

Marketing Strategy based on Competitor Analysis - A Case in Vietnam Medicine Sector

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Abstract

M. Porter theory has mentioned competitors in a five-force model for analyzing business environment of a company.

We would like to make further analysis, in this study, related to marketing strategy based on competitor risk analysis in a typical case study in Vietnam medicine sector. Base on this analysis, we aim to create a resource of competitive information for marketing strategy, that what several scientists called resource -advantage marketing strategy.

In this field of marketing there are some our previous researches relating, so together with this study we could draw a theory of marketing strategy based on competitor risk analysis.

Authors through this study has found out that elements of marketing including our rivals or competitors in business environment can influence market risk from a quantitative point of view in a two factors model, and this research paper estimates the impacts of not only the size of firms' competitors, but also leverage, on the market risk of listed medicine companies in this category.

Our main findings also show that risk variation (by beta var) can be reduced and minimized in case we keep the same size of rival or competitor, approximately (with equity beta var 0,09).

At last, this paper illustrates findings show us that medicine sector need to reassess their business environment in case and the size of competitor smaller, and in the mean time, risk might reduce in case of smaller competitor size.

Our research limitation is we need to expand research model to other industries.

Keywords: Marketing Strategy, Competitor Theory, Competitive Firm Size, Market Risk, Vietnam, Medical Industry.

JEL Classification - G00, G3, G30, M21.

1. Introduction

Vietnam economy has experienced many efforts from medicine sector in past years and medicine industry now experienced participation of many private hospitals and joint stock companies. Therefore medicine firms also face competition just like other companies in the market and they have to realize competitive risks from the market economy. This study will help medical companies to recognize their challenges and risks from the rivals, with traditional beta CAPM formula and we develop it into asset and equity beta measures.

In fact, there will be several benefits from selecting the proper competitors, both in business and medicine industries, such as: helping our firm to get right direction and purposes. This will be more meaningful for our company in the market.

This paper is organized with introduction, literature review, main findings, discussion and conclusion.

2. Research Questions

In this study we will address some issues in the context there are different sizes of competitors: smaller or bigger, on Vietnam stock exchange, hence, this will affect market risk of medicine firms.

Issue 1: To what extent market risk will vary in medicine industry, under cases of changing size of competitors on Vietnam stock exchange?

Issue 2: To what extent the risk variation (beta var) in the medicine industry will change under various scenarios in which competitors changed from smaller to bigger or double?

Issue 3: What are recommendations for risk management?

3. Literature Review

There are relation between economic development and active, large previous studies or empirical literature (Goldsmith, 1969, & Shaw, 1973).

Next, potential rival force will show the vital characteristic of workable competition and evaluation of performance of market can be supported by potential entries sources as well as market games which function as welfare yardstick (Witteloostujn, 1992).

Whereas in order to create competitive edge for keeping customers with sustainability, the firms need to ensure its services and products with competitive features (Easton, 1988).

Next, Bergen and Peteraf (2002) pointed that competitor theory can be developed through awareness of competitor and the classification of competitors such a substitutors, indirect competitors, etc. Which can help managers to develop strategic opportunities and assess their significance.

Moreover, there are failures of banks, currency crises involved in finance history (Reinhart and Rogoff, 2009).

And volatility study is imperative in country such as India, where decline in global market and US real estate created worry (Mishra, 2009).

Also, there are difficulties such as data collection in short term created by problems such as equity cost estimation in emerging markets (Peirero, L.E., 2010).

Then, beta and formulas can be undermined by information lacking on stock exchange (Velez-Pareja, 2011).

Then, the relation between beta calculation and reliability to investment and valuation were considered (Marcin, Mariusz, Marek, and Karol, 2012).

In addition, higher leverage ratios are found out in companies having good corporate governance, compared to poor governance firms (Umar, 2011). And Chen et all (2013) mentioned that large risk exposure of Lehman Brothers caused by high leverage impacts and short-term funds over reliance and not enough collateral.

