural area in the ceremony of Africa Communication Award (Africa com). From the beginning, Movitel has deployed on a large scale the infrastructure and business network through the whole country and make Mozambique to be one of three countries with the best telecommunication infrastructure in sub-Saharan area. This is the important condition to deploy the advanced management tools such as e-government, developing ITC applications in the fields of education, health.

4.3 Viettel facts in Peru

- Brand name: Bitel
- Company name: Viettel Peru S.A
- Established: 2011
- Service launching: October 2014
- Employees: 1682 staffs.
- Services providing: Mobile, Internet
  - Bitel is the first mobile operator using 3G only network in Peru, with mobile internet coverage to 80% of the nation. Peru is the first overseas market of Viettel that has a considerably higher GDP than Vietnam. Hence, launching Bitel marked a new developments milestone in the globalization process of Viettel. Few months after its official service launching on Oct 2014, Bitel has contributed to generate a data booming trend in Peruvian telecom market.

4.3.1 Investment in Peru

Viettel has planned to invest 27 million USD in order to build a new mobile network in Peru. The tender for the license of 4th mobile network in Peru have the participation of four network operators namely Viettel, Americatel, Hits Telecom and Winner Systems. Viettel won the bid thanks to its commitment to serve free for 4025 education organization in Peru over the next four years, more than two-fold compared to the commitment of the two other
rival competitors. Other conditions of the license is Viettel must have a minimum of 15,000 connections in the first year and 338,000 connections in the 3rd year as well as coverage into 5 provinces outside of the capital Lima and Callao in two years.

Currently, Peru has three mobile network operators, including Claro (owned by America Movil SAB Group of Mexico), Movistar (owned by TelefonicaMoviles SAC, a member of the group Telefonica SA of Spain) and Nextel del Peru SA, a member of NII Holding Inc. In particular, according to statistic to the end of 2009, the Movistar is the largest operators, accounting for 63% of Peruvian mobile market with 15.6 million subscribers, followed by Claro (33% market share and 8.25 million subscribers) and Nextel del Peru SA (more than 800,000 subscribers and 3.3% market share). According Telecompaper.com website, mobile phone penetration in Peru has reached 97% by the end of 2010, up 17% from the last year. Peru has over 33 million people with a per capita income being about $3,500 to the end of 2010. This South American country has more than 8 million internet users, reaching 27%.

4.4 Viettel facts in Haiti

- Brand name: Natcom
- Launching on September 7, 2011, Natcom joined Haiti telecom market as the third entrant. Right at launch date, Natcom owned the largest and widest infrastructure network with 1,300 stations (including 2G and 3G stations), equivalent to 74% of country’s total number of stations.
- The first operator to build entirely new fiber optic cable infrastructure for Haiti with 3,251-km in length after the earthquake.
- Introducing the first broadband service to 100% of cities and provinces and districts in Haiti.
- Providing free Internet access to schools in Haiti.
- Development scale:
  - At its launch, it had the largest and biggest network infrastructure.
  - After nearly a year of operation, the company has nearly one million subscribers.
- Contributions to Haiti:
- Building the new 3,251-m fiber optic cable infrastructure in Haiti. It has built 74% of the BTS stations in Haiti and therefore increasing the fiber optic cable density of Haiti from zero to 306km per a million people. The density of transmission stations has almost doubled, to 312 BTS per million people, which meets similar to international averages.

- Expanding the network coverage to 100% of districts, 93% of communes and more than 95% of population.

- Introducing the first broadband service to 100% of cities and provinces and all districts in Haiti.

- Implementing social programmes such as free Internet access at schools and building infrastructure for the application of e-government.

### 4.4.1 Investment in Haiti

Natcom company was officially launched in Haiti on 9, 2011. It is a joint venture between Viettel (holding 60% of the share) and the Teleco of Haiti government (holding 40% of the share).

After the next months of implementing the services, the calls from other network providers to mobile phone and fixed line of Natcom are also successfully testing. In 2011, Natcom had 1000 BTS in order to operate the services in Haiti telecommunication market. On 4/5/2010, the government and central bank of Haiti has signed an agreement in which allows Viettel to invest in state-owned telecommunication operator namely Telecommunication d’sGautu (Teleco). Under the agreement, Viettel will invest a package with the value of 99 million USD into Teleco. And Viettel has agreed to invest 59 million USD in the initial year and 40 million USD for the next four years in order to upgrade the telecommunication network and service of Telecom which were severally damaged after the earthquake on January, 2010. According to the previously published documents, Viettel will take over the old debts of Teleco (estimated about 30 million USD).

In Haiti, the service infrastructures of fixed-line of Teleco operator were almost completely destroyed after the earthquake on January, 2010. Therefore, Viettel and their partner conducted to replace and additionally invest in infrastructure in order to supply more
telecommunication services. Currently, Natcom is providing the services in leasing international channels, fixed-line and internet ADSL services.

After receiving the investment of Viettel, Teleco will become a new telecommunication joint venture having license and waveband which respond to all telecommunication services such as international submarine cable, wireless broadband and mobile.

4.5 Viettel facts in Laos

- Brand name: Unitel
- Unitel was launched on October 16 2009 as the fourth entrant to Lao telecom market. In 2011, Unitel jumped up number one company in Laos in terms of infrastructure, subscriber numbers and revenue, and occupied a 42.23% market share.
- Owning the biggest distribution channel which has been rolled out to every commune. Each commune in Laos has been served by 1-2 Unitel’s sales staffs.
- Being the first and the only operator committed to providing free Internet services for all public schools in Laos. With total investment of nearly three million dollars, more than 600 schools or 50% of the pledged number of schools have got connected to the Internet to date.
- Development scale:
  - At the launch date, it became the number one company in terms of network infrastructure.
  - After two years of operation, it won the number one position in terms of network infrastructure, subscriber numbers and revenue.
- Contributions to Laos:
  - Building and contributing 50% of the total national telecom network infrastructure including fiber optic cable and mobile stations in Laos, leveraging the cable and mobile infrastructure density of Laos to 6,300 km fiber optic cable per one million inhabitants and 900 mobile stations per one million inhabitants. This is several times higher than the global average of 1,000km of fiber optic cable and 200 mobile stations per one million inhabitants.
• Spreading broadband network to cover 100% of cities and provinces.
• Expanding network coverage to 100% of communes and 95% of the population.
• Contributing directly 1.4% to Laos’ total GDP in 2011 though generated revenue.
• Unitel is currently serving two million customers or 31% of population.
• Bringing telecom services to everyone through the largest distribution channel in all communes. Each commune has been served by 1-2 Unitel’s sales staff.
• Generating jobs and stable incomes for thousands of workers in rural and remote areas.
• Contributing 27 million USD to national budget through taxes.
• Donating tens of millions of USD to the social programmes such as free Internet at schools or building infrastructure for the e-government.

