COMPETING WITH GIANTS

How One Family-Owned Company Took On the Multinationals and Won

Competing with Giants

PHƯƠNG UYÊN TRẦN

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To the Trần family, THP staff members, stakeholders, and all the clients and customers who have made the company the success it is today.

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INTRODUCTION

$2.5 BILLION.

That is the amount of money we walked away from in 2012. This was the figure The Coca-Cola Company had offered to acquire a controlling interest in Tân Hiệp Phát Beverage Group (THP), the family-owned business my parents founded in 1994.

As I sat in that glass-encased conference room at Coca-Cola's headquarters, my head was spinning. I glanced nervously at my father, my heart beating furiously. With only that glance, I knew why he had been so successful. His drive, determination, and self-belief were etched all over his sixty years. His poker face fixed, his eyes focused, and his face hewn from his boxing days. He gave nothing away.

Coca-Cola had dispatched a private jet for us, flying us from New York to Atlanta for a private audience with the then-CEO, Muhtar Kent. Everyone knew why we were there: Coca-Cola was interested in acquiring THP. These negotiations would decide the terms.

Coca-Cola wanted us to share their dream. Their presentations were designed to impress us, overawe us even. Most people would have been bowled over.

Sitting across the negotiating table from us were executives from one of the world's biggest multinational corporations (MNC). According to *Forbes's* rankings, Coca-Cola also owns the fifth most recognizable brand after Apple, Google, Microsoft, and Facebook.

It is a giant in every sense of the word. In 2012, it generated revenues of $48 billion, and there was no corner of the planet where it was not aggressively marketing its products, including Vietnam. In fact, Kent had visited the country earlier in the year and pledged to invest an additional $300 million over the next three.

Both sides were aware of Vietnam's potential as its citizens' incomes and spending power rose. Never was this clearer than when we visited Mexico at Coca-Cola's invitation. The country ranks as Coke's number one global market, accounting for about 11 percent of sales back in 2012. At that time, the average Mexican consumer was buying almost 160 liters of soft drinks per annum, compared to just below 30 liters in Vietnam.

Yet as we negotiated back and forth in Atlanta, it was obvious there was a Vietnamese-sized elephant in the room. Coca-Cola showed us their plans to grab ever more market share across the emerging markets. But if we agreed to their terms, THP would only be allowed to expand its own market share in Vietnam, Laos, and Cambodia.

We would have to hand over our export business to Thailand, Australia, and other parts of Asia. The terms specifically restricted THP from venturing into markets outside those three countries.

The agreement also required THP to give up new product development. This constraint would have undercut one of our core strengths: THP's record of product innovation achieved from a hard-won understanding of the Vietnamese market and its consumers. It had generated our bestselling products, including Dr. Thanh Herbal Tea, Zero Degree Green Tea, Number 1 Energy Drink, Number 1 Soya Milk, Number 1 Active, and Number 1 Juicie Fruit.

The provisions were nothing less than a deal breaker for us. THP's vision was, and still is, to expand throughout Asia and beyond with new and exciting brands. We rejected Coca-Cola's offer, walking away from the $2.5 billion payday and the history books. If the deal had gone ahead, it would have been the largest-ever foreign acquisition in Vietnam's history by deal value. It still would be the second largest today.

It was not what the Coca-Cola executives had been expecting at all. As the elevator doors closed on their surprised faces, my father moved his hand to mine, gently smiled, and whispered like the gambler he has always been.

"Never show emotion; never show your hand," he said. "Proud we stand, as we always have and as we always will. A partnership should be exactly that, a meeting of minds tied together by a shared passion. What we just experienced was not a meeting of minds."

I have never felt so proud or strong-willed as the elevator whisked us down to the lobby. For it is never easy to compete with giants, let alone face them down.

Squaring off against a much bigger competitor requires nerves of steel, particularly one that hails from the richest and most powerful country on the planet. But my father taught me a valuable lesson that day: understand our values and what our company stands for, what direction we are heading in, and above all else, do not be dazzled by the power that multinational companies are able to display.

