

# 國立交通大學

## 企業管理碩士學程

### 碩士論文

越南金融與匯款機構的市場

FINANCIAL INSTITUTIONS AND REMITTANCES MARKET IN VIETNAM

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中華民國九十九年六月

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College of Management

Global Master of Business Administration Program

**Thesis**

**FINANCIAL INSTITUTIONS AND REMITTANCES MARKET  
IN VIETNAM**



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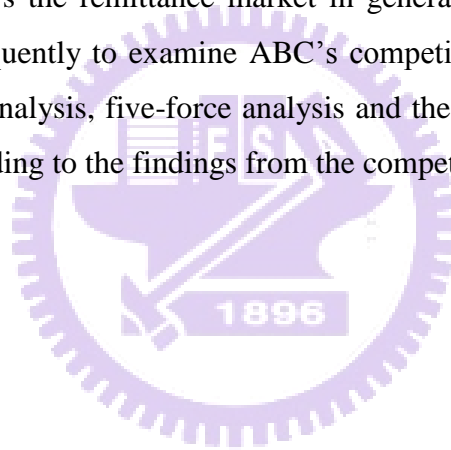


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## **ABSTRACT**

This thesis examines the competitive advantage of the inward remittance market in Vietnam. I reviewed the Vietnamese inward market first and investigate the competitive advantage of a representative company as a case study subsequently. Inward remittance has slightly gone downward as the economic crisis. The case company is a major Vietnamese Money Transfer Company. For confidential reasons, the company is called ABC in this thesis. Adapting to changes in the general market, ABC Money Transfer Company is maintaining market share and customer service improvement through strengthening its organization. It started with some changes in the old system. This thesis focuses on ABC Money Transfer Company as a case to identify the competitive advantage of this leading remittance market in Vietnam. This thesis reviews the remittance market in general and in Vietnam first. Three frameworks are used subsequently to examine ABC's competitive advantage in Vietnamese remittance market: SWOT analysis, five-force analysis and the BGC positioning framework. Suggestions are given according to the findings from the competitive advantage analysis.



# Acknowledgements

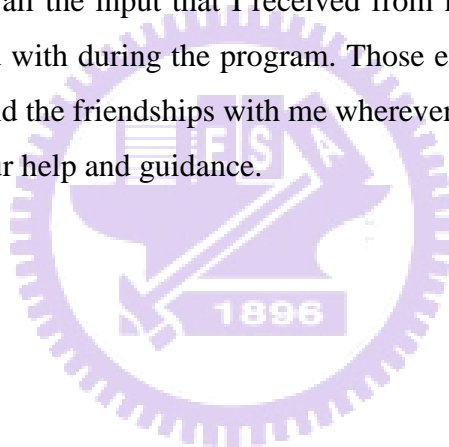
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# **Chapter 1: Introduction**

## **1.1 Research objectives and research motivation**

Remittances have traditionally been an important source of foreign currency for many emigration countries. Vietnam has increasing migration spreading all over the world. As the scale, scope and complexity of migration have grown, the remittance service industry becomes essential for social network linking local and global process. A thorough review of the remittance market helps the related parties including financial institutions and the government authorities to improve the market efficiency. Moreover, we can learn more about remittance process and the benefit of each party from this research.

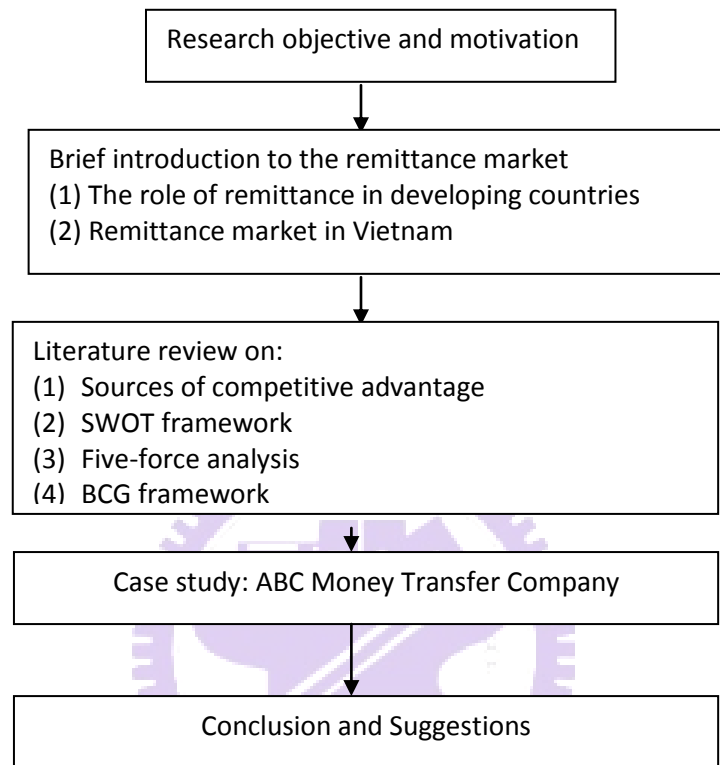
The objectives of this research are two folds: first, it reviewed the general remittance service market in developing countries, especially in Vietnam; and second, it used SWOT, Five-force, and BCG frameworks to investigate ABC Money Transfer Company as a case study to reveal the competitive advantages of remittance business. The case company is a major Vietnamese Money Transfer Company. For confidential reasons, the company is called ABC in this thesis. The case study derived several interesting findings, based on which I provided recommendations for operating remittance business in Vietnam. The financial institution and money transfer companies should know their competitive advantages in order to have the right strategies to improve their better organization and service.

## **1.2 Problem identified**

Vietnam differs substantially from other remittance markets in that they have not yet widened the range of products available to remittance receivers, and they almost have the old organization system that takes a long time for customers. Both senders and receivers have not been integrated into the formal financial sector.

Inward remittance service is a competitive element for remittance companies in Vietnam in particular and for Vietnam in general, how these companies improve this service to support better customer' satisfaction.

### 1.3 The research framework



# **Chapter 2: Competitive Advantage and the Research Methodology**

## **2.1 Sources of competitive advantage**

### **2.1.1 Structure-conduct-performance school**

The core issue of strategic management is why some firms outperform others. Mainstreams of strategic management attribute superior performance to competitive advantage of the firm. A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices (Porter, 1985). When the firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1980; 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. According to Porter (1980; 1985), competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm position itself in its industry through its choice of low cost or differentiation. Once the firm has identified its position in the market, it should build up barriers to prohibit potential competitors enter into this market segment. The higher concentration the market is, the more competitive advantage the firm would have. Therefore, the industry structure determines the competitive advantage of the firm (Porter, 1987: p. 46).

However, many empirical studies showed that the high-concentrated industries were not significantly superior to lower-concentrated industries (Gale and Branch , 1982; Ravenscraft, 1983). Other studies showed that there is no consistent relationship between market concentration and profitability (Jacobson, 1988; Jacobson and Aaker, 1985).

### **2.1.2 Porter's genetic strategies**

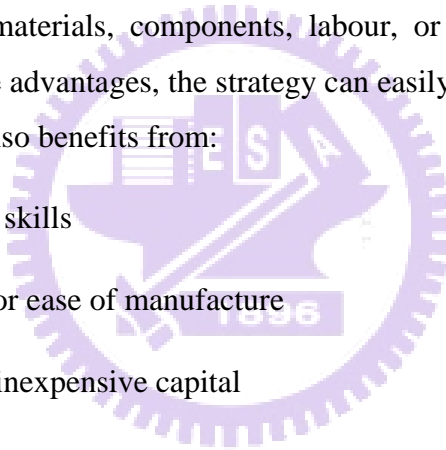
Michael Porter identified two basic types of competitive advantage:

- Cost advantage
- Differentiation advantage

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

**Cost advantage:** This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from:

- 
- Process engineering skills
  - Products designed for ease of manufacture
  - Sustained access to inexpensive capital
  - Close supervision of labour
  - Tight cost control
  - Incentives based on quantitative targets.
  - Always ensure that the costs are kept at the minimum possible level.

Examples include retailers such as Wal-Mart and KwikSave as well as IT firms such as Dell and Lenovo.

**Differentiation advantage:** Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customers

service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers loyalty can also serve as an entry barrier- new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully. Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Perstorp BioProducts, Apple Computer, and Mercedes-Benz automobiles.

### **2.1.3 Blue ocean strategy**

- Blue ocean strategy (BOS) is the result of a decade-long study of 150 strategic moves spanning more than 30 industries over 100 years (1880-2000).

- BOS is the simultaneous pursuit of differentiation and low cost.

-The aim of BOS is not to out-perform the competition in the existing industry, but to create new market space or a blue ocean, thereby making the competition irrelevant.

-While innovation has been seen as a random/experimental process where entrepreneurs and spin-offs are the primary drivers – as argued by Schumpeter and his followers

– BOS offers systematic and reproducible methodologies and processes in pursuit of blue oceans by both new and existing firms.

- BOS frameworks and tools include: strategy canvas, value curve, four actions framework, six paths, buyer experience cycle, buyer utility map, and blue ocean idea index.

-These frameworks and tools are designed to be visual in order to not only effectively build the collective wisdom of the company but also allow for effective strategy execution through easy communication.

- BOS covers both strategy formulation and strategy execution.

- The three key conceptual building blocks of BOS are: value innovation, tipping point leadership, and fair process.

- While competitive strategy is a structuralist theory of strategy where structure shapes strategy, BOS is a reconstructionist theory of strategy where strategy shapes structure.

- As an integrated approach to strategy at the system level, BOS requires organizations to develop and align the three strategy propositions: value proposition, profit proposition and people proposition.

#### **2.1.4 Resource-based view**

Another school, resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. The resource-based view (RBV) is an economic tool used to determine the strategic resources available to a firm. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984; Rumelt, 1984).

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear.

**Resources** are the firm-specific assets useful for creating a cost or differentiation advantage and the few competitors can acquire easily as following:

- Patents and trademarks
- Proprietary know-how
- Installed customer base
- Reputation of the firm
- Brand equity

To investigate competitive advantage of firms, mainstreams of strategic management have developed many frameworks, among which SWOT, Porter's five-market-force analysis and BCG framework are the most popular.

## **2.2 Research methodology**

### **2.2.1 SWOT analysis**

It involves specifying the objective of the business or project and identifying the internal and external factors that are supportive or unfavourable to achieving that objective. SWOT is often used as part of a strategic planning process. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats (Albert Humphrey). A process generates information that is helpful in matching an organization or group's goals, programs, and capacities to the social environment in which it operates.

### **1. Strengths**

- Positive tangible and intangible attributes, internal to an organization.
- They are within the organization's control.

### **2. Weaknesses**

- Factors that are within an organization's control that detracts from its ability to attain the desired goal.
- Which areas might the organization improve?