4.5.1 Investment in Laos

Ensuring to serve the customers 24/7 is one of the most important tasks for all telecom operators. Doing this task is one of the difficulties for Viettel in Laos market because of the habits of the indigenous employees that they don’t work over time and in the weekend. In communication at work place, the Laotians employees prefer to speak softly and not familiar with the military manner. In Laos, Viettel had a joint venture with Star Telecom namely Unitel and on 10/2009, Unitel launched official. After three years of official service providers, from 4th position in the Laos market share, Unitel reaches the first position with the 44% of the market share. The appearance of Unitel with its wide network has helped Laos Telecommunication sector to develop considerably and taken the telecom density in Laos to increase fourfold. Averaged over one million people, the optical density was increased from 1,300 km to 6,600 km (6.6 times compared to the global average density), the density of stations increased from 250 BTS (Base Transceiver Station) to 950 BTS (about five times in comparison with the global average density). In order to reach out and provide services to all people, including the people lived in the furthest places, Unitel has socialized to provide services with the network of 15,000 agents. This network has created stability of job and salary for 20,000 local employees. All the innovation in business bring Unitel to become the
best communications provider in growing market (Unitel was awarded in 13/11/2012 by World Communication Award).

4.6 Viettel facts in Cambodia

- **Brand name**: Metfone.
- **Launching on February 19, 2009**, Metfone joined Cambodia’s already fiercely competitive market as the eighth entrant. 2 years later in 2011, Metfone won number one position in Cambodia in terms of infrastructure, subscriber numbers and revenue, and dominating the market with a 49% market share.
- **International Awards & Recognitions**:
  - The Best Operator in a Developing Market (the World Communications Awards 2011).
  - The Best Service Provider of the year in Emerging Markets (Frost & Sullivan 2010)
- **Development scale**:
  - At launch, it was the number one company in terms of network infrastructure and the first multi-service provider.
  - After two years, it became the leading company in terms of network infrastructure, subscriptions and revenue and holds a 49% market share.
- **Contributions to Cambodia**:
  - Building and contributing 80% of the total national fiber optic cable network, 41% of the total national mobile infrastructure network in Cambodia, raising the cable and mobile infrastructure density of Cambodia to the 1,362-km fiber optic cable per million inhabitants. 736 mobile stations per one million inhabitants. This is much higher than the global average of 1,000 km of fiber optic cable and 200 mobile stations per one million inhabitants.
  - Expanding network coverage to all communes, covering 98% of the population.
  - Broadband network rolled out to 100% cities and provinces, 85% of districts and covering up to 70% of the population which is much higher than the average level of 30-50% of the population among developing countries.
  - Contributing directly 2% to Cambodia’s total GDP in 2011 through generated revenue.
• Metfone is currently serving more than 10 million customers or 65% of Cambodia’s population.
• Bringing telecom services to every resident through the largest distribution channels covering every communes and localities nationwide. Metfone recruits local people to provide its services in their locality. Each locality has been now served by 1-2 Metfone’s sales staffs.
• Generating jobs and stable income for thousands of local people in rural and remote areas.
• In 2011 alone, Viettel contributed more than 52 million USD (or 20% of its revenue) to the Cambodian budget through taxes and fees, making it the largest corporate tax payer among Cambodian enterprises.
• It has contributed tens of millions of dollars to social programmes: i) Education (free Internet access for nearly 1,000 schools, free Internet transmission for the Cambodian Educational Research website CamREN and connection with the international education research website; ii) Subsidising surgery for children with cleft lips and palates; iii) Donations to family reunion programmes; iv) Donations to the e-government programme, including infrastructure for e-government.

4.6.1 Investment in Cambodia

At the end of 2006, the Military Telecom Corporation (Viettel) had the first step into Cambodia market and become the first telecommunication enterprise of Vietnam investing into foreign market. This is the first foreign market and the most successful market of Viettel. It will be explored the reason for the success and the results which Viettel gained.

4.6.2 The situation of the target market – Cambodia

The overview about the Cambodia economy

Cambodia is now a free market economy and has been a World Trade Organization member since 2004. The Gross Domestic Product (GDP) in Cambodia expanded 7 percent in 2014 from the previous year. GDP Annual Growth Rate in Cambodia averaged 7.68 percent from 1994 until 2014, reaching an all-time high of 13.40 percent in 2005 and a record low of 0.10 percent in 2009. GDP Annual Growth Rate in Cambodia is reported by the National
Institute of Statistics of Cambodia. Cambodia’s economy mostly depends on agriculture. Nevertheless, in recent years the importance of manufacturing has been growing due to establishment of export oriented textile and shoes factories. Cambodia is also taking advantage of fast developing tourism sector. More importantly, oil deposits found beneath Cambodia’s territorial waters and the prospective exploration of mineral resources (bauxite, gold, iron and gems) will likely reshape Cambodia’s economy. Currently, services are the biggest sector in the economy and account for 38 percent of total GDP. The industry sector accounts for 29 percent of GDP, and agriculture has the lowest share of 26 percent. Therefore, agriculture has played and will continue to play an important role in country economy growth and poverty reduction. According to World Bank (2012) in 2010 agriculture shared 36% of its gross domestic products-GDP and employed nearly half of total labor force. The main agricultural activities that Cambodian farmers are practicing are crops production, animal husbandry. Crops production includes rice, maize, cassava, sweet potato, vegetable, soybean, peanut, sugar cane, tobacco and jute whereas the common livestock are cattle, buffalo, pig and poultry. Among these activities, crops production account for a majority of proportion in which most land is utilized for rice cultivation. Rice production is a monoculture and rainfed system and divided into two seasons, rainy and dry; rice cultivated areas increase gradually from 2.3 million hectares in 2000 to about 3 million hectares in 2001; dry season cultivated area accounts for about 17% of the total area (MAFF, 2010)