Alcock et all (2013) found out that we cannot rely on leverage as startegy in long term for enhancing business performance, but may work in short term for effective timing leverage.

And between financial risk and financial leverage ther is positive relationship and significant in case Sri Lanka (Gunaratha, 2013).

Last but not least, between leverage and volatility, there is a correct link (Ana and John, 2013).

And Huy, D.T.N et al (2020) mentioned market risk of Vietcombank in Vietnam affected by multi macro variables.

4. Conceptual Theories

Beside, firm performance will be affected by business decision relating to their competitors. Then they can develop competition theory. The competition and rivals will drive our firm business strategies. And it is foundation to make strategy priority. (ebrary.net, access date 5/6/2021).

And Isoraite (2018) specified that there are many variables that affect the level of competitive advantage such as: business complexity and infrastructure, technology and innovation, training and higher education, etc.

And it is important to analyze competitors in order to give proper responses to their strategies and to overcome firms' competitors to achieve position of leadership and to conquer the market.

5. Methodology

For qualitative analysis; we use synthesis and inductive methods and explanatory methods.

For quantitative methods, we use scenario analysis of competitor size, combined with analytical research method and philosophical method. Data we take from stock exchange and applied current tax rate is 25%.

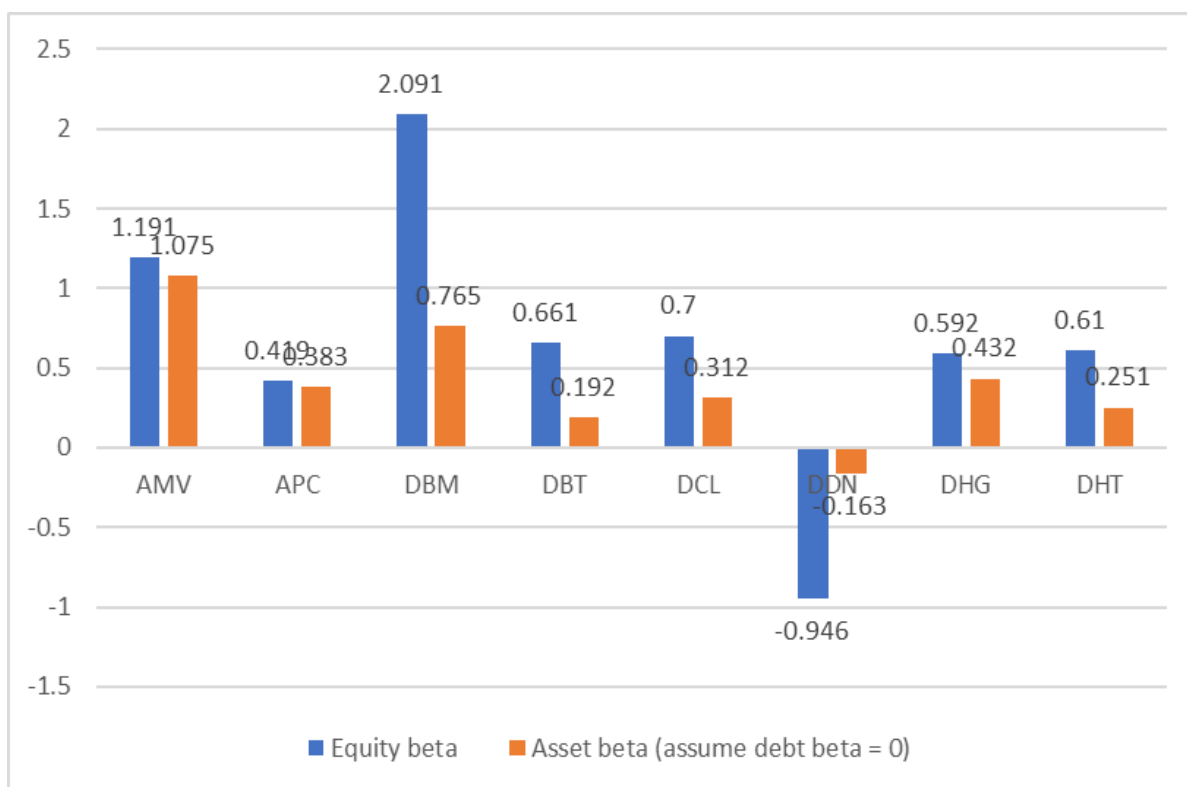
6. General Data Analysis

We analyze from The chart 1 below that:

- There is low, acceptable risk (beta) shown by equity beta mean and asset beta mean (a of 0,665 and 0,406, respectively).
- Risk variation measure by beta var, shown via equity beta var of 0,71 (sample beta), and hence higher (>) than equity beta of 0,56 (entire sample), whereas the variance of asset beta is measured at 0,14 and hence lower (<) than asset beta of 0,145 (entire sample).

According to statistics, 8 medicine firms equity beta (0,66) higher (>) than other firms in medical equipment and human resource group listed in stock exchange.

Chart 1 – 8 Listed Medicine Firm Beta Estimation



(Source: author calculation and stock exchange)

