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**Dr. Nguyen Hoang Tien**  
Saigon International  
University, Ho Chi Minh City,  
Vietnam

**Assoc. Prof. Phuoc Minh Hiep**  
Vietnamese Economic Expert,  
Vietnam

**Dang Thi Phuong Chi**  
Ho Chi Minh City University  
of Transport and  
Communication, Vietnam

**Corresponding Author:**  
**Dr. Nguyen Hoang Tien**  
Saigon International  
University, Ho Chi Minh City,  
Vietnam

## Customization and standardization of foreign businesses in Vietnam the case of Unilever and the FMCG industry

**Dr. Nguyen Hoang Tien, Assoc. Prof. Phuoc Minh Hiep and Dang Thi Phuong Chi**

### Abstract

Fast-moving consumer products are products with a rapidly changing market that are highly competitive, so that the number of products that can be quickly consumed in many different markets, the product must meet the needs of taste. Customers' quality assurance both always follow the common standards. In order to achieve that, foreign businesses operating in the FMCG industry in general and Unilever in particular need to have a harmonious strategy between customization and product standardization. The purpose of this article is to standardize the business strategy of Unilever always in the business strategy of quantity, in the business strategy of Unilever and foreign businesses operating in the field of fast-moving consumer goods. The results indicate that besides complying with product quality standards, the level of safety for consumers. To master Unilever's market, it is necessary to invest in innovation and research and development into R&D to create products closer to customers who mistakenly know the real needs that customers need.

**Keywords:** Customization, standardization, FMCG, unilever, international marketing

### 1. Introduction

The evolution of FMCG nationwide measured in traditional trade channel in 2017 showed a growth of 5.4% compared to 4.9% in 2016, despite the quarterly report of Nielsen Vietnam - a global data analysis and measurement company - in the fourth quarter of 2017 showed that the growth rate of the FMCG market has decreased significantly down to only 0.5% compared to 6.4% in Q3.

Vietnam's fast-consumption sector is a market with good growth when Nielsen ranked the country with the highest FMCG growth in Asia with a rate of 24.3%. Vietnam is also a potential consumer market with the third largest population in Southeast Asia, with nearly 70% of the population of working age (from 15 to 60 years old). The common feature of businesses operating in this area is that it is directly affected by brand recognition, so it has the advantage of appearing quite early in Vietnam with the financial resources for advertising and brands. Why Unilever has gained its current position in Vietnam.

The 6th annual Footprint Brand annual report by Kantar Worldpanel has just announced the Top 10 FMCG manufacturers and the Top 10 brands in the fields of Health & Beauty, Family Care, Food, Beverages, Milk and Milk Substitutes are most popular in 4 urban cities (Ho Chi Minh City, Hanoi, Danang, Can Tho) and rural areas of Vietnam. In which Unilever, the most chosen manufacturer globally, maintains its domestic position in the two categories of Health & Beauty and Family Care.

The industry's growth rate is always at double digits every year, and this is also the reason that makes the race to take the "majority of the pie" among transnational companies more intense. In order for customers in countries to recognize the presence of the company and choose its products instead of competitors' products, each company needs to have an effective international marketing strategy. The problem for multinational companies in fast consumption is how to ensure that all products made in markets always follow a certain standard, ensuring quality for all products. But there is still a niche, separate in each market. The harmonization of customization and standardization in the strategy is one of the important steps needed to improve competitiveness as well as attract consumers' attention to achieve success, to gain market share in each market that the company penetrates, research below to learn about customization and standardization in Unilever's strategy.

## 2. Theoretical framework

Fast moving consumer goods group (or FMCG, short for Fast Moving Consumer Goods) includes a wide range of consumer goods with several criteria: The ability to buy back from customers is very high Profit per unit of product is low Home production that buys raw materials from suppliers and large-scale production Short shelf life Low price per product Manufacturer does not work directly with individual end users. FMCG is delivered to end users through retail systems.