The Cambodian government proposed the planning on developing national strategy from 2006 to 2010 and then Cambodia has gained the remarkable achievement. The Cambodia economy has been out of recession and stagnation. The macroeconomic is stable and continues to maintain the high growth rates around 10% per year (this number in 2004 was 11.7%, 2005 reached 13.4%, 2006 was 10.6% and 2007 reached 9.6%). The global crisis of economic and finance in 2008 affected to the Cambodia economic: Inflation increase to over 20% of GDP, the GDP in 2009 decreased 2%. However, in 2010 and 2011, the GDP was grown up to 6.2% and 6.7%. The FDI inflow of Cambodia has increased continuously from 2010 to first half of 2012:
<table>
<thead>
<tr>
<th>Region / economy</th>
<th>2010 H1</th>
<th>2010 H2</th>
<th>2011 H1</th>
<th>2011 H2</th>
<th>2012 H1</th>
<th>Growth rate over 2011: H1 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>580,0</td>
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<td>47,0</td>
<td>33,5</td>
<td>-28,3</td>
</tr>
</tbody>
</table>

FIGURE 7: FDI inflow of Cambodia
Source: UNCTAD Revised
World and regional totals estimated total covers only 6 ASEAN countries for which data are available.

The Cambodia government takes an environment with a number of policies which create an advantage environment for the foreign investors operating their business. Investors do not have to pay taxes for three years and are eligible for 3 years depending on the activity or field of investment. They must only pay taxes when having profit but not more than the 4th year. Investors are exempted from import duty of 100% for the items as building materials, production equipment, machinery, raw materials and spare parts. The Cambodia government
ensures that the foreign companies would not be nationalized. The government will not control the price. There are no different between the domestic investors and foreign investors. Cambodia law also allows the establishment of enterprises with 100% foreign capital. In Cambodia, the lease period for foreign investment up to 79 years and can be extended to 99 years, the law is respect and protect the assets of investors.

Currently, Cambodia has also some limitations. Firstly, Cambodia is only a small market with only about 14.7 million people. Secondly, although the Cambodian government has tried to improve the infrastructure, the infrastructure in Cambodia is still not complete. The other difficulty for foreign investors in Cambodia is the price of electricity. However, in less than next ten years, this is not problem for investors because a numbers of hydropower projects have started to build.

The business operations of Viettel in Cambodia have taken a number of advantages. These advantages are created firstly through the cooperation between two governments. The two governments have created a advantageous environment for trading between the enterprises. Two-way trade volume between two countries has increased annually. For geography, Vietnam and Cambodia are two neighbor countries so it created favorable advantages in trade border. All of these create opportunities for Vietnamese enterprise to trade in Cambodia.

4.6.3 The situation of the Cambodia Telecommunication market

Overview

Previously, the Civil war was occurred continuously. It destroyed the country’s infrastructure especially in telecommunication network. Cambodia has been sponsored from the international organizations and foreign countries in order to restore the telecommunication network. In 1990, Cambodia received 21.5 million USD from the United Nation to implement the project in which set up the fix-line PABXs, office satellite earth station. In 1996, the government of French and Japan financed to Cambodia to build the telecommunication infrastructure and extend the fixed line network. In 1997, the international Development Research (an organization of Canada) helped Cambodia to develop the internet infrastructure.
After these help, the Cambodia telecommunication infrastructure has improved significantly. Up to 2012, Cambodia had eight telecommunication network operators namely Hello, Smart, Mfone, Beeline, Metfone, Cadcom, Mobitel, Excell and four fixed line providers namely Mfone, Mobitel, Camitel and Viettel. Although the infrastructures of fixed line network were destroyed in the Civil War, until 2011 Cambodia has had 40,000 fixed line subscribers.

Although Cambodia has more than 50 ISPs (Internet Service Providers) the number of uses is low and the free for internet is still high in comparison with average income of the population. There are a number of reasons for this situation such as the education level is low, about 90% of the population are the Khmer but there is lack of Unicode font for Khmer that could limit the expansion of the local application Ltd (2012) until 2012, Cambodia has had 9,000 internet subscribers with 48,000 users, the internet density reaches 0.3%, and amount of personal computers is 40,000. In 2010, Cambodia operated the optical system with 100% inland investment in order to improve competitiveness and reduce the telecommunication charges. It is also the effort the Cambodia government with the purpose of attracting more foreign investors in Cambodia.

The government of Cambodia played vital role in supporting the development of telecommunication sector. According to Saroeun (2010, 12), the Ministry of Post and Telecommunication in Cambodia (MPTC) is the only organization established the regulation for the Cambodia telecommunication. And one state-owned company, telecommunication Cambodia, had managed all infrastructures in telecommunication area of Cambodia.

**The mobile phone service market of Cambodia**

The cellular phone market of Cambodia has drawn the investor’s attention with their strong investment in order to be more competitive in the market. Because of the competition of eight mobile service providers in the small market (with only more than 14 million people), the telecommunication market of Cambodia has become trouble-spot of the economy. The cellular phone market of Cambodia has developed faster than expected and the development of the fixed line market.

**The number of subscribers**

The telecommunication infrastructures of Cambodia were destroyed in the Civil war. The Cambodia government has attempted to improve the telecommunication infrastructure with the aim to attract foreign investors. Moreover, the Cambodia government has liberalized
the telecommunication market, in which allow the foreign investors to entry the domestic market. With all effort of the government, Cambodia has gain several achievements. In 2000, Cambodia gained 1% in telephone density. In 1992, number of fixed line subscribers was 4000. After one year, number of mobile phone subscribers is more than number of fixed line subscribers. In 2014, Cambodia had about one million subscribers and this number in 2014 was 1.6 million subscribers. One of the main reasons for this situation is the convenience of mobile phone services. With mobile phone services, the user could pay the telephone fee with the prepaid services. Because Cambodia is one the poorest countries, prepaid is appropriate for the Cambodia

**The growth rate and density of the mobile phone subscribers**

In 2014, the growth rate in Cambodian mobile phone sector was only about 23% (ITU, 2014). According to ITU, in ten countries of ASEAN, Cambodia has been ranked 9th in the total of ten countries with the following statistic.