Chart 2 - Leverage of Medicine Companies

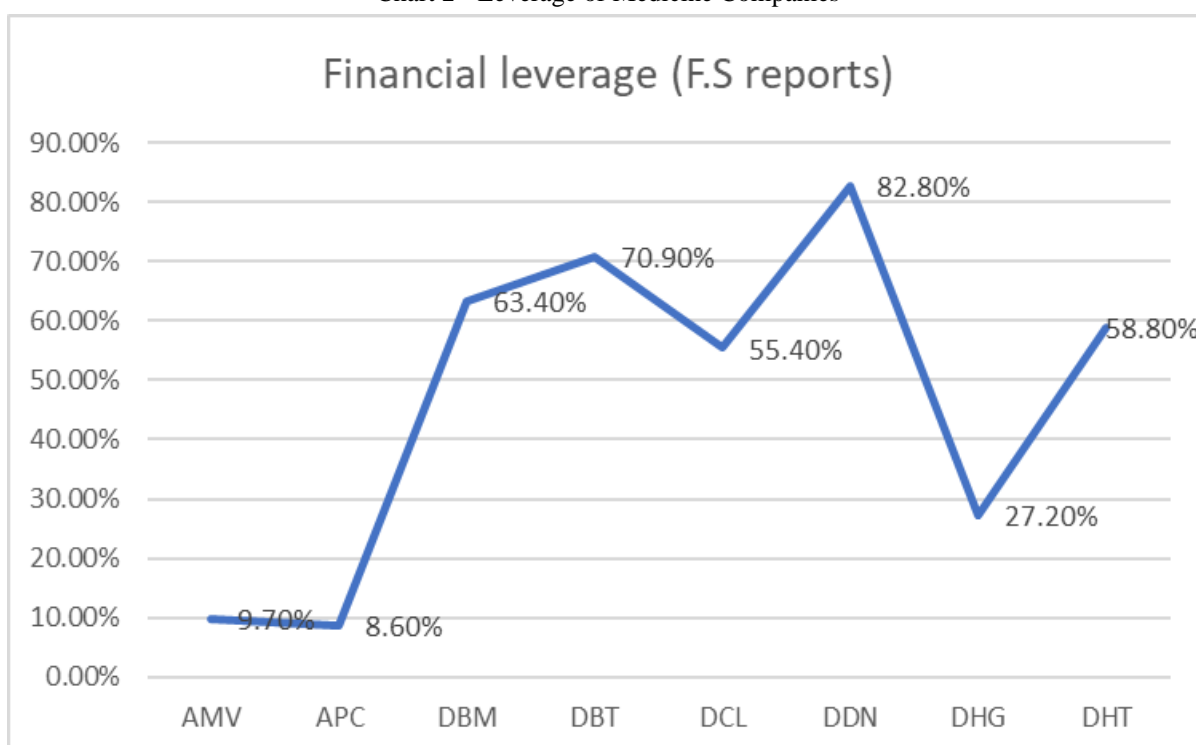


Table 1 – 8 listed Medicine Companies Statistics

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	2,091	1,075	1,0153
MIN	-0,946	-0,163	-0,7831
MEAN	0,665	0,406	0,2589
VAR	0,7106	0,1400	0,5705
Note: Sample size : 8			

(Source: author calculation and stock exchange)

7. Empirical Research Findings and Discussion

We will change size of competitors and measure and compare market risk of 8 listed medicine firms on stock exchange. And then, leverage change is also conducted in 2 cases from 30% up to 20% down.

We model our calculation of beta in below table

Table 2 – Under 3 Cases we will Estimate Beta or Risk