### **3. Opportunities**

- External attractive factors that represent the reason for an organization to exist and develop.
- What opportunities exist in the environment, which will propel the organization?
- Identify them by their "time frames"

### **4. Threats**

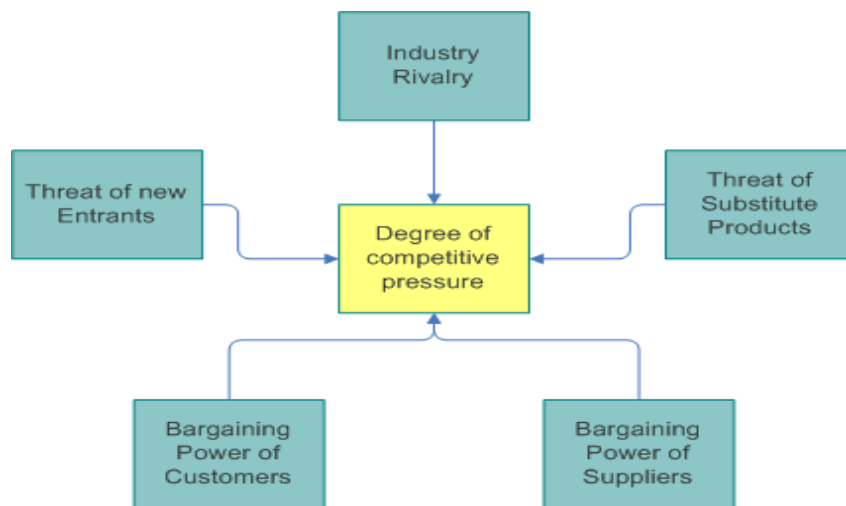
- External factors, beyond an organization's control, which could place the organization mission or operation at risk.
- The organization may benefit by having contingency plans to address them if they should occur.
- Classify them by their "seriousness" and "probability of occurrence".

#### **2.2.2 Five forces framework**

Porter's five forces (1980) include - three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two

forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers.

A five forces analysis allows an organization to consider the relative attractiveness of different industry sectors when making strategic choices about exiting or entering particular sectors and markets. Close analysis of these forces can allow an organization to find a position in the sector where it can best defend itself against them or, most effectively, influence them. Five forces includes as following:



Source: From the internet

Figure 1: Five forces framework

### 1. The threat of entry.

- Economies of scale e.g. the benefits associated with bulk purchasing.
- The high or low cost of entry e.g. how much will it cost for the latest technology?
- Ease of access to distribution channels e.g. Do our competitors have the distribution channels sewn up?
- Cost advantages not related to the size of the company e.g. personal contacts or knowledge that larger companies do not own or learning curve effects.
- Will competitors retaliate?
- Government action e.g. will new laws be introduced that will weaken our competitive position?



- How important is differentiation? e.g. The Champagne brand cannot be copied. This desensitises the influence of the environment.

## **2. The power of buyers.**

- This is high where there are a few, large players in a market e.g. the large grocery chains.
- If there are a large number of undifferentiated, small suppliers e.g. small farming businesses supplying the large grocery chains.
- The cost of switching between suppliers is low e.g. from one fleet supplier of trucks to another.

## **3. The power of suppliers.**

- The power of suppliers tends to be a reversal of the power of buyers.
- Where the switching costs are high e.g. Switching from one software supplier to another.
- Power is high where the brand is powerful e.g. Cadillac, Pizza Hut, Microsoft.
- There is a possibility of the supplier integrating forward e.g. Brewers buying bars.
- Customers are fragmented (not in clusters) so that they have little bargaining power e.g. Gas/Petrol stations in remote places.

## **4. The threat of substitutes**

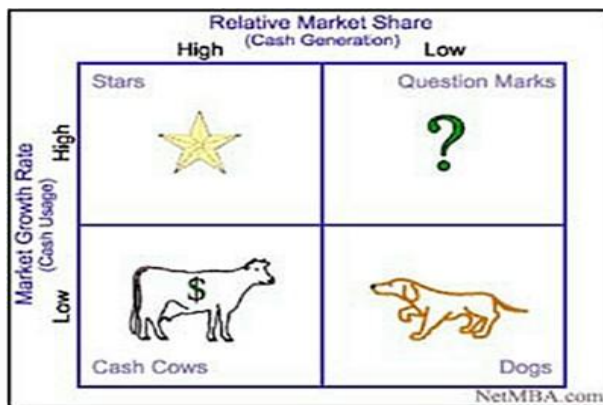
- Where there is product-for-product substitution e.g. email for fax Where there is substitution of need e.g. better toothpaste reduces the need for dentists.
- Where there is generic substitution (competing for the currency in your pocket) e.g. Video suppliers compete with travel companies.
- We could always do without e.g. cigarettes.

## **5. Competitive Rivalry**

This is most likely to be high where entry is likely; there is the threat of substitute products, and suppliers and buyers in the market attempt to control. This is why it is always seen in the center of the diagram.

### 2.2.3 BCG framework

The BCG growth / market share matrix. The tool was developed by the Boston Consulting Group in the 70s. The objective is to identify priorities of specific products within a business unit, or priorities of different business unit in a larger corporate setting. The fundamental assumption is that an enterprise should have a portfolio of products that contains both high-growth products in need of cash and low-growth products that generate cash. The BCG matrix has two dimensions: market share and market growth.



Source: From the internet

Figure 2: BCG framework

- Stars (high growth, high market share): Stars are leaders in the business. They are frequently roughly in balance on net cash flow. The goal is to hold or expand market share.
- Cash Cows (low growth, high market share): Cows are often the stars of yesterday and they are the foundation of a company. Because of the low growth, investments needed should be low.
- Dogs (low growth, low market share): Avoid and minimize the number of Dogs in a company. Watch out for expensive 'rescue plans'. Dogs must deliver cash, otherwise they should be liquidated.
- Question Marks (high growth, low market share): Question Marks have the worst cash characteristics of all, because they have high cash demands and generate low returns, because of their low market share. Either invest heavily, or sell off, or invest nothing and generate any cash that you can.

# Chapter 3: The Remittance Market

## 3.1 What is remittance

Generally, the term “remittances” refers to the transfers, in cash or in kind, from a migrant to household residents in the country of origin. The International Monetary Fund (IMF) has a broader definition about remittances, which includes three categories as follows: (Akkoyunlu & Vickerman, 2000).

- (i) workers remittances or transfers in cash or in kind from migrants to resident households in the country of origin;
- (ii) compensation to employees or the wages, salaries and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside; and
- (iii) migrant transfers which refer to capital transfers of financial assets made by emigrants as they move from one country to another and stay for more than one year.

Similar to the determinants of migrations, the analytical literature on motives for remittances (Solomolo, 2001) fall in four main approaches: (1) altruistic motive; (2) self-interest motive; (3) loan repayment; and (4) co-insurance. The altruistic motive suggests that the emigrant send remittances back home because he/she cares about the well being of his or her family in the home country. The self-interest motive drives the successful emigrant has savings, and an obvious place to invest, at least part of his assets, is in the home country buying property, land, financial assets, etc. The motive of loan repayment assumes that the family invest in the education of the emigrant and usually finances the costs of migrating; the migrant repay the loan back to the family in the form of remittances once he/she settles in the foreign country and as income profile starts rising over time

This thesis focus on international remittances including all money sent from:

- Oversea Vietnamese to relatives in Vietnam to support meaningful consumer
- Vietnamese workers in foreign countries to their home,
- Oversea Vietnamese to Vietnam for investments
- Oversea relatives of tourists to Vietnam for supporting tourists in Vietnam

- International students' relatives to Vietnam to support for these students in studying in Vietnam

The channel of inward remittance includes through banks, non-bank financial institutes, the business to provide financial services and international postal, and people bring foreign currency to Vietnam by themselves.

### **3.2 The Benefits from Workers' Remittances**

They provide balance of payments support and can contribute to economic growth and poverty reduction

*A Stable Unrequited Source of Foreign Exchange:* Remittances can be an important source of support to the country's balance of payments because of their nature as non-debt creating flows

*Contribution to Growth:* As unrequited receipts, remittances contribute to increasing the absorptive capacity of the recipient economy (consumption plus investment). They can therefore raise economic welfare and contribute to financing both physical and human capital investments, leading to enhanced productivity and higher growth rates

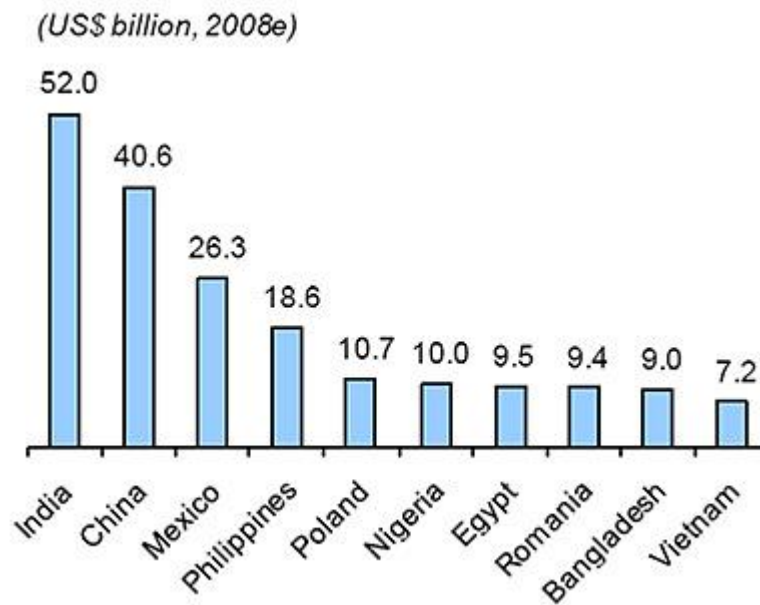
*Complementing Nascent Financial Systems and Transfer of Knowledge:* Remittances can provide a much-needed source of financing both informally and formally (through the banking sector), and thus promote both financial sector development and the growth of the private sector. This may be of particular importance in a developing-transition economy such as Vietnam. The professional and business background of a large number of Vietnamese migrants could bring additional benefits similar in part to those associated with FDI. By influencing the way part of the remittances are invested, migrants can transfer their entrepreneurial skills and technological knowledge to the private sector in their homeland, thus mitigating, and possibly more than compensating for, possible negative consequences of a "brain drain."

*Poverty Reduction:* Remittances are expected to contribute importantly to poverty reduction as they are often received by lower-income groups and help improve their housing conditions, nutritional intake, health care, and education. In addition, by financing small businesses, remittances contribute to employment creation.

### **3.3 Outlook for remittance flows to developing countries, 2009-11**

Recent trends Newly available data show that remittance flows to developing countries reached \$328 billion in 2008, up 15 percent from \$285 billion in 2007. These estimates are higher than our previous estimates of \$305 billion in 2008 and \$281 billion in 2007. All regions experienced stronger growth than our previous estimates. South Asia registered a 33 percent growth in remittance flows as India reported \$52 billion in 2008, sharply higher than our earlier estimate of \$45 billion. Remittances to East Asia and the Pacific rose 20 percent as China and the Philippines reported strong growth. In contrast, flows to Latin America and the Caribbean grew by a modest 2 percent in 2008, reflecting continuing weakness in the job market in the United States. After the latest data revisions for 2008, India, China and Mexico retain their position as the top recipients of migrant remittances among developing countries (see figure 1). The top 10 recipients list also includes Philippines, Poland, Nigeria, Romania, Egypt, Bangladesh, and Vietnam. In contrast, the top recipients in terms of the share of remittances in GDP include many smaller economies such as Tajikistan, Tonga, Moldova, Lesotho, and Guyana; in these countries remittances exceeded a quarter of the GDP, providing a lifeline to the poor.

The slowdown in remittance flows that became evident in the last quarter of 2008 has continued into the first half 2009. As the US job market weakness continues, officially recorded remittance flows to the Latin America and the Caribbean region have dropped significantly in the first half of 2009. In Mexico, remittance flows in 2009 year-to-date have declined by 11 percent compared to a year ago, after a 4 percent decline in 2008. Jamaica has registered a sharper 17 percent decline during the same period. The slowdown in the US construction sector, a major employment sector for migrants from Mexico, is believed to have affected remittance flows to Mexico with a lag of about 3 months .



Source: Central banks of the respective countries.