<table>
<thead>
<tr>
<th>Population (million persons)</th>
<th>GDP/person/year (USD)</th>
<th>Total Subscriber (1000)</th>
<th>Telephone Density/100 Persons</th>
<th>CARG % (2000-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.07</td>
<td>375</td>
<td>1.062</td>
<td>7055</td>
<td>52.1</td>
</tr>
</tbody>
</table>

**FIGURE 8. The growth rate and density of the mobile phone subscribers**

Source: ITU (2014)

GDP structure affects so much on the growth rate of service sectors including mobile phone market. The penetration rate of cellular phone has growth rapidly from 2004 to 2014 (the penetration rate in 2014 was 91%). In 2004, Cambodia had about 660,993 mobile phone subscribers; this number in 2014 was 12,500,000. Cambodia was one of the countries in which the mobile phone market has increased fastest around the world. However, currently, the growth rate of Cambodia mobile phone market has slowed down. Because the Cambodia telecommunication market is small market with small large-scale population; moreover, in this small market, there are too many mobile service operators. It lead to the fact that after the fast-growing period, the market would be rapidly become saturated period. Other reason for this situation is the income/person/year of Cambodia is quite low (about 375USD). This number is lower the other countries in region and around the world. The Cambodia
government has aware of this issue. Therefore, in the national development strategy until 2012-2022, the Cambodia government establishes the norm of the growth rate for GDP being 6-7 percent.

The service in the mobile phone market

Service is always important for mobile phone market. Especially in one competitive market like Cambodia, it is the vital issue for the existence of each operator. Because of the convenience, prepaid service is the most favorite service in Cambodia with the rate of 90%. Among the mobile phone service providers, the percentage of prepaid users of CamGMS (Mobitel) is the highest with 99%. However, the service of Cambodia cellular phone market has been limitation. The main service of mobile phone market is only phone call. Previously, some mobile phone service operators of Cambodia provided SMS text service for the users. But it was not successful due to the characteristics of the Cambodia population. Most of the Cambodia population is the Khmer. However, there has not yet been Khmer font in cellular phone. It means that the mobile service providers have to face up with this difficult issue when providing services such as SMS text services and service in using Internet with mobile phone.

About Viettel, Cambodia is a great opportunities and challenges for their activities. Viettel has a number of opportunities in this market. Vietnam and Cambodia is two neighbor countries. Thus, the difference of culture and geographic distance could be easier to shorten. When operating in Vietnam, Viettel has had a number of strategies to complete and increase the market share. With suitable strategies, Viettel has become the mobile service provider with the biggest market share in Vietnam. The population structure of Cambodia is similar to Vietnam. Therefore, the successful operations of Viettel in Vietnam could be useful lessons for them when investing in Cambodia. However, Viettel has also a number of difficulties in Cambodia market. This market is small with only 14.7 million people but it has also 8 mobile service providers. It has a great level of competition. Moreover, the telecommunication infrastructure of Cambodia is not complete. Investment in Cambodia has required the company to have a great economic potential to invest in infrastructure.

4.6.4 Business environment of telecommunication sector in Cambodia

The management policies of the Cambodia government
In development planning of Cambodia government until 2012, there are three main objectives, which Cambodia would achieve, as following: (1) the government will encourage developing the activities of the private economic zone, (2) attract the foreign investment and (3) encourage growing the telecommunication zone. In the development strategies, the Cambodia government has focus on improving two main major sectors as telecommunication and bank. In order to attract the foreign investors, the Cambodia government has attempted to improve the investment environment, stabilize the political environment.

Previously, the Ministry of Post and Telecommunication of Cambodia managed all about the post and telecommunication sector in the country such as operation, business, and infrastructure. However, in 2012, the Cambodia government has divided the Ministry of post and Telecommunication in accordance with the specified functions. The Ministry of Post and Telecommunication of Cambodia will manage the general policies of the sector. One state-owned company namely Telecom Cambodia will take over the business operation activities as well as the infrastructure of the Cambodia Telecommunication sector. Separating Ministry of Post and Telecommunication into specified functions will make the Cambodia telecommunication sector more transparent and more attractive in the eye of the investors.

The environment of nature and society

According to ITU, until 2014, Cambodia population is 14.7 million people, in which the amounts of people living in the city consist of 16%. Most of the Cambodian is Khmer 90%. And other 10% is Laos, Vietnamese, Chinese, Thailand, Myanmar and Malaysian. According to ITU (2014), Cambodia has young population with 42.8% of population under 15 years old, 16.1% in the age of 15-19 and 31.1% of population over 30 years old. Moreover, the estimated annual growth rate of Cambodia population is about 1.54% (NIS, 2009). In general, in the social aspect, Cambodia is a potential market. Although the current market of Cambodia is quite small with only 14.7 million people, this number would increase quickly because of the annual growth rate of population.

Moreover, the natural environment in Cambodia takes also a number of opportunities for Viettel in market penetration process. Most of Cambodia population (more than 80 percent) lives in rural or underdeveloped area such as the hill area swam area. With the topography of these areas, it is difficult to develop the fixed line network. In addition, the civil war was also damaged most of the infrastructure of fixed line network in these areas. It is a challenge for developing fixed line network but also an opportunity for improving mobile phone network.
Technological environment

Currently, the technology of telecommunication sectors has increased quickly both in quality and the multiform of the services. There are number of technology in telecommunication around the world such as CDMA, US, TDMA, GSM, PDC, and third technology in which the users could be provided more value-added services including internet accession, voice services. Everything has two sides and telecommunication technology is too. Both of technology has their own advantage and disadvantage. However, CDMA and GMS are the most popular technology used in telecommunication in the world. Between CDMA and GMS, CDMA has less advantage on business aspect in comparison with GMS. Because with GMS technology, the mobile service providers could supply a number of services such as WLL (Wireless local loop), limited mobility.

In Cambodia, although the telecommunication sector was developed from 1993, current, Cambodia has only really had the GMS cellular phone service provider. According to Global Mobile, to the end of 2014, Cambodia has about two million mobile phone users and five main GMS network operators namely: Casacom, Mobitel, CAMTel, TRICELCAM and CAMSHIN with following information.

- **Casacom** was established in 1999. This provider has used GMS system. The annual growth rate of Casacom has estimated about 39%. Casacom system has also applies NMT (Nordic Mobile Telephone System), and its service areas are not only in Phnom Penh, but also in some provinces such as Battambang, Siem Reap, Kompong Cham and Sihanoukville, These base stations are connected by terrestrial microwave systems in Phnom Penh and satellite systems between Phnom Penh and Provinces.

- **TRICELCAM** is joint venture company of MPTC and Technology Resources Industries Berhad (TRI, Malaysia), and provides service in Phnom Penh since October, 1993, TRICELCAM system applies ETACS. And its services areas are covered by three base stations in Phnom Penh. These base stations are connected each other by the 8 GHz microwave systems. The service area is approximately 15Km x Km in Phnom Penh. TRICELCAM has a plan to expand the service areas in Sihanoukville and Kompong Cham.