After returning from Atlanta we explored other arrangements with Coca-Cola, but nothing came of it. Our visions were just too different. So, we walked away from the $2.5 billion and said thanks, but no thanks.

My father taught me a valuable lesson that day: understand our values and what our company stands for, what direction we are heading in, and above all else, do not be dazzled by the power that multinational companies are able to display.

Perhaps one day THP and Coca-Cola could be partners, but at that point in time, we remained competitors. In the ensuing years, THP has attracted attention from other global brands, including PepsiCo, plus the Japanese companies Ito En and Asahi.

We are David to their Goliath in terms of revenues and operating history. However, that does not mean we had a weak negotiating hand when we were dealing with Coca-Cola—far from it. We had been successfully competing against them for almost twenty years. We were outselling both Coke and Pepsi in non-carbonated alternatives such as teas and energy drinks.

One of the reasons for this success was THP's product line of healthier alternatives compared to the vast melee of sugary soft drinks, which had made Coca-Cola one of the world's most successful companies. Ours was a market segment that Coca-Cola was keen to move into, so we had been on the alert for any predatory approaches.

But how had one local Vietnamese company carved out that market share for itself in the first place and from nothing? Play word association with most foreigners and the words that still most usually spring to their minds about Vietnam relate to the war, to the boat people, or perhaps to a nice holiday in the sun. They generally do not involve a dynamic, fast-moving consumer-goods company with global ambitions.

This book hopes to rectify that, to explain how it is possible to build a thriving local company and turn it into a national champion. At its heart, it is about how two very determined individuals emerged from the ashes of the Vietnam War and fought their way through numerous hardships to create a company that produces some of Vietnam's best-loved drinks brands.

How they learned to adopt the best international standards while navigating the challenges of domestic upheaval and US sanctions. How they resisted the moneyed courting of multinationals like Coca-Cola and became stronger as a result. How they successfully rode the wave of Vietnam's growth, as the country arises from devastation and chaos to take its place alongside Asia's most vibrant economies.

Today THP is still independent, but that does not mean the company is not open to partnerships with multinationals or other companies. We *are*—as long as they are win-win partnerships. What this book aims to show is that local companies can easily stand their ground against the multinationals and prosper. Local companies have many advantages, some of which they may not even be fully aware of.

Globalization, which propels the multinationals, can seem like a powerful, almost irresistible force. This is particularly the case across the emerging and frontier markets where many independent companies like THP may have only recently become national leaders, wondering how they can fend off these global giants who have suddenly become interested in their country.

We hope THP's example will inspire other companies that hope to follow suit but may lack the confidence to face the giants head-on.

It is always good to remember that today's global giants were once small companies trying to find their own way, too.

The landscape around them can change very quickly. Asia is rising, and this means the Western-style multinationals are being forced to come up with new strategies. Part I of this book describes how the region's growing clout is reshaping the way they operate. It will examine the different approaches multinationals and local companies take, exploring the advantages and disadvantages of each.

Chapter 1 analyzes why there has been such a long-held assumption that globalization is the best pathway to prosperity and a more cooperative, peaceful world. Few doubt that globalization has created the foundations for success and helped expand global trade. It has helped forge the multinationals as we know them.

Yet people in both developed and developing countries are increasingly challenging whether it is the only path to success. Across the developed world, a rising call for protectionism has triggered some surprising results in the geopolitical arena—the shock of the Brexit vote and the result of the US 2016 election being two standout examples.

For Vietnam and some of our Asian neighbors, the big globalization hope rested on the twelve-country-strong Trans-Pacific Partnership (TPP). That dream suffered a setback following the US withdrawal in January 2017. But talks continued to move ahead and, in March 2018, the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership was signed by eleven countries, not including the US. One month later, US President Donald Trump said he would like America to join if it could get a "better" deal.

As Asia's power rises on the world stage, its governments are increasingly questioning whether it is a good idea to give multinationals a free ride. Why let them come charging into a country and buy up its crown jewels? Why become part of someone else's global supply chain?