Figure 3: The top 10 recipients list

Risks to the outlook : There are three key sources of risk to the outlook for remittance flows. First, if the crisis were deeper and longer than currently projected, the decline in remittance and migration flows would be steeper. Unpredictable movements in the exchange rates pose a second source of risk. If the exchange rates of these remittance sources weaken, it would result in an even greater decline in remittance flows to developing countries. Finally, the political reaction to weak job markets in destination countries could lead to more tightening of immigration control

Table 1: Outlook for remittance flows to developing countries, 2009-11

<b>\$ billion</b>				<b>Base case forecast</b>		<b>Low case forecast</b>	
	2006	2007	2008e	2009f	2010f	2009f	2010f
<b>Developing countries</b>	<b>228</b>	<b>285</b>	<b>328</b>	<b>304</b>	<b>313</b>	<b>295</b>	<b>294</b>
East Asia and Pacific	53	65	78	74	76	71	71
Europe and Central Asia	37	51	57	49	50	47	48
Latin America and Caribbean	59	63	64	60	61	58	57
Middle-East and North Africa	26	32	34	32	33	31	31
South Asia	40	55	74	71	74	69	69
Sub-Saharan Africa	13	19	20	18	19	18	18
Low-income countries	20	25	31	29	30	29	29
Middle-income countries	208	261	297	275	282	266	265
World	309	380	433	..	..	..	..
<b>Growth rate (%)</b>							
<b>Developing countries</b>	<b>17.2%</b>	<b>25.2%</b>	<b>14.8%</b>	<b>-7.3%</b>	<b>2.9%</b>	<b>-10.1%</b>	<b>-0.3%</b>
East Asia and Pacific	13.4%	23.4%	19.6%	-5.7%	3.0%	-8.8%	-0.5%
Europe and Central Asia	24.1%	36.5%	12.0%	-14.9%	3.0%	-17.2%	0.5%
Latin America and Caribbean	18.1%	6.6%	2.1%	-6.9%	1.0%	-9.4%	-2.0%
Middle-East and North Africa	4.6%	21.4%	8.6%	-6.2%	3.3%	-9.8%	-0.4%
South Asia	19.7%	40.1%	32.8%	-3.6%	3.9%	-6.4%	0.5%
Sub-Saharan Africa	34.5%	47.3%	6.5%	-8.3%	4.4%	-11.6%	1.1%
Low-income countries	23.8%	23.2%	25.3%	-5.0%	3.8%	-7.2%	0.7%
Middle-income countries	16.7%	25.4%	13.9%	-7.5%	2.8%	-10.4%	-0.4%
World	14.3%	22.9%	14.0%	..	..	..	..

*e = estimate; f=forecast Source: : Authors' calculation based on data from IMF Balance of Payments Statistics Yearbook 2008 and data releases from central banks, national statistical agencies, and World Bank country desks. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers – see [www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances) for data definitions and the entire dataset.*

### **3.4 Factors affecting the development of the remittance service industry**

Most of the studies as regards the determinant factors of workers remittances have a microeconomic perspective. Variables that are mainly analyzed consist in migrant worker's and his family's socioeconomic characteristics on one hand, and his personal motives on the other.

According to Russell (1986), time passed abroad, income level of the migrant's family, job situation of other members of the family, education level, work experience and marital status of the migrant are among the main sociodemographic determinants of remittances. Other factors such as the number of children, as well as their education level, and the economic situation of the migrant before migration are added later on by Ilahi and Jafarey (1999).

As far as the gender component is concerned, little work has been done but most of the studies point out a differentiation in remittance behavior between men and women (e.g. De la Cruz, 1995; Osaki, 1999; Tacoli, 1999; De la Brière, 2002). Women seem to remit more regularly, especially because of the traditional family configuration observed in some developing countries.

Among the macroeconomic factors affecting remittances number of migrants and their income level, the economic situation of both of the origin and the host country, exchange rates, interest rate differences between the worker - sending and the receiving countries, the potential political risks at the origin country and the remittance infrastructure have already been underlined by Russell (1986).



### **3.5 The remittance service industry in Vietnam**

There have been a variety of theoretical models adduced to explain the motives underlying remittance behavior, including altruism (Becker, 1974; Aggarwal and Horowitz, 2002), exchange (Cox, 1987) or self-interest (Lucas and Stark, 1985), insurance (Stark, 1991; Gubert, 2002; Amuedo-Dorantes and Pozo, 2006), and consumption transfer (Quinn, 2005). After conducting an empirical analysis for Vietnam overseas workers, Niimi (2008) suggests that the remittance phenomenon in Vietnam could be explained by a combination of several models including altruism, self-interest such as education investment, and the insurance purpose. Generally, remittances take place after migration since the net flow of migrants are from low wage to high wage areas (Massey et al., 1993).

According to the World Bank's report (Niimi, 2008), combination of government migration policies and the household registration system (ho khau) had strictly controlled migration flows in Vietnam in the past. Urban to rural and intra-rural migration were explicitly encouraged to redress imbalances in population density across the country (Dang et al., 2003). Until the early 1990s, officially organized migration was the most common form of internal movement observed in Vietnam (Guest, 1998; Dang et al., 2003). However, organized migration has been replaced by a more spontaneous migration phenomenon since the middle of the 1990s (Hardy, 2000) as the doi moi (renovation) program became the main driving force behind the apparent shift (Dang et al., 2003).

Remittances sent to the country which is one of the important sources of balance in the balance of foreign exchange in Vietnam. As reported by the World Bank announced in mid-July 2009, Vietnam ranked 10th among the countries receiving remittances, most of the world in 2008. With a total estimated value is 7.2 billion dollars. This increase is considered to be significant compared to 2007, when the amount of remittances sent back Vietnam also very

positive, reaching 5.5 billion dollars, an amount that the World Bank is equivalent to 8% Vietnam's GDP.

Vietnam has over 3 million Vietnam settled abroad, concentrated in countries with high average income: United States (1.5 million), France (300,000), Australia (250,000), Canada (200,000) ... With policies to encourage Vietnamese overseas to invest in Vietnam like buying houses, the amount of remittances transferred to Vietnam will increase rapidly when the world economy recovered.

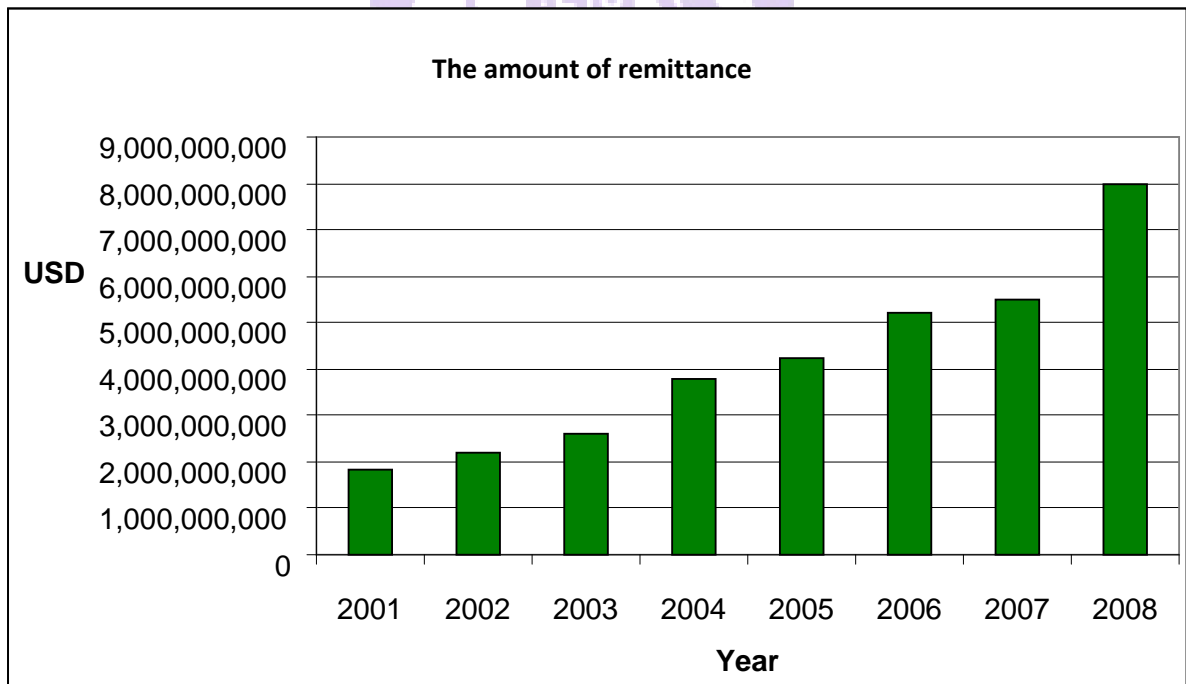
To attract the amount of remittances, banks and money transfer companies have launched several new products and channels such as delivery money at home, transfer money through the account or card or online or by phone. In addition to exploiting traditional markets like the U.S., Australia and some Asian countries, banks and money transfer companies also focus on promotion of new markets, potential foreign currency higher because many workers of Vietnam is working as the Middle East and Africa.

Authorities believe that remittances can only increase when there are system-wide pay and create favorable conditions for people. Actually, for people who are traveling abroad or living in Vietnam as well is wishing to receive remittances from relatives. In many places in the world, of course what they want is to receive money in any transaction any convenient such as hotels, restaurants, supermarkets, etc. The banks have also launched into many points of transactions but not strong enough, according to observers. However, the amount of money which is sent back Vietnam by abroad workers constitute only a fraction of the remittances. According to the U.S. daily newspaper Wall Street Journal, nearly two-thirds of the remittances received in Vietnam last time from the United States, where a overseas Vietnamese community is crowded.

Although investment policies have not been opened completely, the amount of remittances sent each year up to 3.8 billion. If this policy is more open, the volume of remittances will be bigger and bigger.

U.S. economy is experiencing a difficult period, unemployment increased, and these factors impact the amount of money which is sent back to Vietnam.

Labors working abroad can still send through the banking system and controls were from the original, but the other s do not believe in some banks should find reclining quick, discreet and more reliable , not to mention the cheaper commissions. This amount is not listed in any books or bank statistics state. The impact of remittances in Vietnam can be studied in terms of the monetary and financial markets, investment, the labor market, technology and product factors government policies factors and the social aspects of development.



*Source: Directory of the statistics in Vietnam*

*Figure 4: Number of inward remittances in Vietnam from 2001 to 2008*

## Chapter 4: Case Study

### 4.1 The case company: ABC Money Transfer Company (ABCMTC)

#### 4.1.1 The remittance business in ABC Money Transfer Company (ABCMTC)

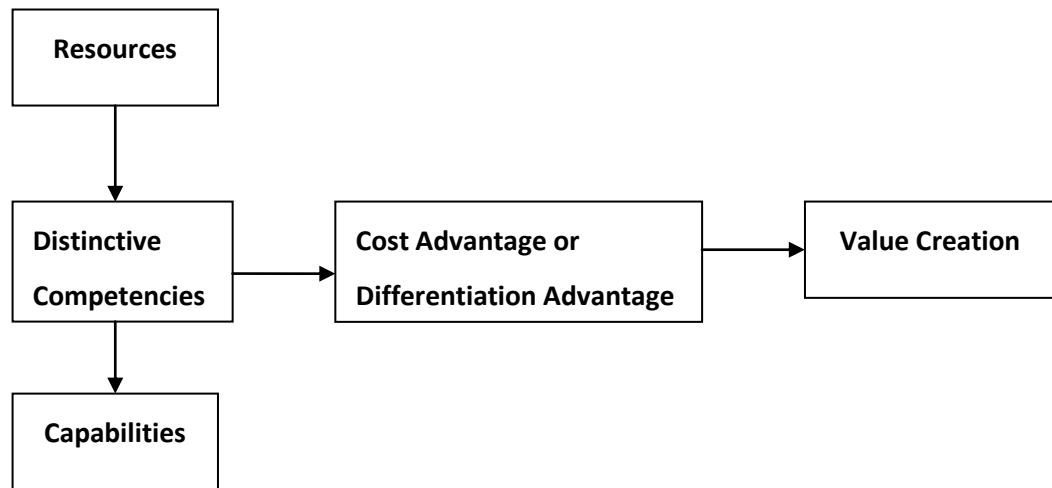
The case company is a major Vietnamese Money Transfer Company. For confidential reasons, the company is called ABC in this thesis. Founded in 1992, ABC Commercial Bank, former Eastern Asia Commercial Bank, one of the leading joint stock commercial banks in Vietnam immediately launched the remittance services thanks to the good experiences and assistance from Phu Nhuan Jewelry JSC (PNJ), the 2nd biggest shareholders.