- **Mobitel** was established in 1997. This operator has used the system of GMS-900/1800. The annual growth rate of Mobitel has been 31.9%.
- **CAMTel** was established in 1993. It has used AMPS system. The annual growth rate has been -47%.

- **Camshin** was established in 1998. This mobile service provider has used GMS-1800 system. Camshin system is different from the other four (4) cellular WLL (Wireless Local Loop) systems. The subscriber terminal is installed at customer premises with power supply system (charger and batteries). This system uses the radio frequency 450 MHz bands.

In fact, the GMS providers have achieved the success in the Cambodia telecommunication market. Other technology such as AMPS and CDMA could not complete in this market. The Cambodia mobile phone users has usually used the voice services, the other services such as value-added services is not concerned with. This fact has also proved that GMS system is the most appropriate to the Cambodia telecommunication market.

Around the world, new telecommunication technology has developed continuously, the development of new technology has always affected to the existence of the older. The Cambodia telecommunication market has been no exception to this trend. However, with characteristic of Cambodia telecommunication market, it is not easy for the new technology to develop in Cambodia. For example, the voice service using IP system is so difficult to apply in Cambodia because the telecommunication infrastructure in Cambodia has not yet developed. Therefore, is could only compete with the fixed line network due to the cheaper price of the service.

Applying CDMA is also a story that needs to talk. CDMA has a number of advantages in technology. It could supply a number of services beside the traditional mobile services. With CDMA, the phone is not only use for listening and telling but also is a useful computer. Therefore, it is very popular in the developed countries. However, CDMA has a disadvantage, which is one of the most important affecting to the choice of customer in Cambodia market. In the order to use the services with CDMA technology, the users must pay more for this service than GSM. In fact, the living standard of Cambodia has not been high with the Gross national income per capital of 760 US$ (World Bank, 2014) CDMA network is only suitable with the industrial countries in which the Gross national income per capital is about 1,000 USD per year.
One more threatening for the existence and development of GMS is the developing wireless technology. This new technology has a number of advantages. But in the next few years, it could be difficult to apply in Cambodia because of the three main reasons as following:

- It is not appropriate with the countries with low income per capital like Cambodia
- It takes a long time to improve the network infrastructure.
- It is difficult to share the view of point and standards in order to connect the equipment among the providers.

In comparison with other technology, GSM has a number of advantages when applying in Cambodia. One of the most important factors affecting to the consumer choice is the popular of the GSM Cellular phone. More and more GMS cellular phone are manufactured by a number of different producers. The more producers do business in the market, the more competition increase. It leads to the race among the manufacture in design, price, and the price has trend to increase. Moreover, the price of GSM devices is cheaper in comparison with the price of other devices such as wireless technology, CDMA. This is one of the important things affecting to the mobile service providers when choosing telecommunication technology.

In conclusion, it is easy to be seen that the cellular phone market of Cambodia used mostly by GMS technology and upgraded services from GMS namely GPRS and EDGE. It is appropriate with the needs of the users in Cambodia in the next few years.

**The situation of competitive environment of Cambodia mobile phone market**

At the present time, the mobile market of Cambodia has become more and more competitive because of the business operations of 7 mobile service providers (not include Viettel). In order to compete, the operators are required to improve network infrastructure, develop the coverage area, and enhance the service quality. Moreover, there is a race on promotion among providers in order to attract more consumers and increase their market share.

Viettel has faced up with a number of issues when entering Cambodia mobile phone market. In 2009, when having a plan to invest in Cambodia, Viettel realized a number of difficulties in competitive aspect. The Cambodia market has a small scale but in this market, not only domestic operators but also foreign operators with their financial and international experience potentials have operated in this market. When entering Cambodia market, Viettel has competed with three big operators namely Mfone, Mobitel and TMIC Cambodia. They have
entered the mobile market of Cambodia for 10 years and consisted of 98 percent of the market share. One more important competitor of Viettel is the joint venture of Millicom and Cambodia Royal Group namely Mobitel. Other Joint Ventures with Thailand, Sweden and Norway has increased the challenges for Viettel. Besides, Cambodia is also a potential market for Viettel. Most of Cambodia use mobile phone as their main communications means. Only 5 percent of Cambodia population has used fixed lines. This market has also many opportunities for Viettel to exploit the new market.

In order to analyze all aspects related to foreign entry market strategy of Viettel in Cambodia telecommunication market, the researcher presents SWOT model of Viettel in Cambodia as following:

**Strengths:** Viettel has number of strengths in Cambodia market. Due to the good relationship between two governments, the relationship between Viettel and Cambodia government is so good. Moreover, in Vietnam, Viettel has also operated in telecommunication sector, so it also has a good relationship with the international provider. When providing services, Viettel has received the technical assistance from the experts. In operation process, Viettel has achieved international quality standard for their services.

**Weakness:** The Viettel employees have a background on technology and management but they have not so much experience in account and marketing. Viettel has developed their business activities in many part of the telecommunication sector. It required a number of various experts in different technology.

**Opportunities:** The Cambodian people choose more and more Metfone as their mobile service providers. It leads to the fact that the market share of Viettel in telecommunication market has increased. It also affects to the belief of the investors and through that, they could increase the funds for improving the business activities. The Cambodia telephone market has a great potential because of unexploited areas.

**Threats:** In the context of fierce competition, Viettel has to face up with not only local providers but also international providers. It is really a great challenge for Viettel. In 2008, the global economic crises influenced to the economy of all countries around the worlds and Cambodia is no exception. When deciding to invest in Cambodia in 2009, Viettel has confronted with a number of issues which could affect to their business operations in Cambodia.
4.7 Viettel’s marketing activities in Cambodia market

4.7.1 Market and customer research

With tools of research and analyzing the market, the factor affected the consumer choice behavior; Viettel has classified customers into two main criteria as following:

- **Current service users:** it consists of three main small groups
  - Potential customer who has not used the services of any mobile service providers because of these main reasons: (1) due to the expensive cost, (2) customers in the uncoverage area, (3) customers don’t realize the benefit of Metfone.
- **Social characteristic:** The customer group based on social characteristic including seven small group namely: Vietnamese and Chinese in Cambodia, laborers in rural area, business men, students, the monk, international tourist, persons working in the system of government, factory garment workers.