	Keep leverage as current	Keep leverage up 30%	Keep leverage down 20%
Kept size of competitor or rival as current	Scenario 1	Scenario 2	Scenario 3
Kept size of competitor or rival as smaller slightly			
Kept size of competitor or rival as double			

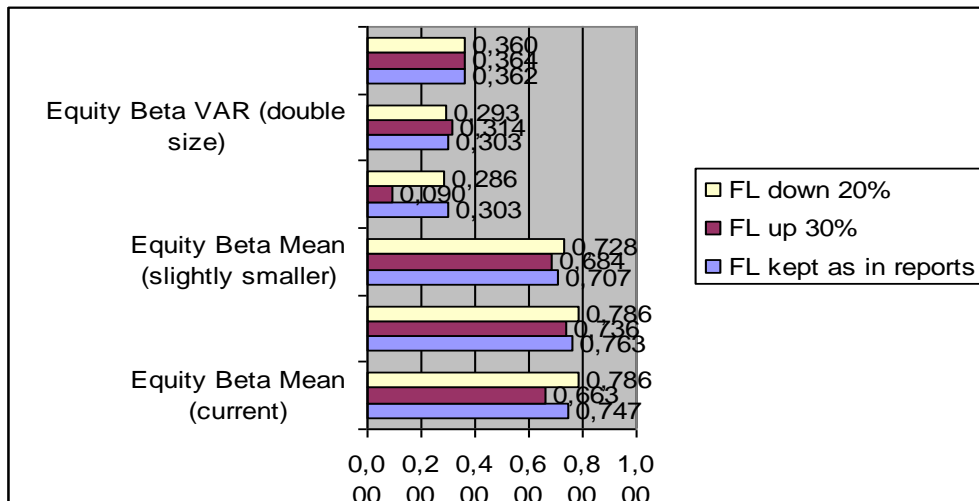
(Source: by author)

We could hence, analyze results from below charts:

In addition, the chart 3 tell us: there is less dispersion of risk in case doubling competitor size, shown in number, if leverage down to 20%, equity beta var will go down to 0,293. On the other hand, when leverage up to 30%, equity beta var increases to 0,364 (for the case smaller size competitor)