In order to specialize and enhance remittance services, ABC Money Transfer Company was established in November 2001, originally from the Money Transfer Department of ABC Commercial Bank.

ABC Money Transfer Company is recognized as the leader in money transfer services in Vietnam. In 2006, almost 16 percent of the total USD 4.8 billion overseas remittance volume into Vietnam went through ABC Money Transfer Company's system.

Beneficiaries can receive money at ABC Money Transfer Company's 103 transaction offices and local agent network spreading out in the whole country.

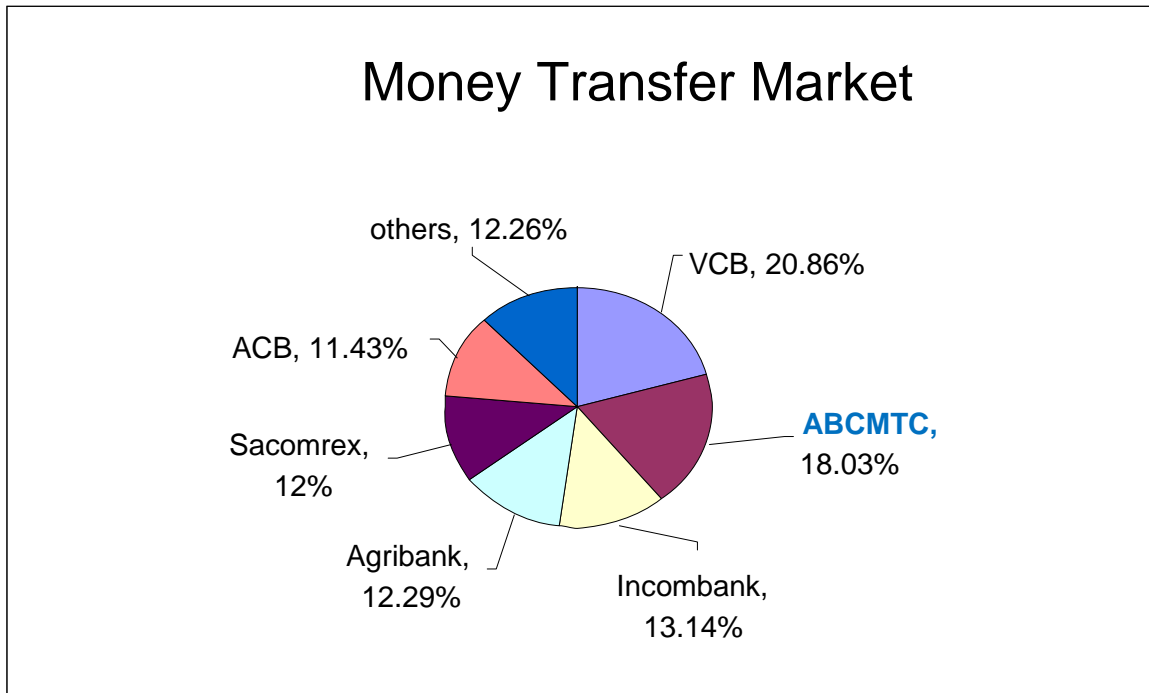
ABC Money Transfer Company especially manages a strong and experienced home-delivery team that is able to provide door-to-door delivery to beneficiaries in almost 60 provinces amongst the total 64 provinces of Vietnam .



ABC Money Transfer Company is the leading company in Vietnam's remittance market. They offer a wide range of money transfer services to clients in various regions of Vietnam. ABC Money Transfer Company also was the pioneer of home delivery service in Vietnam.

- ABC Money Transfer Company has the employees who are high experience and profession.
- ABC Bank's Account: immediately with full amount, no charges or fees.
- To other banks' Account in Vietnam: from 1 – 3 days, depending on the destinating bank's network and infrastructure. The fund amount will vary according to that bank's charges and fees
- No charges and fees for customers use counter pick up and home delivery services also.
- ABC bank possesses the second largest customers' base in Vietnam with over 2.8 million individual bank accounts
- ABC Bank is also considered as the leading bank in technology with nearly 400,000 subscribers for E-banking services
- ABC Bank is among the leading joint-stock commercial banks in Vietnam

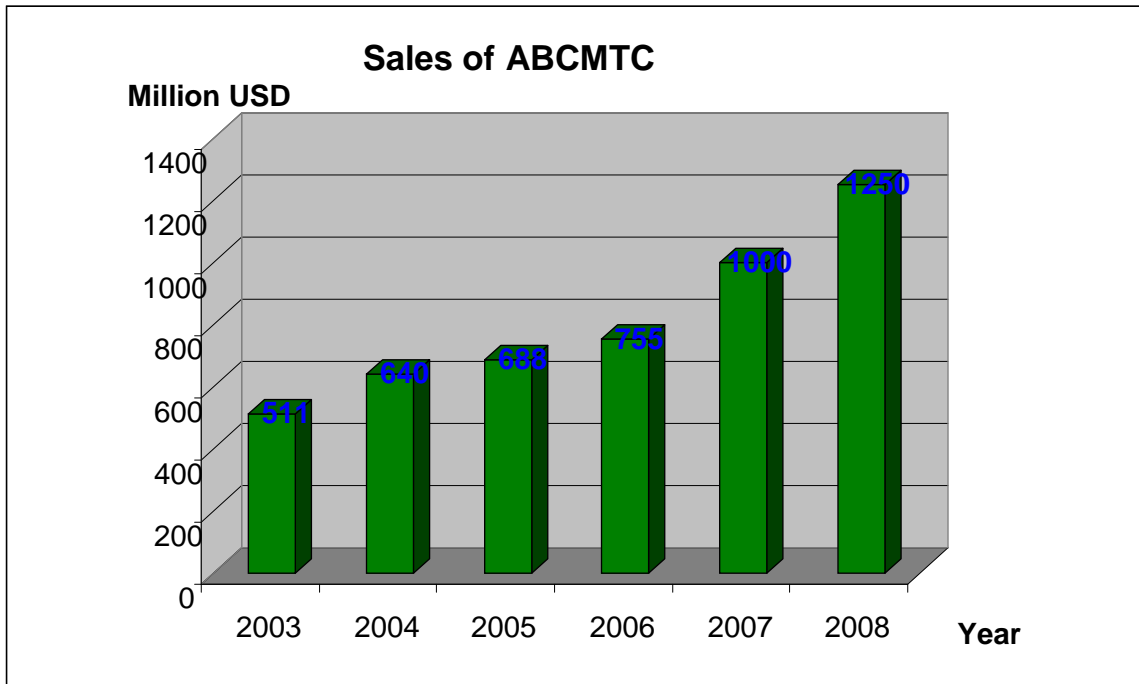
- ABC Money Transfer Company has expanded its network recently to over 164 branches and offices across provinces in Vietnam



*Source: Directory of the statistics in Vietnam*

*Figure 5: ABC Money Transfer Company's market share in Vietnam in 2008*

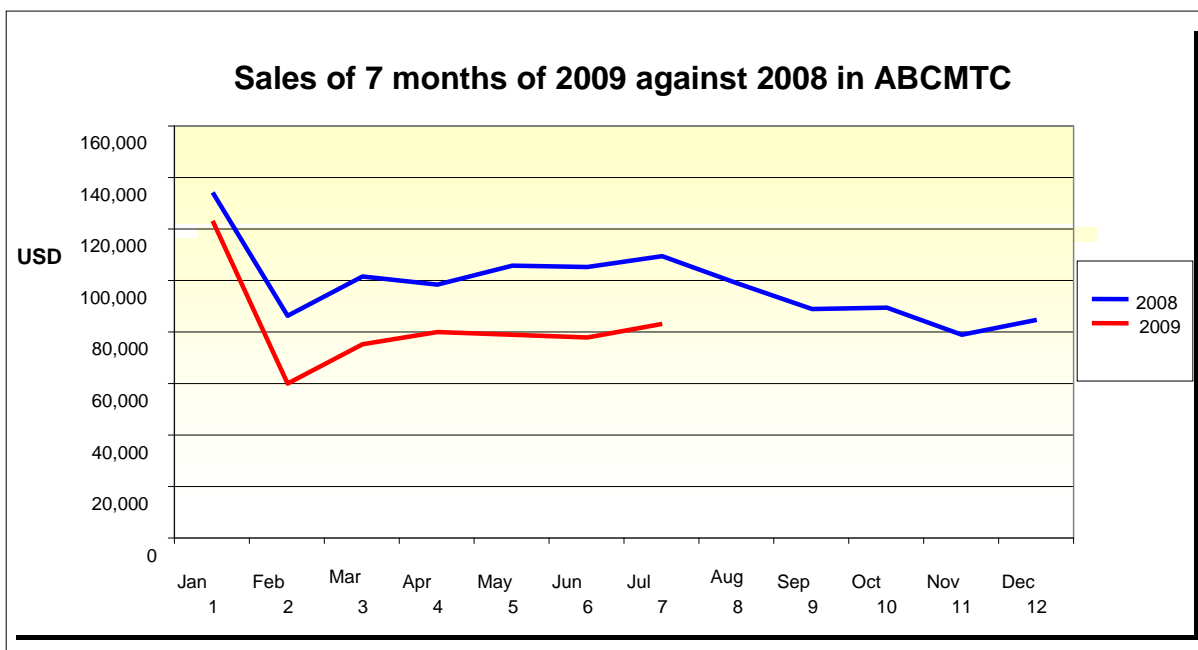
As the statistics, ABC Money Transfer Company was the second biggest market share in money transfer from other countries to Vietnam up to at the end of 2008. They accounted around 20% of remittance market in Vietnam with over 650 million USD of inward remittance.



*Source: ABCMTC*

*Figure 6: Revenues of ABCMTC from 2003 to 2008*

With more opened policies on foreign currencies, encouraging remittance to Vietnam by the State and the increasing of investment demand in Vietnam, the amount of money which transfer through ABC Money Transfer Company grew very strongly in the recent years.



Source: ABCMTC

Figure 7: Sales of 7 months of 2009 against 2008

Generally for 7 months of early 2009, sales just reached more than 578 million USD which was less than the sales of the same previous quarter. Due to crisis, the amount has been downward in 2009.