4.7.2 Research and analyze the customer groups

In the next step before entering a new foreign market, Viettel has research the customer group in order to understand the needs, wants, consumer choice behavior, and habit. In each market segment, Viettel has classified into different characteristics according to internal and external factors of customer.

Moreover, customers have also divided according to social status and their age. It is one of the important factors affecting to the consumer choice. Analyzing social status and age of customers could help Viettel to know more about the level of payment for mobile phone services and the taste of the customers.

For example: in case of studying the group of international tourist, Viettel has realize some characteristics of this customer group in order to provide the mobile phone services to this group. The customers in this group have usually used the international service package than inland service package but they consume a little time on network and they usually move due to the travel schedule.

Or in case of studying the group of labors in rural areas, they usually use only main mobile service as make and receive the calls. They seldom use the value-added services or SMS
service. Contrary to this group, the group of students has usually preferred the SMS service than calling and receiving calls.

4.7.3 Policies on price aspect

After doing business in Vietnam as the own country, Viettel has a number of experiences in developing subscribers by using price strategy. The Cambodia telecommunication market and Vietnam telecommunication market has similarities on population structure, geography. Because two countries are developing country, the income per capital is low so the price of the service could affect to the consumer choice of the services. It is the reason why Viettel could apply pricing policies when entering mobile phone telecommunication in Cambodia as the first in international market.

Firstly, Viettel has applied the way of calculating change with one second block. In the Cambodia mobile phone market, Viettel is the only mobile service provider applying this way of charges. By this way, the consumers could be spent a lot of money because this calculation method divided the fee into smaller block. This is one of the most attractive points of Viettel in comparison with their competitors. Moreover, this method applies not only for the special package but also for all customer groups and all mobile services including both inland and international calls. Because of applying this calculation method, the Cambodia consumers could save 25% of the cost.

Secondly, Viettel has provided the cheap and flexible services packages which are appropriate with every customer. The Cambodia has an opportunity to approach the different services packages and plentiful value-added services. In Cambodia market, Viettel has engaged to provide the value-added services in which its charges are lower 20-25% than other mobile services providers in the Cambodia mobile phone market. Moreover, the countries, which have closed relationship with Cambodia in all aspects namely Thailand, America, China will be also received more benefits from the pricing strategy of Viettel. Furthermore, Vietnam is one of the biggest investors of Cambodia in all area. Trade transaction between two countries has increased in current years. Therefore, Viettel has provided preferential package for their users in Viettel system both in Vietnam and Cambodia.

Third, Viettel has the sharing profit policy with the customers. Viettel is the only mobile service provider has applied this policy in the market. Accordingly, the customers will
receive the bonus each month based on the minutes in which they heard regardless of off-net or on-net. These policies help Viettel telecom successful on price aspect in Cambodia.

### 4.7.4 Product policies

Telecommunication is a special product. It is determined based on the effect of transmitting the information. In order to evaluate the product of Metfone, it is necessary to appreciate all aspects of the mobile network such as the width, the quality. There are a number of factors in which could be evaluated the quality of the mobile phone services such as transmission speeds, the degree of accuracy of the information when transmitting and recovering and the stability of the media when operating. All of these factors would affect to the value of the telecommunication products and the interests of the users. It is easy to realize that technology is one of the most important factors for all enterprises in service area, especially in telecommunication service. This element could help telecommunication enterprises to create the better products and services, do the business in the more effective way, keep the old customers and attract more new customers. It is required to make not only the business men but also the technological specialists responsible for their products. In accordance with the acquirement of technology standards, the technological specialist must create the quality products which respond to the most customers’ requirement. Moreover, the business man are required to purchase all the products and get the feedback from the customers on the quality, technology and the mobile network coverage in order to develop the product quality. In addition, the business men have to take recommendations on the areas in which would have number of potential customers in the future in order to build the new stations.

Through the process of business operation in Vietnam, Viettel has awareness all about this aspects. It is also one of the most difficulties of Viettel when deciding to invest in Cambodia because after the Civil war, most of the telecommunication infrastructure of Cambodia has damaged. Thus, the first stop of Viettel investing in Cambodia is to build the mobile phone infrastructure with the aim to supply the best mobile phone services to the customers in Cambodia market.

Segmenting the customer groups and market is a vital factor affecting to the success of the enterprises in the new market. In order to conduct this activity, the mobile network operators must provide the special products which have been designed for each customer group. Based on the customer demands, the mobile network operators has designed the products and service packages which appropriate with the customer group such as the fees, customer care.
In the process of developing the service package, customer classification is a necessary step. For instance, when Metfone determined their customers as the students, the service packages must provide the attractive price; the value-added services must be abundant, the service package must have a long using time. Because of the force competition in the Cambodia Telecommunication market the mobile service providers has always focused on the renovation, creative, the differentiation with other competitors’ service package. The policies of the service package will express the competitive capacity both in price and attraction. By this way, Metfone has always had a tendency to decrease the price of product package lower 15%-25% in comparison with their competitors.

Viettel has applied all these above policies for their products and services when entering Cambodia mobile phone market. In order to enrich the service and product package, Viettel has provided a number of different package namely Metbiz, Met4ever, Meteco. Supplying these service and product packages is the way in which Metfone could satisfy the customers’ want and requirement. In addition to proving the different service packages, Viettel has also supplied a number of products relating to their mobile phone services such as USB in which the user could access the Internet via GPRS, mobile phone with the brand name of Metfone, Modem ADSL. Metfone has also provided the special mobile service package for each customer groups, for example, the metTravel package for the tourists, the package of MetEco, Met4ever for the customer group which want to use the mobile phone services in unlimited time; or understanding the need of the business men, Metfone has supplied more value-added services in Internet, having conferences in Video, Lease line. In order to attract more customers, Viettel has also provided all-in services such as with only 14 USD, the customers could own a set of product including new cellular, one SIM and 5 USD in their account.

4.7.5 Distribution policies

In the process of doing business in Vietnam, Viettel has realized that the system of the distribution channel is so important for the development of the telecommunication operators. With the purpose to developing in the foreign market, Viettel has always focused on building and improving the distribution channels and pointed out that it took a long time to do that. Because Viettel consists of 100% of the Metfone shares, so they must build and develop the channel by themselves. In the process of improving the distribution channel system in Cambodia market, Viettel has attached special importance to widely expand the distribution
channel with the aim to cover all telecommunication market with their mobile phone service; try their best to satisfy their customers. In order to serve the customers in the best way, Viettel has built the system of multiform distribution channels in all of the country as authorized agencies, retail sales channels (sale place), and direct transaction store. After the first year, Viettel has had about 50 direct transaction stores and this number in the next year is 100 stores in all cities and provinces of Cambodia. With these distribution policies, the customers of Viettel will receive the convenience when using the mobile phone services of Metfone in the kingdom of Cambodia.

