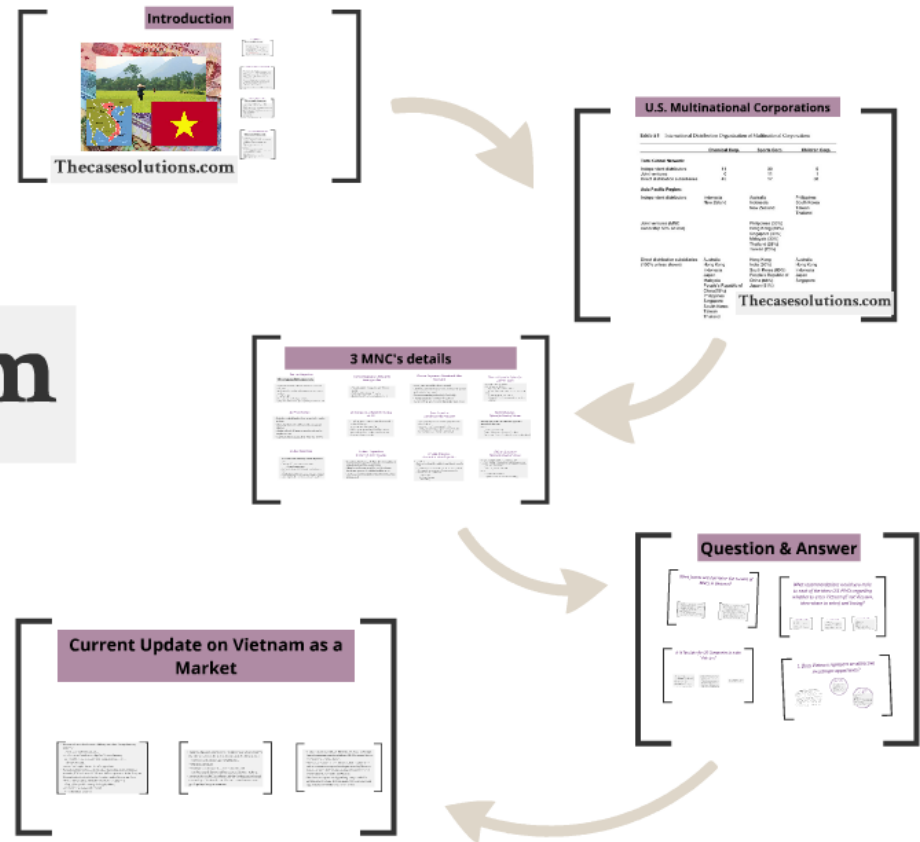


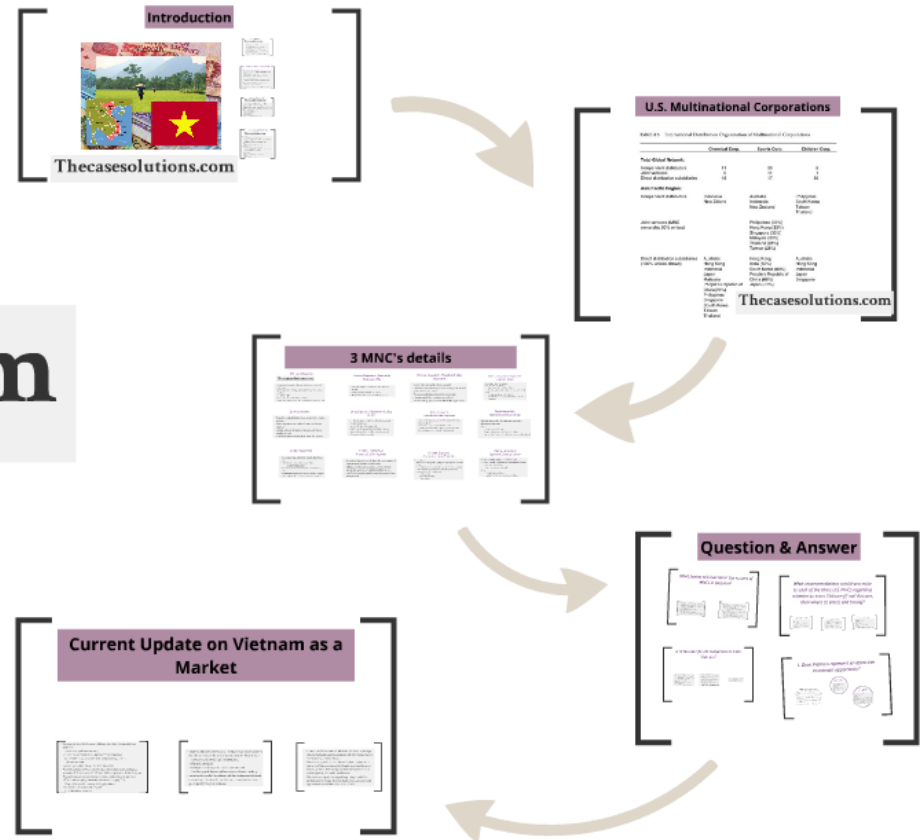
Slanket: Responding to Snuggie's Market Entry