Table 2: Analyzing Sales in ABCMTC in July, 2009 according to market

Source: ABCMTC

No.	Market	July,2009	Percentage of market	Jul, 2009 compare with Jun,2009
<b>I</b>	<b>EUR</b>	<b>4,017,100</b>	<b>100%</b>	40.7%
1	THIEN PHU	2,079,274	51.76%	77.4%
2	HOA LE	1,024,128	25.49%	32.1%
3	KIM NGUYEN	424,697	10.57%	8.5%
4	MIVICO	220,276	5.48%	-35.5%
6	CHEQUEPOINT(SEC)	196,524	4.89%	72.9%
8	EVINS	72,201	1.80%	20.1%
<b>II</b>	<b>USA</b>	<b>56,827,382</b>	<b>100%</b>	<b>4.8%</b>
1	HOA PHAT	22,207,840	39.08%	5.3%
2	OMNEX	15,278,333	26.89%	3.4%
3	THIEN PHU	11,912,610	20.96%	7.7%
4	VN USA ENTER	4,246,150	7.47%	0.0%
5	MINH HAI	1,112,825	1.96%	28.8%



No.	Market	July,2009	Percentage of market	Jul, 2009 compare with Jun,2009
6	SG FINANCIAL	472,300	0.83%	-8.8%
7	CONTINENTAL	564,593	0.99%	0.5%
8	ĐÔNG PHUONG	279,905	0.49%	-2.9%
9	SAIGON USA	378,310	0.67%	3.4%
10	IMP GROUP	244,576	0.43%	-22.5%
11	THAI BINH DUONG	100,100	0.18%	14.7%
12	U.S MONEY	27,540	0.05%	-6.1%
13	MINH HAI ĐANG		0	
14	EAST WEST BANK	2,300	0	-8.0%
<b>III</b>	<b>CANADA</b>	<b>9,669,586</b>	<b>100%</b>	<b>4.7%</b>
1	HAI VAN	4,690,742	48.51%	6.7%
2	OMNEX	2,396,236	24.78%	17.6%
3	TRANSAIGON	962,086	9.95%	-16.6%
4	THIEN PHU	384,704	3.98%	36.5%
6	A & VY MONEY	470,190	4.86%	12.0%
7	VIETSTRAVEL	120,888	1.25%	-15.3%
8	THE LE A.T.M.	4,584	0.05%	13.0%
9	VN KING	171,386	1.77%	-44.7%
10	BEN THANH GIFT	468,769	4.85%	10.4%
11	VINAFast		0	-100.0%
12	LE VA KHANG	0	0	

No.	Market	July,2009	Percentage of market	Jul, 2009 compare with Jun,2009
<b>IV</b>	<b>Australia</b>	<b>2,735,526</b>	<b>100%</b>	<b>24.3%</b>
1	ĐONG KHANH IMPORT	757,671	27.70%	76.9%
2	QUICK MONEY	471,737	17.24%	-0.5%
3	THIEN PHU	373,497	13.65%	56.6%
4	KIM SON	381,778	13.96%	78.1%
5	ROS.HONGHOA	254,812	9.31%	57.2%
6	CHUCO	166,483	6.09%	-31.1%
7	TOAN CAU	73,288	2.68%	-42.8%
8	PHI LONG	234,943	8.59%	-17.6%
9	HAI LAM	21,316	0.78%	-27.8%
<b>V</b>	<b>Asian</b>	<b>6,984,850</b>	<b>100%</b>	<b>10.9%</b>
1	BKK FOREX	4,923,745	70.49%	8.7%
2	BKK FOREX-DAB	1,790,019	25.63%	19.5%
3	MERCHANTRADE	253,190	3.62%	-1.4%
4	PIB	9,535	0.14%	234.6%
5	PAY2HOME	8,362	0.12%	-20.9%
<b>VI</b>	<b>Middle East</b>	<b>2,744</b>	<b>100%</b>	<b>-38.0%</b>
1	INSTANT CASH	2,744	43.43%	-38.0%
<b>VII</b>	<b>Global</b>	<b>2,770,030</b>	<b>100%</b>	<b>-15.9%</b>
1	MONEY GRAM	2,575,925	92.99%	-16.5%
2	COINSTAR	63,092	2.28%	-1.3%
3	XPRESS MONEY	131,013	4.73%	-9.9%

No.	Market	July,2009	Percentage of market	Jul, 2009 compare with Jun,2009
<b>Total</b>		<b>83,007,218</b>		<b>6.3%</b>

The biggest market of ABCMTC is USA, and this is the main remittance market for Vietnam as well. ABCMTC has fourteen partners in USA, eight in EUR, twelve in Canada, nine in Australia, five in Asia, one in Middle East, and three for global services.

Partners have the amount of money which is deposited in ABCMTC for enough so that ABCMTC disburses to customers. There are four ways of disbursement to customers such at counter pickup, home delivery, account transfer, ABC's card. At the end of a month, partners make payment for ABCMTC. Partners transfer money to ABC's account. There are three kinds of payment as the following basing that partners use to count commission for ABCMTC:

- On the transfer times (fix fee)
- On the amount of money
- On charges on customers

#### **4.1.2 ABCMTC's strategy in remittance business**

##### **A. Clear strategies for future structure and good implementation in service expansion**

Firstly, the management needs to have a clear vision and objectives for the year. Then it has to translate sufficiently to subordinates and understand how they understand and apply in the real work. They should have policy direction and explanation through good process in implementation to guide everyone systematically. It will avoid the waste of time for each person or department find the way from beginning. The researcher finds that ABCMTC

should focus on process in term of supporting for employees and management. Along with each strategy and new policy or work, it is essential to have clear process or description to guide the achievements.

The company should guide clearly who is responsible for each activities and the way they are linked together to work effectively. The middle and department managers have importance roles to support for controlling with applying changes and improvements in the process

There are many other factors to formulate and implement good strategies, which the company should concern such as leadership development and cultures. The most challenge for ABCMTC needs to pay attention is how to apply new strategic implementation in the obsolete system and push it change to adapt to new market.

#### B. Development of training to enhance employees' values and corporate well

To improve customer service and avoid risk of conflict organization, ABC Money Transfer Company can organize more regularly training activities to improve its service staff's competence as well as their ethical practice. In fact, due to the old system, the company did not motivate enough employees and not provide them enough training course to improve their professional skills in jobs. As a result, in reality, the company can rely on the service-profit chain framework. The company should "have at the command to get them achieve extraordinary results". It creates good environment, which can encourage response to customer satisfaction from service staffs. "Good environment with affective satisfying employees through good rewards and fair punishment, the company can make them stay longer, large commitment to the community. Then they will try to devote their talents to improve the company's services and satisfy back to clients", Ms. A said.

Further, the company should empower staff's actively make decisions and solve problems. It is also the way to reduce the customers' waiting time. Therefore, they can be more confident to face the problems and improvise flexibly the situations as well as encouraged to contribute to the business. Additionally, it can help them to understand and cooperate effectively. Good communication will be improved and thus, working well among departments will provide necessary supports for effective restructure and implementation. Management, then, can develop the full potential ability in employees.

C. Enhancing control system and strong support for customer service system

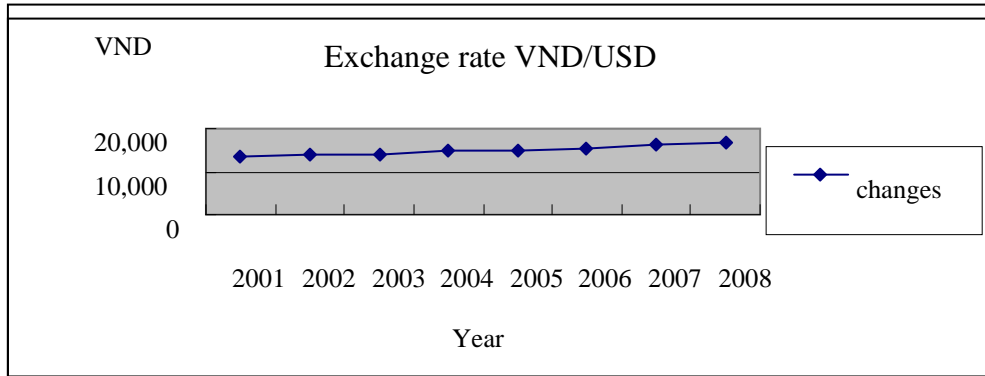
Before launching a service, ABC Money Transfer Company should test the performance under different market conditions to define the class of clients, and then test with internal organization that approach customer and work on the services to let them understand clearly new services, so that they can know when and whom they can recommend the service. They should fully understand the complexity of service. Staffs, especially counter and home delivery staffs can understand their kinds of services as well as their clients' need well, which helps them provide suitable service, and then increases chance of success.

Base on resource-based view, ABCMTC should have promotion for their brand. They should enter the blue ocean markets which are less competitive and create their own market instead of red ocean markets.

**4.2 SWOT analysis**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>- ABC Money Transfer Company, a subsidiary of ABC Bank, established in 2001 and is the leading player in Vietnamese remittance market</li> </ul>	<ul style="list-style-type: none"> <li>- Service network haven't spread all provinces in Vietnam.</li> <li>- The process of transfer money is sometime slow.</li> </ul>

<ul style="list-style-type: none"> <li>- ABC Money Transfer Company provides all services for remittance market including: home delivery, counter pickup, bank account transfer,...at excellent quality covering the nation wide with competitive price.</li> <li>- Strong reputation, financial power, and infrastructure from ABC Bank</li> <li>- Meet the demand of foreign currency adequately.</li> <li>- Strong relationship with state.</li> <li>- Strong home delivery</li> <li>- Valued and motivated employees, good work environment.</li> </ul>	<ul style="list-style-type: none"> <li>- Marketing activities are not enough for promote their reputation.</li> <li>- Organization system is bureaucratic</li> <li>- They sometimes rely on agencies from foreign countries.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Advanced techniques will reduce the time to pay for customers</li> <li>- Types of payment are more various which will improve the quality of services.</li> <li>- The number of people who live oversea is more and more increase in demand.</li> <li>- Government policies have supported free duty for inward remittance services.</li> <li>- Exchange rate is depreciating over the years.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Relation between oversea Vietnamese to their relative in Vietnam is decreased by their age and difference generation</li> <li>- Vietnamese workers who were out of job have to go back due to financial crisis</li> <li>- Informal channel service is cheaper</li> </ul>



*Source: This research*

*Figure 8: Exchange rate VND/USD from 2001-2008*

As we know that exchange rate VND/USD increases year by year, so this is an opportunity for ABC Money Transfer Company because customers who receive money can have much more VND than before, and it encourages people to receive money from foreign countries. The remittances market will have more opportunities.

From SWOT analyzing, we can see that ABC Money Transfer Company has a lot of strengths thanks to ABC Bank, so ABC Money Transfer Company should take this advantage to improve their services in order to expand their market. However, there are many opportunities for ABCMTC in the market. By this I mean that they can be easy to pass over threats which ABCMTC has to face so that they can increase their market share in near future.

### **4.3 Five-force analysis**

As we can see from the following analyzing that ABC Money Transfer Company has high opportunities in the market because of a few competitors, low threats of new entrants, low power of buyers.

#### **4.3.1 Major competitors on remittance business in the market**

Major competitors are not many. The direct competitors of ABCMTC current are Sacomrex and Incomex, which they have all kinds of services like counter pickup, account transfer or bank's card, home delivery. However, they still have lower market share in comparison with ABCMTC, meanwhile the demand of this service is more and more increased. These competitors can not cover all market, so the market for ABCMTC is always high.

(a) Formal channel

A remittance firm transfers funds from one person in one country to another person in another country. Often, the international remittance is the monetary fruit of migrant labor that is being transferred back to the migrant worker's family. This makes the remittance service a crucial component of the logistics of migration. There are many remittance service providers in certain country which cooperate with remittance service providers in other countries to help customers transfer money to customers' home. They are banks, non-bank financial institutes like Western Union, Moneygram, foreign remittance service providers. These are some indirect competitors for ABCMTC.