In addition to expanding the number of distribution system, Viettel has had a number of supported policies for their agencies for the purpose of popularizing the image and provide more information about the products and the services of Viettel. At the beginning, Viettel has chosen carefully the agency place. These agencies will garnish with logos, banner, sings, poster, etc… in order to pay the attention to the customers. Moreover, the staffs of Viettel in these agencies has been training and testing special skills carefully in order to understand and supply the services effective ways. Viettel make all of these policies in order to build a system of multi-service agencies. Furthermore, the expansion of distribution channels will help Viettel to approach closer to the taste, need and requirement of the customers and through that; they will improve the quality of the products and services in orders to serve more customers and achieve more profits.

4.7.6 Policies in encouraging the business activities and promotion

Public Relations (PR) activities

Currently, in the integration world, the role of Public Relations has increased significantly. Therefore, Viettel has had a number of public relations activities. When entering in Cambodia market, Viettel committed to fund free internet services in a number of Cambodia schools and in the five years later, Viettel will supply free internet services for more than 1000 schools in Cambodia. The total fund for this activities is estimated about 5 million USD. The first activity of Viettel in Cambodia has been impressive for the Cambodia and makes the Metfone’s brand easier to penetrate the Cambodia telephone market. In order this activity, Viettel has invested to build the telecommunication infrastructure, it could also improve the product and service quality of Viettel.
Whether operating in Vietnam or in Cambodia, the business principle of Viettel has always been to combination between business and social responsibility. Thus, Viettel has a number of social operations as establishing the poor foundation, schools foundation, hospital foundation. All of these activities could help Viettel reach to the heart of Cambodians and consolidate their position in the Cambodia market.

The other public relations activities of Viettel in Cambodia are financing for organizing the exhibition with the subject as “Cambodia ITC and Telecom World Expo”. This exhibition took place during 3-5/04/2009 and was also an opportunity for Viettel to introduce their products and services to the Cambodia. The department of Viettel consisted of four main areas. The first area is the area for exhibiting and introducing the products and services. About the services, Viettel presented their own packages which appropriating with all the customer groups such as MetTravel, Met4ever, MetEco. About the products, it is an opportunity to introduce their technological products such as mobile phone brand of Metfone, USB, Modem ADSL. Secondly was the area for the companies. In this area, Metfone present the product and service package designed especially for the customer group of enterprise with special package in Internet services, Conference in Video, Leasedline. The third area is for the value-added service such as game namely Lucky Draw, Imuzik. The last area is spending for answering all the questions of customer about the products and services of Metfone. The Metfone’s department attracted 5000 people each day. They went there in order to seek the information, join the games. During the time of exhibition, there were a hundreds of customers gained the gift from Metfone such as Metfone SIM, Metfone cellular phone, T-shirt. Through the exhibition, Metfone has attracted the number of new customers with the main elements being students, employees who interested in technology and telecommunication.

With all above activities, Metfone has been easier to approach the Cambodia customer, improve their brand and image in the eye of the Cambodian. With these strategies, Viettel has not only received the support from the Cambodia government but also from the people in the country.

4.7.7 Other policies

When interring Cambodia market, Viettel has had a number of policies in order to take care their customers. Firstly, with serious activities, Viettel has presented their purpose that the Cambodians would realize Metfone being their network provider. Moreover, with the aim to
understand the Cambodia customers, Viettel has built the main force of the Metfone systems being Cambodia because Viettel has known that they always understand and now what their customers want and need. In addition, Viettel has compliance with the law in the host country as well as investigating and adapting to the customs, habit and culture of the Cambodian. The final aim of Viettel is Metfone becoming the method in order to improve the brand, image, prestige of Viettel in the eye of the Cambodia community.

Besides that, Viettel has also a number of special policies for the Vietnamese subscribers in Cambodia and the Cambodian subscribers in Vietnam with the purpose of providing all the best services for their customers weather they are Vietnamese or Cambodian.

4.8 The results from the survey with the manager of Viettel

4.8.1 Reason for investment in Cambodia

There are a number of seasons for the investment of Viettel in Cambodia. The macro economy and financial system of Cambodia is stable and continue to keep the growth under 10% in the recent years. It could decrease the risk of finance due to the stability of the economy.

The relationship between Cambodia and Vietnam are developing in all aspects under the motto. “Good neighborliness, traditional friendship, comprehensive cooperation, long-term sustainability”. It is the important and convenient foundation for the enterprises in both two countries to intensify the investment and promote the trade between two countries.

The Vietnamese enterpries take a number of advantages when investing in Cambodia than other countries such as Thailand, China due to the closer geographic location, advantages in transporting goods when having both rivers, roads and sea gate and a number of international border gates that convenient to the movement of staffs and goods between two countries.

The tastes of the customers in Cambodia is similar with its in the domestic market and appropriate with the products and goods from the Vietnamese enterprises in both quality and price. The large Vietnamese community in Cambodia is also the important consumers for Vietnamese goods. Currently, it has been more than 500 Vietnamese enterprise registered official in Cambodia. Viettel could apply the business strategy in Vietnam to Cambodia.
The government of Cambodia has continued to implement the reform on administrative procedures and open the economy, trading, increasing the foreign investment in order to create more new jobs, improve the life of the people.

The Vietnamese enterprises have considered the Cambodia market being a new potential market but had yet a number of risks by complex payment method, not safety, the skill of employees are still weak, the infrastructure is not completed. However, these weaknesses will create the real investment opportunities for Vietnamese in related sectors.

When investing in Cambodia, the investors will receive a number of preferences on tax because currently, Cambodia has received preferences for GPS on trade preferences from more than 40 countries in the Southeast Asia and around the world.

Besides, the relationship between the two governments has been long standing, especially in the military aspect. Thus, Cambodia has received a number of attention and direction from the both government.