Instead, many Asian governments are actively seeking to foster domestic champions of their own. Some of these champions have already reached a large enough size to expand overseas and forge partnerships with other companies in the region. We may be witnessing the birth of a new type of multinational: the Asian multinational.

We may be witnessing the birth of a new type of multinational: the Asian multinational.

Vietnam has also reached an economic juncture where its biggest companies, like THP, are starting to create a regional footprint in addition to riding rapidly rising domestic GDP at home. Chapter 2 explores why Vietnam has become such an attractive and compelling proposition for multinationals and how domestic companies, particularly in the private sector, have been more than a match for them.

Chapter 3 will take a more in-depth look at how Vietnam's history forged my parents' identities and how the two combined to make THP the company it is today, for THP's success cannot be taken out of the context of what is happening in Vietnam. Likewise, it is not possible to understand THP without that same knowledge about my parents who share many of the same personality traits as successful entrepreneurs all over the world.

But even so, successful local companies like THP do not just materialize from nowhere. They must be created and, more importantly, they must be sustained under the onslaught of both local and foreign competition.

Part II identifies the key principles that all companies need to take into consideration if they want to succeed. It also looks at how Asian values shape the region's businesses and what all companies can learn from East and West to enhance their operations and customer reach.

Each chapter takes a different principle and demonstrates how THP has applied it. These are: Create Authentic Local Products (chapter 4); Adhere to International Standards (chapter 5); Govern Growth (chapter 6); Motivate Employees and Foster Community Spirit (chapter 7) and Take Responsibility (chapter 8).

Part III of the book discusses the role of women in Asian business. In chapter 9, I share my personal story, which I am pleased to report is increasingly representative of women from emerging nations who work hard to educate themselves and thirst to take on leadership roles. I am someone who was born and lives in Vietnam but was educated abroad. I believe my own life story demonstrates that it is possible to have a global and a local mind-set to the benefit of both.

Chapter 10 discusses how the role of women is changing in Vietnam through the lives of my grandmother, my mother, and now my sister Bích and myself. Ours is still a male-dominated society, but women are starting to make their mark and THP is working hard to make sure that women have an equal voice.

This book discusses many challenges and lessons, but the overall message is a positive one. A simple glance at the headlines can be depressing. But there is little to be gained from stewing in the doom and gloom sensationalized by the media. It is always good to remember that one person's threat is another person's opportunity.

There is little doubt we are living in a fast-evolving period of social change, and sometimes it might appear we are powerless to resist the tide of globalization. However, there is also evidence that we still live in a world on an upward trajectory, as more and more people interconnect via a growing network tied together by the knowledge economy.

The world I have been fortunate to grow up in is dramatically different from the war-torn world my parents experienced. The world the next generation inherits will be different than anything I have experienced. There is only one thing we can all be sure of: the world will be what we collectively make it. And that is why I am so excited about the book you hold in your hands and the journey we are embarking on together.

Phương Uyên Trần
Ho Chi Minh City, Vietnam
May 2018

Part I: Asia Rising

Asia is shaping a new world order. For many centuries, European countries and more recently their North American cousins dominated global trade, often colonizing many of the countries they operated in. They gave birth to the multinational companies and a new age of economic imperialism through corporate globalization.

That is now changing. Asian economies are growing rapidly and so is the wealth of their nations' citizens. It is now Asian companies that are expanding across the globe.

Will they bring a new set of corporate values with them? Asians believe in yin and yang. We value balance and harmony. There is no reason why these principles cannot be applied to the corporate sector, too.

Localism and globalization can co-exist and feed off each other in positive ways. So, too, can small domestic companies across emerging as well as developed economies also enjoy significant strengths and advantages over the seemingly all-powerful multinationals.

This section of the book explores how Asia's increasing economic power is changing the rules of the game and how Vietnam and companies like THP are learning to play by them.

CHAPTER 1

The World Reaches Peak Multinational

PLACE MATTERS. Yet that message has become increasingly lost on many of the world's multinationals, even though their promotional literature will tell you otherwise. The Holy Grail of marketing is supposed to be the Four Ps: place, price, product, and promotion.