Standardization: An activity that establishes terms for common and repeated use of real or potential problems, in order to achieve the level of self-optimization in a given context. Purposes of standardization are:

- Facilitate the exchange of information (understanding): For this purpose, there are standards of definition, terms, rules of symbols and signs to share.
- Simplify, unify to facilitate the assignment, cooperation in production, increase labor productivity, convenience when using, repairing (economic): For this purpose, the standards of Details of typical materials such as bolts, nuts, screws, rivets, shaped steel (I, U, L, T), motors, gearboxes, gears, transmission belts (belts) Assembly: light bulbs - lampholders, camera-lenses, film brightness
- Ensuring hygiene and safety for users and consumers for this purpose are standards on water, air, noise, food hygiene and safety standards, and product safety. , equipment (iron, electric stove, washing machine, elevator, labor protection devices: glasses, gloves, boots and gas masks).
- Promote global trade the standard integration between exporting and importing countries to create favorable conditions for global trade: exchanging products, exchanging information.
- Promoting the application of new techniques, improving the productivity of social labor, stabilizing and improving the quality of products and works.
- Contribute to perfecting the organization of management of the national economy
- Rational use of resources to save materials.
- Ensuring labor safety and human health.
- Good service for defense needs
- Developing international scientific and technical cooperation, promoting export and guiding import. To avoid the tendency of a mistake in standardization, it is important to highlight some features that are not the purpose of standardization: do not unnecessarily make everything identical, do not set a pattern for people to apply machines without thinking, do not lower quality to mediocrity only for the sake of standards widely applicable.

## 3. Research methodology

The methods that the article uses to collect data are: Search secondary data from newspapers, magazines, websites of the General Statistics Office, market research organizations, screening literature on research books on fast-moving consumer goods.

Methods of analysis and synthesis of theory: Analysis is the study of different documents and theories by analyzing them into parts to gain insight into the object. Summary is a link in each side, each information part has been analyzed to create a complete and profound new theoretical system about the object.

Method of classification and systematization of theory: Classification is the arrangement of scientific documents on each side, each unit, each problem with the same signs of nature, the same direction of development of knowledge into a system based on a theoretical model to make the understanding of objects more complete.

Market conceptual research is essentially macro-level research. It is the study of total supply, aggregate demand for goods, and government policies for such goods. Through an overview of the enterprise market, it is possible to identify the total supply, aggregate demand, price and the movement of these parameters over time from which the enterprise has orientations on penetration and market.

Data analysis method: used to describe and analyze data to design tables, from which the results of analysis can be compared to actual data effectively of customized policies. In Unilever, the results of Unilever's policy on fast-moving consumer goods, from these results, lead to conclusions about the policies of fast-moving consumer goods.

Method of comparison: Based on the documents, the available information, the information that has been collected and screened will be applied to compare with the reality and only show the strengths and weaknesses, such as Unilever's ability to implement customized policies for fast-moving consumer goods. From there, it is possible to make comparisons, assessments and comments among companies and competitors about Items at the same time given.

By combining all of the above methods, we conducted this study to understand the situation of Unilever's business strategy.

## 4. Research results

### a. Overview of the formation and development of Unilever in Vietnam

Unilever is a leading multinational enterprise, founded by the United Kingdom and the Netherlands, specializing in manufacturing consumer goods such as cosmetics, laundry detergent, toothpaste, shampoo, food products. Unilever was born in 1930 from the merger of two businesses, Lever Brothers (The soap manufacturer in the UK) and Magarine Unie (The manufacturer of margarine in the Netherlands). The head quarter of Unilever is located in 2 places: London and Rotterdam.

Unilever's mission is: "To add vitality to life" (Revitalize life).

### Brands and categories

This company owns many companies producing the world's consumer goods, foodstuffs, laundry products, and cosmetics. Unilever employs about 180,000 people.

Currently Unilever is trading in 3 main product lines:

- + Food line for processing and eating.
- + Product line of hygiene and personal care.
- + Washing product line for clothes and household utensils.

With 3 current product lines, Unilever owns more than 400 brands, including many of the most famous brands, including OMO, Surf, Lux, Dove, Knorr Comfort, Vaseline, Hazeline, Ponds, P/S, Signal, Close Up, AX, Rexona, Vim, Cif (Jif), Sunsilk, Sunlight.

### Competitors

Unilever's main competitors are Procter & Gamble (P&G), Nestlé, Kraft Foods, Mars Incorporated, Reckitt Benckiser and Henkel.