### 4.8.2 The foreign entry mode strategy of Viettel in Cambodia market

It is so important for all enterprises to choose the appropriate strategies when penetrate a foreign target market. Viettel is not the exception. Viettel selected the form of 100 percents of foreign owned enterprise to enter a growing market in Cambodia. The Ministry of Planning and Investment of Cambodia agreed for Viettel to establish a mobile phone service in Cambodia namely Viettel Cambodia Pte Ltd. Viettel presented clearly that the only purpose of this company is to investigate the way in order to penetrate into Cambodia mobile phone market.

After establishing the company, Viettel has invested to develop a mobile phone network structure. In the process of research the Cambodia market, Viettel has realized that GMG is the suitable technology in which could apply for this market. Viettel constructed a room for center machine in order to lay the equipment of the core network. Moreover, more than six surrounding provinces of Phnom Penh are established the transaction stores and open the offices for the division of rescuing the information and setting up the BTS equipment.

The strategy of investing to establish the company with 100% foreign capital is an opportunity as well as the challenge for Viettel. When choosing this method, Viettel has decreased the situation of uncontrollability and technological supervision with the
competitors. Moreover, it could help Viettel to strict control in order to increase the economic scale, working experiences and assist Viettel to complete with other operators in the market.

Nevertheless, direct investment has also brought a number of difficult for Viettel especially in capital aspect when having to build by them the entire infrastructure, mobile network to improve in the Cambodia market.

4.8.3 Target market analysis

Analyzing the target market is one of the first steps in the penetrated process. When penetrating the telecommunication market of Cambodia, one of the biggest troubles for Viettel was a number of international mobile service providers have been successful when operating their business in Cambodia urban market. Thus, penetration is the difficult problem for Viettel. In this situation, Viettel chose to improve mobile network before developing business operations with a purpose of having a solid foundation. Metfone has constructed 13,000 km optical fiber transmission network in order to approach the remote areas, islands, rural areas and border areas.

When the other mobile phone operators only focused on improving the telecommunication infrastructure in the large cities, Metfone chose to develop their business operations in rural areas. In order to do that, Metfone has setup their distribution channels in each village. After only a short time, Viettel had about 6,000 sellers in rural areas and 24,000 sale agencies in the whole country. In order to achieve this success, Viettel has to understand all about the Cambodia market such as culture, Cambodia characteristic, habits and use the Cambodia collaborators (Mr. Vu Duc Nguyen, vice sale director of Metfone).

Moreover, with the successful lessons in Vietnam, Metfone has been not only investing in mobile telecom (due to the low cost of investing infrastructure and gain the high profits) but also Internet telecom. This segment has been skipped by the other competitors and Viettel will become the pioneer in this sector.

4.8.4 Strategy for competing in Cambodia market

Viettel has chosen the low cost strategy as well as the differentiation strategy to exist and develop in the Cambodia telecommunication market.

In order to conduct the differentiation, firstly, Viettel has chosen the strategy on product quality with the coverage of all regions in the best price level. The value is not defined in the
currency but in the product quality, service attitude of the enterprise. Moreover, Viettel has a number of policies for the subscribers of the Vietnamese in Cambodia and the subscribers of Cambodian in Vietnam. It expresses the Viettel gratitude for their customers. Although their competitors focus only on mobile phone network, Viettel pay attention to invest mobile phone network, fixed line network and Internet. Other competitors focus on developing their distribution channels, Viettel focus on socializing the sale and create the jobs for Cambodians. With this strategy, Viettel has introduced their services in each Cambodian house. Although other providers have developed microwave technology, Viettel has chosen to develop optical fiber network.

The low cost strategy is appropriate with the living standard of the Cambodians. Moreover, Metfone has invested to develop fixed line and internet infrastructure and value added services for the customers. Formally, of the mobile service providers has not connected to the other. This leads to the fact that each user must have many SIM in order to connect with users in the other mobile network. This situation causes the inconvenience for the users. In order to solve this situation, Viettel bargained with other mobile network operators to connect with the Viettel SIM in order to decrease the cost for the customers and provide more convenient services for the Cambodians. Thus, a number of subscribers of other mobile network providers turned to Metfone. Currently, the fees of international calls reduced four times from 80 cents to 15 cents per minutes, the cell phone decreased 2 times from 12 cents to 7 cents per minute.

4.8.5 Evaluating the difficulties of Viettel in the process of penetration

There are four main difficulties of Viettel when penetrating Cambodia market. Firstly, Viettel has no advantage in competing in Cambodia. In comparison with other foreign investors, Viettel has not so much advantage because of lacking experience in international business operation, the limitation of financial resource. At the beginning, when deciding to invest in telecommunication market, the telecommunication market of Cambodia was the monopoly market with the only mobile service provider, which was the state owned enterprise. Thus, this mobile network provider received the protection from the Ministry of Post and Telecommunication. After granting the license of Viettel with the service of VoIP, the Cambodia government licensed for nine other mobile service providers to trading mobile phone services. It is only six month for transforming from the monopoly market to the competitive market. Although the Cambodia market has a number of potentials of business
operations because of the habits of using mobile phone of the Cambodia market, the competition in the market is increasing continuously. When entering in Cambodia mobile phone market, Viettel has faced up with three other big operators which consist of 95 percents of the market share. Besides, the operations of other foreign mobile network providers in Cambodia have increased the challenge for Metfone.

Secondly, the market has continuously narrow and become to the saturation situation. That mean the “door” to penetrate into the market has been narrowed. Thus, in order to compete in this market, Viettel has not only had suitable strategies to attract the more potential customers but also have to provide the good services for customers care. Moreover, when the market come to the saturation situation, it is so important for Metfone to attract the customers of other mobile service providers. This is a big question for Viettel in order to exist and develop in Cambodia market.

Thirdly, human resources also play a vital role to contribute in the business development. Viettel has a strategy to train the technology and business skills and knowledge for the key people in the Viettel system. The main purpose of Viettel in human resource issue has been to have 10 percents of mental labors and 90 percents of simple labors. It has taken a long time for Viettel to reach this purpose. Moreover, in order to train the simple, it has been not only to take a long time but also to spend a lot of financial resources as well as to get a number of problems due to the differences in culture, language, habit.

Finally, developing the mobile phone network in Vietnam has a special difficulty which has only in Cambodia. Due to the lack of electricity, the mobile network providers in Cambodia have a number of difficulties in maintaining the BTS operators. It is not the issue of Viettel but also the problems of all mobile network providers operating their business in Cambodia. It is estimated that 50 percents of Viettel BTS could not normally operate due to the electricity problems.