However, big global corporations frequently fail to understand the cultural nuances of the new countries they are targeting with their products. Increasingly, many of these big companies have also become politically and economically detached from their home countries as well.

Big global corporations frequently fail to understand the cultural nuances of the new countries they are targeting with their products.

They are literally everywhere, but they no longer seem to belong to anywhere. One of the biggest challenges facing the world is how countries can find the tools to manage and reign in these global behemoths when their governments know they are in competition for their resources with other countries keen to attract their business.

It was all very different back in the mid-1970s when those last helicopters were lifting people out of the American embassy in Saigon. Multinationals were not the force they are today. In 1975, international trade flows were still very small, with world exports amounting to just 16.3 percent of the world's combined GDP. But the engine of global trade was starting to whir. Fast-forward to 2008 and that figure had almost doubled to peak at 30.7 percent of global GDP.

In the intervening four decades, a number of trends helped multinationals to colonize the world as the governments of the high-income countries they originated from did before them. Firstly, a revolution in digital communications facilitated cheaper long-distance telephone calls, followed by faxed documents, and finally the Internet age. Communication barriers collapsed.

Secondly, from the 1980s onward, new ways of economic thinking promoted the benefits of unfettered capitalism over organized labor. The Reagan and Thatcher administrations in the US and UK believed that "greed is good" and promoted privatization and less government. As Socialist governments crumbled across Eastern Europe, it appeared the West reigned supreme—or the world had reached "the end of history" as Francis Fukuyama so famously put it.

During the 1990s, big new markets were opening up all over the world. The East Asian tigers were roaring. China began to industrialize rapidly, while India shook off the License Raj (its unwieldy bureaucracy) and the European Union became an ever-bigger trading bloc as it embraced its Eastern European cousins. Investment and trade flows accelerated. Cross-border M&A (mergers and acquisitions) were frenetic.

Multinationals became richer and bigger as they extended their tentacles into ever-more countries. The companies in their supply chains followed suit. It was supposed to be a win-win situation.

Developing countries would benefit because their populations would be lifted out of poverty from backbreaking agricultural work into shiny new factories and offices. In many cases, that was true. Vietnam has been a huge beneficiary of that trend since the turn of the century.

Developed countries were also supposed to benefit as multinationals' soaring stock prices underwrote workers' pension and insurance plans. However, the global financial crisis of 2007 was a major watershed, which blew many long-held notions apart.

In many ways, 2007 was the apex of globalization. World exports have never hit that peak again, although they did re-bound back to 30.5 percent in 2011 before starting to fall again. The World Bank's most recent figure for 2016 had them at 28.575 percent.

Since the global financial crisis, we have been experiencing an ever-greater backlash against globalization and the stirrings of protectionism, although this has not stopped multinationals from continuing to expand across developing markets. There has been a re-think, which is particularly evident in developed markets, where many people no longer believe a borderless corporate world makes sense.

Politically, Brexit and Trump are manifestations of deep anger among working class and increasingly middle-class citizens who feel their jobs and children's futures are being hollowed out. It started with blue-collar workers in the 1980s and, increasingly, white-collar citizens are watching with anger and dismay as their accounting, IT, and legal work is outsourced to cheaper countries.

Multinationals, meanwhile, have generated far higher profits, but their home countries and populations do not feel they are benefitting from that wealth anymore. Britain's *Guardian* newspaper recently estimated that multinationals are shifting about $745 billion to tax havens each year. That money may be boosting their bottom line, but many believe those profits are only being paid out to a tiny elite.

People often quote the figures produced by the US Economic Policy Institute. These show that US CEOs were paid 20.1 times more than their average worker in 1965. By 1989, that figure had more than doubled to 59.1 times. But the real widening happened over the next three decades as globalization really sped up. In 2016, it stood at 276 times. Unless it is checked, this kind of inequality will threaten the fabric of any society.

And then there is the question of whether those executives deserve it. Operationally, many of these multinationals have failed to generate returns that come anywhere close to matching the growth of C-suite compensation. This disparity is because multinationals' size often works against them. By contrast, remaining locals can have significant advantages particularly during the early years as a company scales up.