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Vietnam Brief History

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- 18th Century- French begin settles in Saigon
- 1945- Vietnamese declare independence
- 1955- After the first Indochina War ended, Geneva Accord declared Communist North, led by Ho Chi Minh and French-backed south
- 1960- Soviet alliance is created with North Vietnam
- 1965- US provides combat support for South Vietnam, during Vietnam War
- 1975- After decades of war, US withdraws forces and Ho Chi Minh is declared leader of **Socialist Republic of Vietnam**
- Saigon is renamed Ho Chi Minh City
- 1986-1996 –In order to rejuvenated commerce, Vietnam establishes “liberal” economy

Vietnam “economic renovation” Doi Moi

- Efforts to stabilize the new currency “Dong”
- Stimulate economy included:
 - Deregulation of prices
 - Subsidies to state enterprises, ends collective agricultural system
 - New commercial ownership laws that encourage private enterprise
 - New foreign investment laws
- Foreign direct investments pour in
 - Taiwan, Hong Kong, Japan and Singapore were largest sources of FDI
- New private Vietnamese owned organizations increase greatly
 - 20,000 Vietnamese private firms by end of 1995
- Attempts to build market-oriented economy controlled by the state or “market socialism”

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Vietnamese Market in 1995

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- Conglomerates were created and state owned sector decreases greatly
- Population is youthful & large, workforce most educated among Asian emerging economies
- Vietnam joins ASEAN and signs cooperation agreement with EU, grants Most Favored Nation status to encourage trade with other countries
- Regulations and tariffs are reduced to encourage foreign investment but the number of licenses granted still monitored
- Local entrepreneurs could not invest due to:
 - underdeveloped banking sector
 - low availability of capital
 - country's low savings rate and
- More than half of the population still lives in poverty

Other Factors Affecting Vietnam

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Distribution

- plentiful but concentrated only on specific area
- company must choose between partly/wholly owned distribution vs small privately owned distributor
- to distribute nationally required extensive network of partners

Corruption

- rampant within industrial and government sectors
- smuggling of goods

Infrastructure

- war and economic hardship left country in turmoil
- transportation was difficult because of inadequate roadways and ports that lacked capacity, goods were lost and damaged

Costs

- Very low labor costs
- However, managerial talent was not readily available
- High office rents
- High telecommunication costs

U.S. Multinational Corporations

Exhibit 5 International Distribution Organization of Multinational Corporations

| | Chemical Corp. | Sports Corp. | Children Corp. |
|--|--|---|---|
| Total Global Network: | | | |
| Independent distributors | 11 | 30 | 5 |
| Joint ventures | 0 | 11 | 1 |
| Direct distribution subsidiaries | 45 | 17 | 30 |
| Asia Pacific Region: | | | |
| Independent distributors | Indonesia New Zealand | Australia Indonesia New Zealand | Philippines South Korea Taiwan Thailand |
| Joint ventures (MNC ownership 50% or less) | | Philippines (33%) Hong Kong (33%) Singapore (33%) Malaysia (33%) Thailand (28%) Taiwan (25%) | |
| Direct distribution subsidiaries (100% unless shown) | Australia Hong Kong Indonesia Japan Malaysia People's Republic of China(75%) Philippines Singapore South Korea Taiwan Thailand | Hong Kong India (60%) South Korea (80%) People's Republic of China (66%) Japan (51%) | Australia Hong Kong Indonesia Japan Singapore |

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Chemical Corporation

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- World leader in chemical adhesives and sealants for industrial applications.
- Specialty chemicals are low-volume, premium-priced, branded products
- 61% gross margin
- 80% market share in U.S. domestic market
- Asia/Pacific accounted for 13% of corporate sale revenue in 1995