At present there are some Vietnamese banks have cooperated with foreign banks to transfer money for customer such as: Incombank, BIDV, Vietinbank, Vietcombank, Sacombank, Asia Commercial bank, Agribank. Moreover, these banks cooperated with Western Union and Moneygram in this service, and they keep in touch with Export labor companies to give information about their services to Vietnamese worker.

Generally, services of the indirect competitors are also quite narrow, limited and lack of profession. Most of their services primarily concentrated in the type of home delivery but still limited. However, there are some small companies with large-scale activities and bring extensive expertise as Sacomrex, Eden FSC, FINTEC, Incomex, and forms of operation, products and services of these companies are quite similar to ABCMTC.



Most of banks just focus on counter pickup, account transfer or bank's card, and other money transfer companies specialize on home delivery. Meanwhile, ABCMTC has all those kinds of services.

However, there are some informal small non-bank businesses that have especially served for Vietnamese workers in Taiwan, but which is perceived to prevent a level playing field and create a competitive disadvantage to the firms that are appropriately licensed.

(b) The threat of established rivals in each product

**- Network**

Bank or Company	Number of province
BIDV	64
Agribank	64
ACB	64
ABC	57
Sacomrex	55
Incombank	54
VCB	38
Eximbank	16

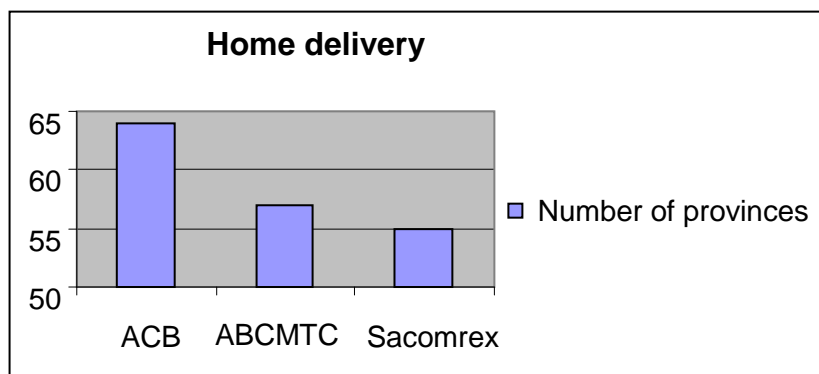
*Source: Directory of the statistics in Vietnam*

*Table 3: Network of rivals*

Some competitors has their service in all 64 provinces in Vietnam, meanwhile ABCMTC has 57/64 provinces.

**-Products and services**

+ Home delivery:



*Source: Directory of the statistics in Vietnam*

*Figure 9: Three biggest companies in Home delivery service*

+ Counter pickup: The number of POD (places of delivery) of ABCMTC is ranked 5<sup>th</sup> comparison with Sacomrex, BIDV, VCB, ACB

+ Bank's card: The number of ATM in ABCMTC is ranked 3<sup>rd</sup> in comparison with VCB and VIDB.

Although ABCMTC has the infrastructure less than competitors, it has done business better than these rivals.

### (c) Informal channel

Traditionally, Most of Vietnamese worker is familiar with informal channel when they send money to their relatives in Vietnam because they don't know much about the formal channel. Other reasons are language barriers, complex procedures in banks, regulations because these Vietnamese workers are mainly the unskilled (including construction workers, domestic workers, farming labour, etc) and semi-skilled (including electronic workers, factory workers, etc) job categories. Moreover, IFT operators meet the demand of the recipients in the rural

areas in many ways. Not only do they offer distribution into rural areas where formal systems have not penetrated, but they conform to the cultural and personal desire for anonymity – an important factor for many recipients in Vietnam, especially in rural areas. Some rural recipients refer IFTs because they do not want neighbors or officials to know they receive money. In rural areas, local government oversight can be strong and, at times, intrusive from the perspective of senders and recipients. One government officials or other community members know that the person receives money from overseas, they question where the money comes from, ask for loan or gift and monitor spending habit of recipients.

<b>Global money transfer company: Money Gram and Western Union</b>	<b>Banks</b>	<b>Informal channels</b>
Advantages: <ul style="list-style-type: none"> <li>- Quickly</li> <li>- Safety.</li> </ul> Disadvantages: <ul style="list-style-type: none"> <li>- High fees</li> </ul>	Advantages: <ul style="list-style-type: none"> <li>- Safety.</li> </ul> Disadvantages: <ul style="list-style-type: none"> <li>- High fees</li> <li>- Long time</li> </ul>	Advantages: <ul style="list-style-type: none"> <li>- Quickly</li> <li>- Low fees</li> </ul> Disadvantages: <ul style="list-style-type: none"> <li>- Unsafe</li> <li>- Illegal</li> </ul>

#### **4.3.2. Threat of substitute products or services**

In general, there are many substitute services of ABCMTC that are banks, foreign remittance services, and informal services. Threat of substitute products here is medium because customers can choose other services, but they have to pay higher cost with formal channel or get high risks with informal channel. However, the scale of these substitute services is not high enough to affect to ABCMTC.

Informal funds transfer system is still a matter of concern for ABCMTC. Informal funds transfer systems (IFT) operate in the main markets in Vietnam like the jewelry shop in Ben Thanh market. The following steps are required to complete the money transfer operation.

- A sender deposits money in a designated bank account in the originating economy.
- An IFT system operator in foreign countries confirms the deposit and provide a code to the remitter
- The IFT system operator in foreign countries calls an IFT system operator in Vietnam to transmit the code.
- The sender calls the recipient to convey the code
- The recipient receives the money in exchange for the code from the IFT system operator in Vietnam.

Formal funds transfer systems have yet to match the speed and low prices of the IFT systems. For example, transfers money from Canada to Vietnam through banks and other major Money services business (MSBs), such as Western Union, can take 2-5 days in contrast to 24 hours for IFT operators. In some cases a remittance through formal channels to a rural region in Vietnam can take a month. An IFT agent typically charges 1-2 percent of the transferred amount for each transaction, depending the size of the transaction. Fee in the formal sector vary widely, from 2 to 10 percent. Some formal channels charge a smaller percentage but with the addition of the flat fee. In the case of bank transfers, additional fee may be charged to recipients by the intermediary and distributor in Vietnam. Remitters are thus likely to pay more when using formal operators.

#### **4.3.3 The threat of new entrants**

The threat of new entrants is low as the following reasons:

- Government has tightly controlled in allowing registering for remittance service business in Vietnam.

- Remittance service has required high knowledge about finance for people who want to run business about this.

- Money Transfer Company has required a lot of investment in capital in cash or infrastructure like place of delivery, agencies.

Therefore, there are so many difficulties for new entrants that they want to do this kind of business. Most of new entrants are from banks which established new branch to specialize about this. Moreover, Western Union and Money gram also set up more places of sales to expand their business in Vietnam in recent years. Other new entrants are not so big.

#### **4.3.4 The bargaining power of suppliers**

The bargaining power of suppliers is medium. Suppliers are agencies in other countries. This service has required worldwide network. It is not easy for ABCMTC to find out agencies in foreign countries, but it is not difficult to keep long relationship with them thanks to ABCMTC reputation in Vietnam.

#### **4.3.5 The bargaining power of customer**

The bargaining of customers is low because the number of customers who have money transfer demand is high, but the good money transfer service is not so many. ABCMTC has a full-product advantage, which customers are very easy to get the satisfactory from ABCMTC's services in comparison with others services. In addition, they use other substitute services such as sending money through someone from foreign countries to Vietnam, which will have limitation of the amount of money. If they send by informal channel, it will be risky.

In generally, customer habits and the existing industrial organization is so entrenched that institutions with external financing or existing financial infrastructure will have the competitive edge in changing the market. They usually choose the remittance services as their

habit, especially workers. They like services that are familiar with them and easy to access to avoid risks in transaction.

Because of most customers are like home delivery service, ABCMTC needs to develop more these services with other partners (Instant Cash, Money ... X-Press ) and expand activities to the rest of provinces. ABCMTC needs to shorten delivery time to have better services and compete with Sacomrex (4 hours in Ho Chi Minh City, 8h in center of other provinces and 24h in the rural areas).

To attract customers, ABCMTC should set up more ATM machines to be more convenience when customers use the card, and they should do some promotions such as free cards and free transactions in the first 10 trading.

#### 4.4 BCG framework

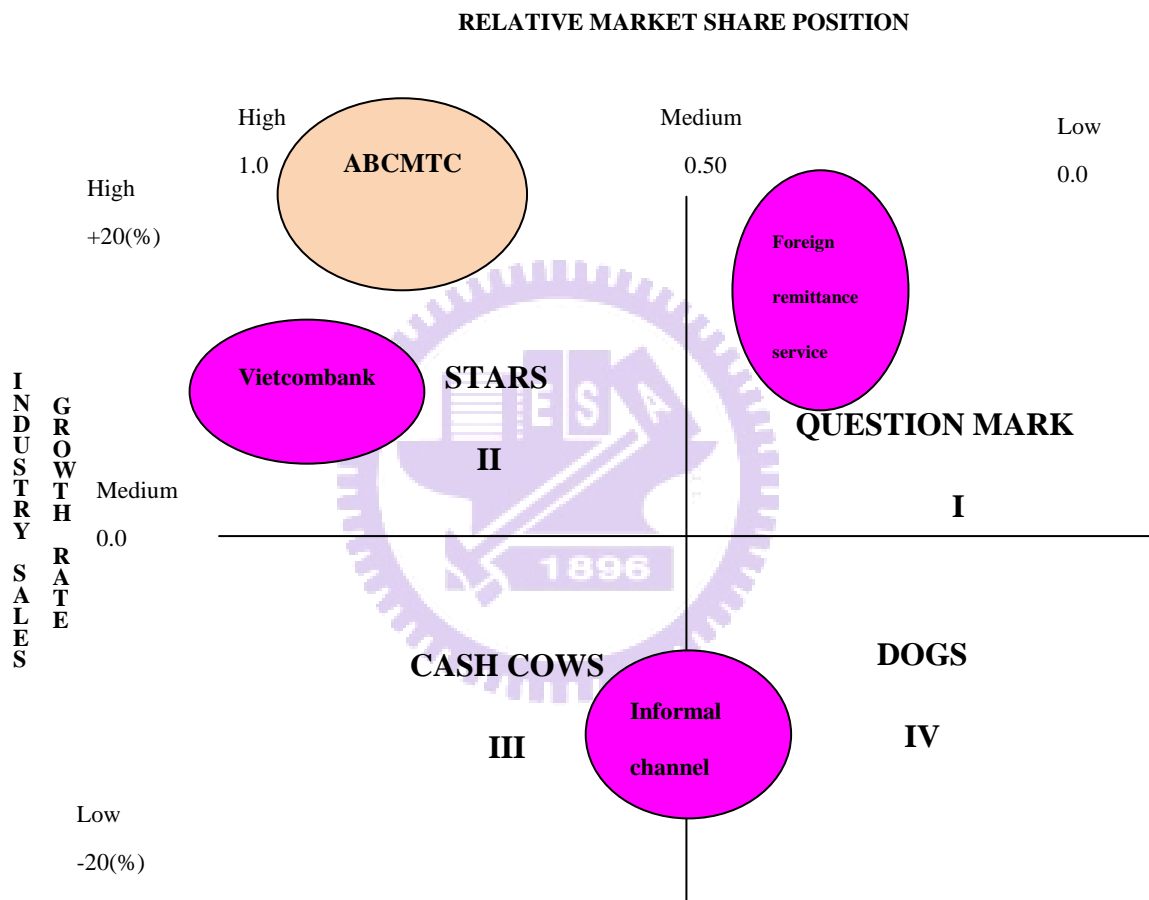
As the above analyzing, ABCMTC has the second biggest market share in remittance service and still improve their service to adapt the market growth.