Multinationals: Less Flexible, Less Accountable

Cross-border trade, migration of talent, and capital investment all require centralized control and detachment of accountability. Decisionmakers operate thousands of miles from where the impacts of those decisions are felt.

Accountability is severed and that can have severe consequences. Multinationals are the corporate version of political entities like the Roman Empire and Han Dynasty. Once they get to a certain size, empires start fraying at the edges and inevitably experience overreach and collapse.

Many multinationals struggle to establish operational procedures that keep far-flung offshoots in line with central policy without stifling their ability to conduct good business. One very good example of this issue in action has been the experience of global banks in the years following the global financial crisis. Many ended up being fined after admitting that local branches had been processing drug-trafficking proceeds and funds from sanctioned countries.

When a multinational gets too big, one solution is for the center to impose more control. However, this can prove counterproductive, adding layers of rigid bureaucracy, which slows down the decision-making process and suffocates employees in red tape. Smaller, more independent companies often move much quicker than multinationals.

THP, for example, has streamlined planning processes and execution abilities. We are far nimbler. One clear benefit comes when we want to invest in new technology. We can invest in it further down the line than multinationals.

Often that means THP can invest in technology that is more developed than what multinationals are using. And even when the same technology is deployed, THP can often exploit the latest versions of it faster and more productively.

My father says local companies can perform a kind of jujitsu, using the apparent advantages of the multinationals against them.

For example, it is true that multinationals can throw more resources at any given situation than a local company.

But those resources are often thrown blindly, creating problems and wasting time. Local companies, being relatively poor, learn to be smarter and faster.

"We have to aim well," my father says. "One bullet had better hit two targets."

Even when multinationals are smart about the resources they deploy, they are still slow because of the bureaucratic layers and multiple time zones. By contrast, THP is a family-owned business led by its founder. This means THP can execute a business decision about any issue before a multinational has probably even convened a staff meeting to discuss it.

Local companies, being relatively poor, learn to be smarter and faster. "We have to aim well," my father says. "One bullet had better hit two targets."

My father often makes tough decisions like this: "When an issue comes up, I'll listen to my team and then sleep on the decision," he says. "I'll announce my decision the next day or the day after. Sometimes I'll get it right. Sometimes I'll get it wrong. Either way we'll know the answer quickly. In the long run, our ability to make quick decisions, even faulty ones, outweighs the advantages of excessive deliberation."

In addition, multinationals' sheer size often makes them wary about introducing new products because they fear success may come at the expense of existing products. Fear of cannibalization is often why market leaders are slow to adopt change.

In the case of Vietnam's consumer-beverage market, Coca-Cola offers Coke drinks and a number of other carbonated soft drinks.

THP offers green-tea drinks, a category we believe Coca-Cola delayed introducing for fear of taking sales away from its leading products.

Multinationals will never care as much as a local owner does. We literally have skin in the game. As my father notes, "My accountability is extreme and unavoidable. That focuses my attention in a way that multinational executives can't be expected to share."

When THP develops a new beverage, the very first people who drink it are family members. So, the incentives to develop products of the highest-possible quality are intense. What multinational can match that level of commitment?

For a family concern, their very economic survival is at stake. For a multinational, it typically represents another skirmish whose outcome is but a rounding error in the annual report.

The people who lead multinationals are professional and determined, but they allocate resources in proportion to a market's revenue opportunities and often no more. Family-owned businesses dedicate 100 percent of their resources to protect their investment and legacy.

Local Companies: Society's Foundation

The multinational approach has its disadvantages, but this does not mean that globalization is a bad thing. Opening up trade borders tends to open up minds as well, and that is a good thing. I personally see myself as both a citizen of Vietnam and a global citizen. I do not believe these two identities are in conflict. Both identities give meaning to my life and help me fulfill THP's mission as a major player in the global FMCG (fast moving consumer goods) sector.