### **The history of Unilever in Vietnam**

Being a multinational company, expanding business and setting up many branches in the world to dominate the global market is one of Unilever's goals. Unilever Vietnam was established in 1995 as a step in the overall strategy of Unilever. Unilever Vietnam is essentially a collection of three separate companies: Lever Vietnam is based in Hanoi, Elida P / S in Ho Chi Minh City and Best Food Company is also located in Ho Chi Minh City. Unilever Vietnam currently has 5 factories in Hanoi, Cu Chi, Thu Duc and Bien Hoa Industrial Zones. The company currently has a nationwide sales distribution network through more than 350 major distributors and more than 150,000 retail stores. The company now has a growth rate of about 35-40% and employs more than 2,000 employees.

### **b. Unilever standardization policy**

A controversial issue in international marketing is standardization or adaptation. In the US, there is a general trend among brands that prefer to distribute standardized products. Standardization of products means that they are designed from the outset for export with virtually no change except for translated words and other formal changes. For example, Revlon, which usually ships abroad without any changes in product packaging or advertising. There are advantages and disadvantages in both standardization and individualization. The strength of standardizing products and distributing products is its simplicity and cost. The process of processing information to understand and apply is very simple, and the cost is not very expensive. If cost is the only issue that needs to be considered, then standardization is the logical choice because of the economics of the scale of operations that reduce costs. Actually, standardization is easy to understand. For example, when an image is needed for a company, uniformity of the product is essential. McDonald's success is based on the quality of its products and services. Hamburger meat, fruit cakes need to be strictly specialized. An obsession with product quality requires importing goods from Canada because potatoes cannot be grown in Europe. In 1982, a licensee in Paris was banned for using the McDonald mark because he did not meet special standards. The condition for product standardization and product standardization is when a product is associated with a specific culture. That is when customers from different countries have the same needs and therefore want the same basic products. The clock is for viewing time around the world and is thus standardizable, as well as fast-moving consumer goods. Standardizing products helps Unilever gain more revenue from different markets but does not cost a lot of money for product research and development. As a leader in the fast-growing consumer industry of standardized Unilever products, it will further strengthen Unilever's brand. Maintaining the stability of product quality through standardization helps to increase the trust and loyalty of customers towards the brand.

### **c. Unilever's customized policy for fast-moving consumer goods**

For standardized products if consumers like them. In many cases, domestic consumers expect a specially designed product manufactured for the domestic market. A question for brands is how best they have to modify their products. According to one study, the product strategies of

multinational companies are influenced by the differences in the relative level of urbanization of target markets in underdeveloped countries. Products geared towards urban markets require only minor changes compared to those sold in developed countries. Products that are geared towards urban and suburban cities need to change more, and products geared towards culturally diverse rural markets require the highest level of adaptation. Multinationals make an average of 4 changes per product when selling their products in less developed countries. 1 in 10 products shipped to the least developed countries markets has not been modified. Another question is when a product must be modified to better suit the market. According to the Research Committee, more than 70% of the firms surveyed consider that the most important factors affecting product adjustment include: long-term profitability, long-term market potential, fit between product and market, short-term profitability, cost of changing or adapting, and short-term market potential. These factors are true for products used for long and short periods, as well as for industrial products. Product adaptation is required by a number of conditions. In those conditions, conditional is mandatory, conditional is voluntary. Mandatory product modification: Mandatory factors that affect product modification include:

- + Mandatory regulations set by the government (such as national laws)
- + Current standards on electricity
- + Standards of measurement system
- + Product standards and product systems

The most important factor that compels product modification is government regulations. In order to enter a foreign market, there are certain requirements that must be followed. Regulations are concretized and explained when potential customers require a unit price on imported products. If products are not adapted, they will not be able to enter the market or be unable to function on that market. Such mandatory standards make it easier to make adaptive decisions, which means that a product must either follow or withdraw from that market. The decision to make voluntary product changes is much more difficult and complicated, based on the operational wisdom of international marketers. For example, the taste of Nescafe in Switzerland is very different from the same brand sold in neighboring France. A condition that can make product changes more appealing is related to the natural distribution and convenience of circulation of goods at the lowest cost. Such a case is the delivery of Stinger brand sewing machines in Africa. A small peg placed at the bottom of each sewing machine will make it easier for African women to install the sewing machine when they need to move it. In 1995, Unilever entered Vietnam and decided to create a nationwide marketing and distribution system, covering more than 100,000 locations. Unilever has introduced the concept of online retailing, using salespeople to each retail store by route. Those salespeople are responsible for offering new orders, delivery and credit for orders.