According to BCG matrix, the position of ABCMTC should be at “Stars”. The business has high market share compared to competitors and it is doing business in high-growth market. This business is a market leader. Successful Question Marks will grow their business and capture more market share and will hopefully become Stars (move from the Question Marks quadrant to the Stars quadrant). Successful and competitive organizations have at least one star business unit or product. ABCMTC has to improve their business continuously in order to keep their position in the marketplace. As long as this market is growing new question marks will try to capture new business

Relative market share position is given on the x axis of the BCG Matrix. The midpoint on the x axis usually is set at .50, corresponding to a division that has half the market share of the

leading firm in the industry. The y axis represents the industry growth rate in sales, measured in percentage terms. The growth rate percentages on the y axis could range from -20 to +20 percent, with 0.0 being the midpoint.

ABCMTC is located at  $x=18.03/20.86=0.86$  (ABCMTC's market share compared to VCB's market share);  $y= (sales\ in\ 2008 - sales\ in\ 2007)/sales\ in\ 2007=(8-5.5)/5.5=45\%$ . (The data is collected up to 2008)



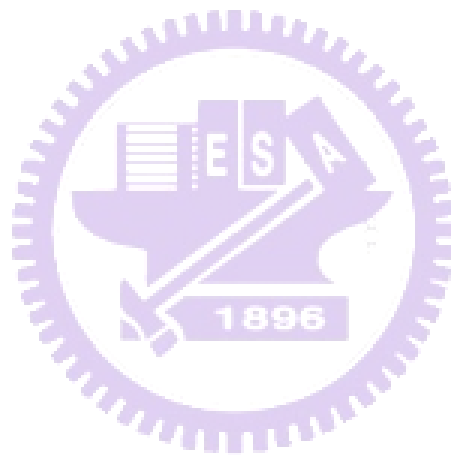
Source: This research

Figure 10: BCG shows ABCMTC's position

Remittance services have existed for a long time, but it was delivered by informal channel. This is the reason why informal channel had the big market in the past. However, informal channel is going to decrease its market share and growth because informal channel is reliable and easy to use, and it lies between cash cows and dogs. As regards foreign remittance

services, it is at question marks because it is growing, its market share is still low. In terms of Vietcombank, its market share is larger than ABCMTC, but its growth is lower than ABCMTC.

In short, ABCMTC is a leading player in money transfer market, and they are harvesting their profit. However, they should have strategies to maintain their position in the market. They should focus on developing internal resources such as improving their services better and better and training their staff more professional in order to keep high growth in the remittance market.





## ***Chapter 5. Conclusion and Suggestions***

### **a. Conclusion**

After analyzing three frameworks for ABC Money Transfer Company, we can conclude that ABCMTC is one of the leading market remittances in Vietnam, and it has ranking fourth on the services network and is ranked the first on home delivery. This is one of competitive advantage of ABCMTC. In addition, ABCMTC has competitive advantage in the view that it has the second largest market share in remittance market in Vietnam. Moreover, they have full product advantage, and strong financial support, infrastructure, reputation from ABC Bank, high experience employees, and high speed services.

At present, ABC Money Transfer Company has more strengths, opportunities than weaknesses and threats, and they have the good position in the market.

Due to financial crisis in USA, the amount of money transferred back to Vietnam decreased slightly at the end of 2008 and during the period of 2009, but it will be jumped again when the world economy is recovered later. Money transfer companies should exploit their competitive advantages more effectively to improve their services better.

However, current government policies have ventilation on foreign exchange management and incentives for overseas Vietnamese and loosening monetary policy to help recover the real estate market, and setting a goal of exporting 90,000 workers to other countries.

### **b. Suggestions**

ABC Money Transfer Company should improve their internal resources like human resources, organization, and the quality of products so that they can maintain their position in the market.

### **B1. To product or service**

-ABCMTC can expand their services in many ways such as opening more branches, agencies, developing ATM systems and home delivery, etc. In particular, opening more agencies is more feasible and effective because the cost of this expansion is low and they can clearly understand the demand of each region.

-Improving the service's quality by shorten the time to delivery money to customers

-ABCMTC should expand more branches in remote areas so that more people can access their services.

### **B2. To customer and partner**

- ABCMTC sends experts to other countries to support Vietnamese worker who don't know the procedure.

- ABCMTC needs to find and cooperate with more partners in other countries and global partners.



### **B3. To marketing activities**

- ABCMTC can negotiate with Money Gram to promote ABCMTC image in other countries by posters at Money Gram's POS

- ABCMTC should advertise their service through Vietnamese newspapers in foreign countries.

- Cooperate with Vietnamese students in foreign countries or leaders of Vietnamese organizations to research and support for information about Vietnamese in other countries and find overseas Vietnamese partners in foreign countries.

- In long term, ABCMTC should focus on the Vietnamese export worker. ABCMTC can cooperate with foreign labor brokers and boss in manufacturers to follow workers in their transfer money to Vietnam.

### **c. Limitation of the study**

There is limitation of statistics data because of some difficulties in collecting these kinds of data in my country.

Due to time limitation, this case study has only analyzed one company in Vietnam. Therefore, this may have not enough evidence to go to the end conclusion for the whole market and lead to further studies in near future.

### **d. Future study suggestions**

This research just focused on reviewing the remittance market in Vietnam to show up the competitive advantages of Money Transfer companies in Vietnam through some frameworks. By this I mean that these companies should have right strategies to improve their services and products so that they can meet higher demand from customers.

In future, they should have some studies to draw out some new organization models for Money Transfer companies that these remittance companies can improve their performance. Moreover, some researches about other remittance companies in Vietnam are needed in order to get more information for general market.

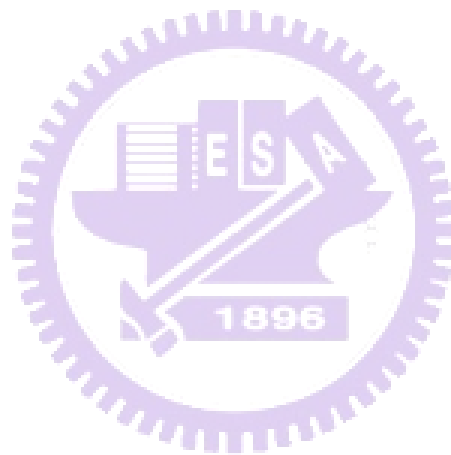
Another suggestion is that the empirical evidences regarding the impact of remittances on the real exchange rate in Vietnam are need for future study.

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# Appendices

## I. Interview Transcript

### A. Interview with Mr.A – deputy director

- *Interviewer : When was ABCMTC established ?*

- Mr.A: Inward remittances service appeared in 1992 since establishment of ABC bank. But in 2001 ABC Money Transfer Company was officially established

- *Interviewer : When you took position as the deputy director, have you did any changes ?*

- Mr. A: The board of management appointed Marketing to adapt new environment in the market. This team will focus on caring customer service and how to spread out ABC brand. Moreover, there is a change in the management that I was appointed in this position. We have been meeting to discuss these changes.

- *Interviewer : So, were there any problems since the changes happened ?*

- Mr. A: The most challenge in ABC is that the old system had not any strict policy and clear vision or strategies, so everyone seemed to work in that condition for a long time following the obsolete rules. As a result, it is difficult to require them adapt the new change immediately

- *Interviewer : What are you changing in the organization ?*

- Mr. A: We just agreed on the general policy. We try to finish new forms of action plan in years, months and even weeks, and renew the order of documents, people...

- *Interviewer : What do you think about the employees and each department's operation ?*

- Mr. A: Well, they work professionally, but department seemed to work independently, so some jobs have to be delayed due to the low corporation. The human resources, in fact, do not have many training plans to support for professional skills

- ***Interviewer : What is your plan in the future ?***

- Mr. A: In next year, we decide to expand the market through partners and brand value from customer service.

- ***Interviewer : How about the employees, do you have any strategies to encourage them ?***

- Mr.A: We will evaluate the employees' ability in each department to control the effectiveness and reduce the time and sources

- ***Interviewer : What is the current situation in training employees ?***

- Mr.A: Hhm, now HR department does not notice any training programs for staffs, just mentions some activities to exchange with other ABC member companies.

- ***Interviewer : How do about you bring your expertise from the ex-job ?***

- Mr. A: In the previous job, I used to work in the bank, and its organization was very strict and systematical. Everything follows the process and has the clear guide, so everyone happily does and they are motivated to solve problems in their authority.

- ***Interviewer : Thus, do you intend to apply it in ABC money transfer company ?***

- Mr. A: It needs a time to do that. Now, I have to follow the management's targets to plan strategies to achieve them. We will change the work styles in employees, motivate them more, but we see that they need time to adapt the new things like this.

- ***Interviewer : Do you meet any difficult when doing that ?***



- Mr. A: I come to manage the operation and change the system for better. But I cannot do this by myself because I do not understand the system before well. Working together will support for me a general view, so I need the cooperation from everybody.

- ***Interviewer : So, finally, do you believe that changes will improve the organization ?***

- Mr. A: No one can sure about the future. It also depends on the financial in the market. But we are changing because we think that it can affect the low management and system, in some ways.

- ***Interviewer: What do you think about the amount of inward remittance in Vietnam this year?***

- Mr. A: Due to the effect of financial crisis, the amount of money which transfers into Vietnam decreased 5%-10% as estimated.

- Interviewer : I understand. Thank you. That is all for today.

## **B. Interview with Ms. B – a Marketing manager**

- ***Interviewer : How long have you worked in this position ?***

- Ms. **B** : Nearly a half month, 6 months after the team establishment

- ***Interviewer : When was the Marketing team established ?***

- Ms. **B** : in August 2008

- ***Interviewer : Do you know why this team needed setting up ?***

- Ms. **B** : It was from management's decision. But I thought ABC Money Transfer Company wanted it to more professional in working and they are easy to control closely the team's operation. Before that, it belonged totally to business development and only had 2 members.

- **Interviewer : Who were responsible for this work before ?**

- Ms. B : Mr. A was the deputy director and took responsible for Marketing tasks with Ms. Lien. Now she moved to another company.

- **Interviewer : Were there any programs or events during that time ?**

- Ms. B: They had some programs such as surveying the home-delivery and counter services. But in home-delivery, they met the big mistakes when letting service provides gave survey forms to customers. It made the results not reliable.

- **Interviewer : Do think why there were the problems ? What do you expect from the company?**

- Ms. B : I did not see the process so I could not say anything. In the report, it said that it was from the unplanned strategies and the loosen management. For my position, I hope I can join some training programs relating to my jobs and can enhance my effectiveness.

- **Interviewer: What is your present market?**

- Ms. B: Our current market is US, Canada, Australia, Taiwan, Korea, Malaysia, but the largest market is US, Canada.

- **Interviewer: What is your future market?**

- Ms. B: We are focusing on the main market that is US and Canada. Moreover, we will exploit the new market like Singapore, Arab Saudi where there is a significant number of labor export.

- Interviewer : I understand for your comments. Thank you very much. It will give me more information for my report.

**C. Interview with Ms. C – a Counter member**

- ***Interviewer : when did you do the job ?***

- Ms. C : More than 5 years since I joined the company

- ***Interviewer : What are you responsible for ?***

- Ms. C: I am responsible for transferring money to customer on counter

- ***Interviewer : Everyday do you see many customers ?***

- Ms. C : Since we had the home-delivery services, there are just some customers going directly to the counter.