But globalization needs a different slant. Perhaps its benefits are best realized when participants stay genuinely grounded in the local economies they operate in. For me, a local business means an independent buisness and often a family-owned one. These businesses try to honor the needs and interests of all stakeholders at the same time as building long-term profitability.

Communities are healthier and more sustainable if they are supported by local businesses, which have a tangible stake in their success. It creates a virtuous circle, resulting in higher living standards and greater personal accountability for the long-term wellbeing of our communities and the environment we all have a stake in.

Multinationals often claim they are committed to building prosperity right where people live, and they make a big point of aiming their Corporate Social Responsibility (CSR) budgets locally. But the reality is often very different from the rhetoric.

Consumers are starting to see through this. The relationships and associations they tend to value most are local—although when countries enter the first stage of rapid industrialization that can get lost for a while.

There is generally a stage in a country's early development when consumers are overawed by foreign brands. They want to display their new wealth by demonstrating they have the ability to buy expensive foreign goods. It sets them apart from other citizens who have not yet reached that income level.

China was a great example of this during the first decade of the twenty-first century with its lines of eager shoppers hoping to buy the latest Gucci handbag or Apple iPhone. But China started to enter a new stage of development around the mid-2010s. This was the point when homegrown companies had moved far enough up the value chain to produce well-known brands of their own. As a result, Chinese customers have started trusting their own brands and have become clearly proud of them. They are just as likely to buy a Huawei smartphone as an Apple one.

Vietnam has followed a similar route but a couple of decades later than China because of the war, which stymied the country's development. However, as will become clear throughout this book, Vietnam is a country with a geographical divide. Northerners are far more likely to be transfixed by foreign brands than Southerners. They are far more status-conscious and rely on referrals.

Statistics also show that while people embrace the benefits of globalization, they also want to preserve their identities and traditions. The world may be flatter, but that does not mean globalization is making everyone the same. Local traditions are becoming more important, not less.

This paradox often demonstrates itself in a preference for buying local brands, particularly in the fresh-food category. This is certainly not that surprising on health grounds. Consumer preference for locally sourced produce holds true for nearly every fresh-food category and is most clearly expressed in highly perishable food categories such as seafood, dairy products, and fruit juices.

In Western countries, the wheel really has come full circle. In the 1960s and 1970s, many consumers abandoned local markets and independent traders to shop in supermarkets where there was a lot more choice and everything had fancy packaging. At the higher-income bracket, that trend is now reversing. Consumers are flocking to re-branded "farmers' markets."

They patronize them because they believe the products are fresher and they are helping the environment by buying products grown locally. But there is also a financial motivation. Consumers want their money to end up in local farmers' pockets and not those of the supermarket giants they believe are trying to wring every last ounce of profit from their supply chains.

THP understands this, and commitment to the community is one of our seven core values (see appendix 2, page 188). Throughout this book, you will hear a lot of mention of the company's core values. The whole company is built around them, and posters of these values are prominently displayed in every work area.

We strive to ensure our employees live and breathe them every day. Each employee can cite the THP values by heart. These values are often woven into the songs they compose and sing when we celebrate the company's anniversary each year. They are the kind of measures that enable companies to develop cohesive corporate cultures.

From Start-Ups to the Sharing Economy

This trend toward localism is manifesting itself in several other ways. Governments are conscious that new job growth flows from entrepreneurial activity usually channeled through start-ups. The smart ones do not try to pick winners and losers, but create the infrastructure and encourage the investment formation which facilitates them.

This kind of entrepreneurial activity has many benefits. It unlocks an individual's power to grow business ideas into successful companies, creating new jobs in the process. It promotes collaboration between business sectors, investors, civil society, universities, and philanthropists to the benefit of society as a whole. Global investors recognize start-ups as an efficient place to park their capital.

Successful start-ups create ripples of economic value up and down the supply chain. Many are now founded on the principle of sharing economy, which is frequently global in scope but local in terms of where the profits end up. The disrupters—the Ubers, eBays and Airbnbs of this world—share some multinational-like characteristics. But they have not had the same free ride across the developing world that earlier multinationals had before them.