The arrangement of two factories in Hanoi and Ho Chi Minh City has ensured timely product supply; reduce transportation costs, in the context of transport in Vietnam is still difficult; lower costs, increase product competitiveness. Retailers are provided with annual display cabinets that make the most of their store space and product appeal. In addition, the company also helps distributors arrange vehicle loans, management training and sales organization.

Local usage conditions also include consumer habits. The company has applied international standards for products but adapted to the needs of Vietnamese people. They bought from their partners reputable brands for many years in Vietnam such as Viso washing powder, and P/S toothpaste. Then, improve the packaging formula and marketing to increase the consumption of these brands. In addition, the company also deeply understands the needs of Vietnamese consumers to "Vietnamize" their products, such as Sunsilk shampoo, which contains extracts from the linden tree - a popular shampoo in Vietnam; and this brand has also been a huge success, accounting for 80% of Sunsilk shampoo sales. "Thinking like Vietnamese is the way to understand what Vietnamese consumers like and need from which to make products that are right for them," Michel added. In order to have products that satisfy consumers' tastes, the company has built a professional indigenous staff, fully understanding Vietnamese business culture and interests. Say no exaggeration, Wall's tea and ice cream are present all over the world but if you are out of Vietnam, you cannot find Northern green tea, Jasmine tea, Beans ice cream, or coconut taro cream, the typical taste of Vietnam. Thinking like Vietnamese people is the way to understand what Vietnamese consumers like and need to make products suitable for them. Recognizing that 80% of Vietnamese consumers live in low-income rural areas, Unilever Vietnam has set a goal of reducing production costs in order to provide consumers with reasonable prices. The company relied on local small businesses to find local raw materials to replace some of the imported ones; this reduces both the cost of buying and paying less import taxes. In addition, the company also distributes the production and packaging of satellites in the North, Central and South regions to reduce transportation and warehousing costs. Unilever has also implemented a financial support policy to enable local businesses to upgrade production equipment, transfer technology, and organize production training programs. Not only Unilever, but also P&G competitors effectively customized. Due to the different nature of market segmentation, each company has its own product policies and strategies for launching to the market with the highest efficiency in terms of quantity and quality, time and market share. P&G always has a very diverse product structures, types and models. Product quality is always the top priority on the principle of only offering high quality, popular and satisfying products, maximizing the needs of high-class customers, satisfying even the most demanding customers. Therefore, most of the company's products are excellent, without the mark of "good average quality" and always satisfy the market demand.

That success is due to constant interest in product innovation in order to fulfill its goals. The company has always innovated products, launched new categories of products and continuous product improvement. Referring to Unilever Vietnam's products, in the mind of every Vietnamese, only the word "New" can be understood because the improvements in the company's products are always new and innovative. Vietnamese TV has just broadcast an advertisement for a new type of laundry detergent called OMO, not long ago, only about 1 month later, there will be an advertisement for an improved OMO with unique formulas and "The quality is getting better and better", this is increasingly stimulating consumers to try Unilever products and consume them at an incredible rate,

or as the Sunsilk collection with Sunsilk locust, Sunsilk complements, nutrients with olive oil. All of these prove Unilever Vietnam's tireless efforts in realizing its strategic goals. Another example to adapt its products to the cultural and economic conditions of Vietnam Unilever has launched shampoo packages for only VND 500 suitable for middle-income people and low in Vietnam. In addition, the company also found that Vietnamese women often use shampoo to wash their hair and basil a popular aromatic leaf in Vietnam for bathing or sauna. This is a great combination of traditional and strong products of the company with the culture of Vietnamese people.

## 5. Conclusion

This article confirms the importance of customization and standardization in the business strategy of fast-moving consumer companies in general and Unilever in particular. These are important factors to help multinational corporations enter the market effectively, to dominate the market and increase competitiveness. Especially for the fast-moving consumer goods industry - an industry with extremely fast changing speed is very necessary to adapt to the market. In the case studies in this article, it can be seen that Unilever has taken extremely appropriate steps in keeping its own standard not confusing into any brand but still remains a "very Vietnamese Unilever". Unilever's products form consumer habits, gaining consumer satisfaction. Not only Unilever but also other corporations have implemented such customization effectively.

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