- ***Interviewer : So, have you ever met the difficulty ?***

- Ms. C : Of course, when customers complain the money announcement or wait for more than minutes. Some of them also complain about the money paper and services of home-delivery staffs.

- ***Interviewer : What did you communicate to them ?***

- Ms. C : I explained for them in my understanding, there were some misunderstanding our professional work. For complaint about the home-delivery, I would tell the department manger to understand them.

- ***Interviewer : What did you feel when listening them ?***

- Ms. C : No one would be happy to listen the complaints. However, if they misunderstood it, I will explain clearly. If their words were true, I would notice the mistakes. Some mistakes were not from myself, but they were affected by teams or the whole department

- ***Interviewer : Do you have any comments for your work ?***

- Ms. C : I think the company is planning some new ideas for the service improvement, it hopefully short time for waiting document processing. Moreover, customers usually ask some staff at the heat of counter when they enter even though they are data entry staffs. It wasted a little time for customer to stop and ask. Maybe the management needs to consider the arrangement of the counter to bring convenience to customers.

- Interviewer : I see. Thank you for your corporation. That is all for today.

#### **D. Questions for Vietnamese overseas**

***- Interviewer :What do you think about Vietnam transfer money services?***

Interviewee: In my opinion, there are many channels to transfer money into Vietnam like bank systems, global money transfer, companies, and other informal channels in markets.

***- Interviewer :What kind of money transfer service do you often use to send money back Vietnam (through banks or remittance companies or informal channels)?***

Interviewee: I often use banks to transfer money to my relatives in Ho Chi Minh city, Vietnam because I think that it is more safety and convenient.

***- Interviewer :What company do you often send through? What do you think about each company? Which one is best?***

Interviewee: I also transferred money through Western Union some times, but I think the fee is more expensive and the same quality as banks.

***- Interviewer :What do you think about Vietnam policies for encouraging Vietnamese overseas send money back Vietnam for investment?***

Interviewee: Recently, Vietnam government policies are more opened for Vietnamese oversea to send money back to investment or buying house.

**- Interviewer : Do you want to send money back to invest in Vietnam?**

Interviewee: Yes, I really want to send money to Vietnam to invest in securities market or buying house, and I sent money to buy house last year.

**- Interviewer : How much money do you send to your relatives in Vietnam every year?**

Interviewee: It depends on the situation, but it is about \$5000 each year to my parents

**- Interviewer :What is your opinion about Vietnam remittance services in comparison with global money transfer like Western Union or Money gram?**

Interviewee: Vietnam remittance services are more improvement and profession in some recent years. I heart from my parents that they have some promotion like giving gifts to customers for New Year or special days when they delivery money to my parents.

**- Interviewer :Do you have any suggestion for Vietnam transfer money companies and the government to improve their services and policies?**

Interviewee: I think that Vietnam transfer money companies should improve more on their service to lower fee and speed for customers against informal channel.

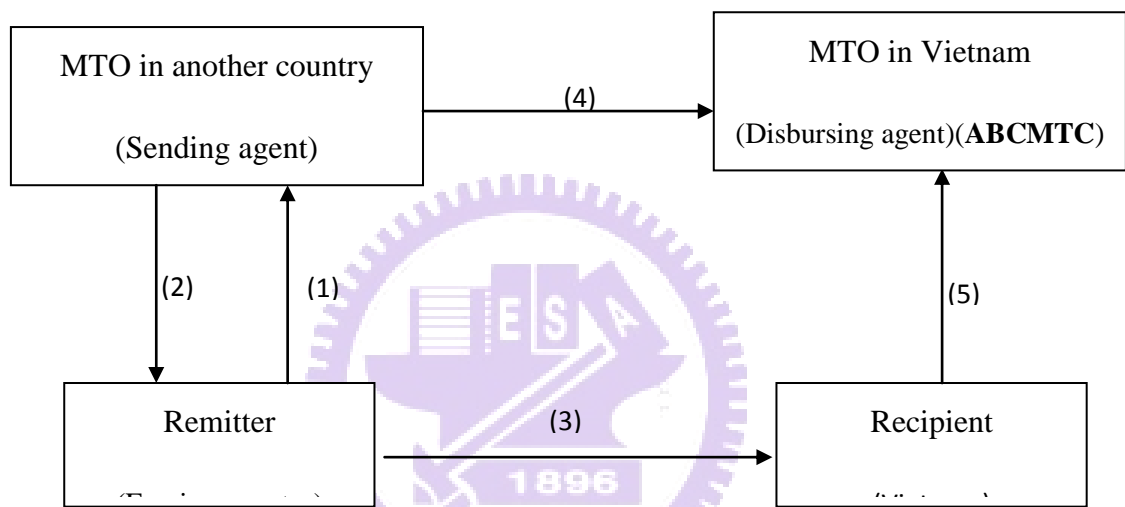
**- Interviewer: thank you for your cooperation!**

## **II. Inward Remittance process in Vietnam**

(1)Remitters who want to transfer money to Vietnam will choose the remittance service provider in foreign country that they are living

(2)The remittance service provider will check the remitter's document. If it is legal, the remittance service provider receives money and send as the remitter's request

- (3) The remitter send message to the recipient about the transaction
- (4) Money transfer operations in foreign countries will transfer money to MTO in Vietnam
- (5) The recipient will come to MTO in Vietnam (ABC Money Transfer Company) to get money or remittance service providers delivery money to the recipient's home.



### III. Risks for remittance services providers

- The remittance service provider runs the risk of covering that rate. Many firms take on such risk, and assume that the spread they quote will cushion them from currency fluctuations, but there are many variations. One firm, for example, notifies agents of the rate its disbursing partner is able to obtain several times per day, but if it turns out the agent promises a rate that the disbursing partner is not able to cover, the agent carries the risk.

- The limitations on available capture channels tend to be associated with credit risk, compliance risk, and operating costs. For example, the internet is cost effective but it cannot handle cash, and it poses compliance challenges. An external agent may have good compliance procedures but can be costly and pose a credit risk.

- The risk associated with agents.
- Cash is stolen on the transit
- Risk of regulations in foreign countries.

#### IV. Competitors

##### a. Banks

No.	bank	WEBSITE	Services
1	Agribank	<a href="http://www.agribank.com.vn">www.agribank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
2	BIDV	<a href="http://www.bidv.com.vn">www.bidv.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
3	Vietinbank	<a href="http://www.vietinbank.vn">www.vietinbank.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
4	MHB	<a href="http://www.mhb.com.vn/vi/">www.mhb.com.vn/vi/</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>

			<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
5	ACB	<a href="http://www.acb.com.vn">www.acb.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
6	Dai A Bank	<a href="http://www.daiabank.com.vn">www.daiabank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
7	Sea Bank	<a href="http://www.seabank.com.vn">www.seabank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
8	AB Bank	<a href="http://www.abbank.vn">www.abbank.vn</a>	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
9	GP Bank	<a href="http://www.gpbank.com.vn">www.gpbank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
10	Giadinh Bank	<a href="http://www.giadinhbank.com.vn">www.giadinhbank.com.vn</a>	<ul style="list-style-type: none"> <li>Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
11	Maritime Bank	<a href="http://www.msb.com.vn">www.msb.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Money Gram</li> </ul>
12	Techcombank	<a href="http://www.techcombank.com.vn">www.techcombank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> <li>▪ Xoom</li> </ul>
13	Kienlong Bank	<a href="http://www.kienlongbank.com">www.kienlongbank.com</a>	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
14	Navi Bank	<a href="http://www.navibank.com.vn">www.navibank.com.vn</a>	<ul style="list-style-type: none"> <li>▪ Bank services</li> </ul>



			<ul style="list-style-type: none"> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
15	VP Bank	www.vpbank.com.vn	Western Union
16	Habubank	www.habubank.com.vn	<ul style="list-style-type: none"> <li>▪ Bank's card</li> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
17	Oricombank	www.ocb.com.vn	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
18	Southernbank	www.southernbank.com.vn	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
19	VIB Bank	www.vib.com.vn	<ul style="list-style-type: none"> <li>▪ Money Gram</li> <li>▪ RIA</li> <li>▪ Ezremit</li> <li>▪ Xoom</li> <li>▪ Anelik</li> </ul>
20	SCB	www.scb.com.vn	<ul style="list-style-type: none"> <li>▪ Werstern Union</li> </ul>
21	Sacombank	www.sacombank.com	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>
22	Vietin Bank	www.vietabank.com.vn	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>▪ Western Union</li> </ul>
23	PG Bank	www.pgbank.com.vn	Counter pickup Account transfer
24	Eximbank	www.eximbank.com.vn	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> </ul>

			<ul style="list-style-type: none"> <li>- Account transfer</li> <li>▪ Western Union</li> </ul>
25	Tienphongbank	www.tpb.com.vn	<ul style="list-style-type: none"> <li>▪ Western Union</li> </ul>
26	Vietcombank	www.vietcombank.com.vn	<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> <li>▪ Money Gram</li> </ul>
27	Incombank		<ul style="list-style-type: none"> <li>▪ Bank services</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>

**b. Money transfer companies**

No.	Company	WEBSITE	Services
1	Incomex	www.incomexsaigon.com.vn	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Counter pickup</li> </ul>
2	Sacomrex	www.sacombank-sbr.com.vn	<ul style="list-style-type: none"> <li>- Account transfer</li> <li>- Home delivery</li> <li>- Counter pickup</li> </ul>
3	Universal Money Transfer	www.umtexpress.com	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Counter pickup</li> </ul>
4	FINTEC	http://www.kieuhoi.com	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Counter pickup</li> </ul>
5	Eden Group	www.edenvn.com	<ul style="list-style-type: none"> <li>- Home delivery</li> <li>- Counter pickup</li> <li>- Account transfer</li> </ul>

7	CFC commerce and services company	215 Le Thanh Ton str, Dist.1 Tel: 8273140	- Counter pickup
8	Money transfer America-Canada company	75 Ly Tu Trong str., Dist.1 Tel: 8223702	- Home delivery
9	Dong Phuong Ltd.,co	658 Le Hong Phong str., Dist,10, Tel: (08)38307797	- Home delivery
10	Le và Khang Ltd.co	35 Tran van Kieu, Ward10, Dist.5 Tel: 8552415	- Home delivery
11	Nam Sao Ltd.,Co(Western Union)	16 Truong Quoc Dung, Ward 8, Phu Nhuan Dist Tel: (08)38440670	- Home delivery - Counter pickup
12	Toan Cau Ltd., Co (GES)	18K D2 str., Ward 25, Binh Thanh Dist. Tell: (08)35124846	- Home delivery
13	Kim Lam Money Transfer services	15/3 Le Đức Tho, Ward 16, Go Vap Dist Tell: (08)38947066	- Home delivery
14	Thien Van Loc company	219 Nguyen Thuong Hien, Ward 6, Binh Thanh Dist Tell: 5158161	- Home delivery
15	Vietnam Service INC	58C Hoang Hoa Tham, Ward 7, Binh Thanh Dist Tell: (08)38433059	- Home delivery
16	Money Transfer services (Bến Thành travel company)	68 Le Loi, Dist.1 Tell: 8224742	- Counter pickup

17	Investment-consultance company and Vietnam money transfer	<a href="http://www.vinaicmt.com.vn">www.vinaicmt.com.vn</a>	- Home delivery - Counter pickup
18	HOA PHAT VI NA Ltd., Co	134/1 Floor 3, To Hien Thanh str., ward15, Dist.10 Tell: 38681109	- Home delivery - Counter pickup
19	AT express	<a href="http://www.atexpress.net/index/index.php">http://www.atexpress.net/index/index.php</a>	- Counter pickup