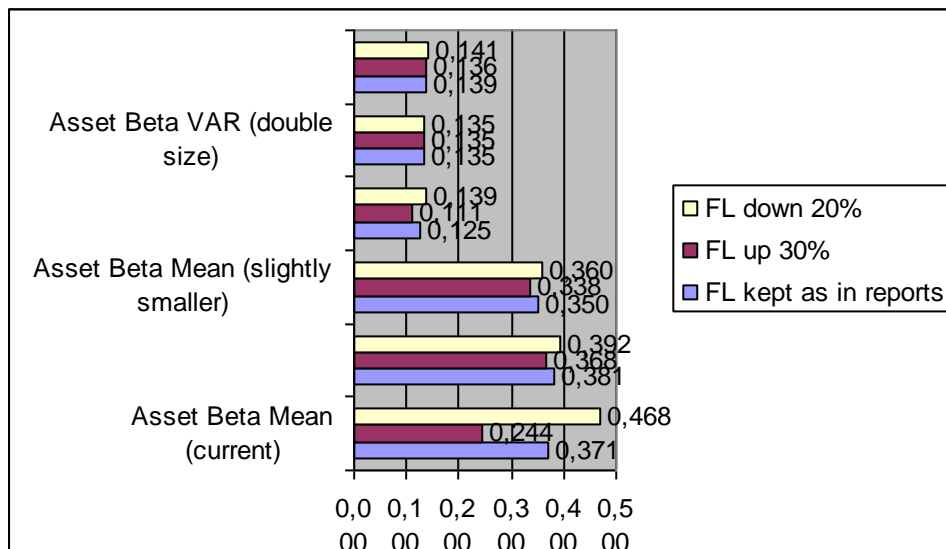
Last but not least, the chart 4 tell us, if leverage kept with current level and there is smaller size competitors, asset beta mean value will goes down to 0,350. And for the case double size competitor, we see an increase in asset beta mean value to 0,381.

Chart 3 – What Beta Mean Change in Cases of Size of Competitor and Leverage Changing



(Source: author calculation and stock exchange)

Chart 4 – What Risk Variation Change in Cases of Changing FL and Competitor Size



(Source: Author Calculation and Stock Exchange)

8. Conclusion and Policy Suggestion

Overall, we would see policies implications from our beta estimation as above:

- Macro policies issued by Ministry of Finance, and State bank are need to coordinate to achieve certain goals in specific periods, for instance, fiscal policies, tax policy, etc.

Company policies:

- Medicine firm need to build theory of competitors and risk assessment from competitors.

- Last but not least, firm management will take note that: in case there is approximate size competitors. Max value of mean of asset beta will be measured at 0.468 and in case there is double size competitors, Min value of asset beta mean measured at 0,368.

Limitation of Research

Our research model can be expanded for other markets.

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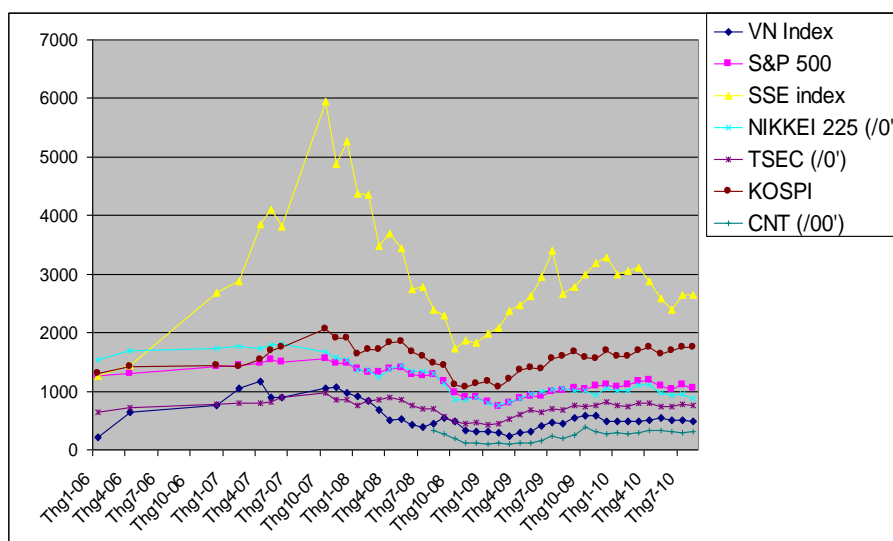
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Exhibit

Exhibit 1- Comparison of VNIndex and other Indexes in Period of 2006-2010



(Source: global stock exchange 2012)