The sharing economy is a recent phenomenon; and as a result, emerging and developed markets started fostering these kinds of companies on an almost equal footing. This partly explains why, for example, China's homegrown ride-hailing start-ups like Didi Chuxing have been able to drive Uber out of the country.

We have all gotten used to reading headlines about the breakdown of trust in institutions. But the rise of the sharing economy and peer-to-peer marketplaces like Lending Club demonstrate a move toward cooperative relationships and more collaborative forms of consumption. Companies such as Uber and Airbnb are creating new forms of communities.

All these marketplaces rely on reputation, trust, and reciprocity to thrive. This type of trust-building is called social proof. The eBay marketplace is a great example of it in action: millions of people who do not know each other feel comfortable enough to engage in transactions of trust. It is easier to trust someone when there is ample evidence that hundreds or thousands of other people in the community trust that individual, too.

Multinationals Have Their Benefits

Companies that become too big or dominant tend to attract criticism. But multinationals are still thriving for a reason. They have much to teach because they have learned so much from all the different countries they operate in.

There are many areas where consumers value them highly. Global brands have a clear advantage in some categories. For example, in most developing regions, consumers prefer global brands for baby food and baby formula.

This desire is particularly strong in China, thanks to highly publicized stories about adulterated local products. Consumers there believe that baby products from highly regulated economies in Europe and North America carry an extra quality assurance for which they are willing to pay a premium.

Vietnam has taken this one step further. As chapter 2 will explain, the country has a love/hate relationship with China. Many Vietnamese do not trust Chinese products and tend to shun them because of all the food scandals.

When multinationals enter a market, they almost always raise quality and service standards as well. Local companies should try to emulate this, especially when it comes to corporate governance, as chapters 5 and 6 will explain. Consumers also enjoy the lower prices that accompany a multinational's market entrance, although many do not realize lower prices are frequently a temporary benefit.

This is exactly what happened when Coke and Pepsi entered Vietnam in the 1990s. They got lucky because the state-owned companies were inefficient, and the private sector was still small and weak.

Within a decade, they had easily seen off state-owned Tribeco and Chương Dương from the private sector. By 2000, they felt secure enough to start hiking prices. Once a multinational has successfully eliminated the local competition, prices inevitably go up.

To keep up, local companies must invest and create products and services that are, in every way, equal or better than what the multinationals are offering. Chapter 4 will explore this dynamic in more detail. Neither Tribeco nor Chương Dương mounted an adequate response, and they paid the price. The imperative to improve not only applies to the actual product and its branding but also the sourcing, logistics, and supply chain: everything that helps foster customer satisfaction.

The Costs of Independence

Local companies must adopt world-class standards and marry them with their local knowledge to beat multinationals at their own game. But once a successful local company has national scale, it frequently becomes an acquisition target for multinationals. Companies committed to independence often face offers of cooperation from richer and stronger corporate partners. And there is a cost to turning them down.

The most obvious immediate cost is the loss of financial riches from selling all or part of a company. But there is a bigger and more dangerous long-term cost as well. If a stronger partner cannot create a deal with a local partner like THP, it will often decide to become a more aggressive competitor instead. This is what happened when THP turned down Coca-Cola's offer in 2012.

Some years earlier, Coca-Cola started increasing its marketing budget to create more development opportunities and win more market share in Vietnam's growing beverage sector. THP monitored these investments as we do with any competitor. Coca-Cola's Vietnamese operations expanded. Soon it was promoting products such as Fanta, Sprite, Joy bottled water, Minute Maid fruit juice, and Dasani mineral water.

But it also wanted to grab market share by serving Vietnam's growing young population who were buying healthier and less carbonated beverages. In June 2014, Coca-Cola put four new bottling plants into production in Ho Chi Minh City and Hanoi. By 2015 it had invested up to $500 million in Vietnam.

Meeting of brands but not minds: Tran family with former Coca-Cola CEO, Muhtar Kent, discussing the sale of a controlling stake in THP (2012)

It was from this position of power that Coca-Cola approached THP for partnership discussions. Nevertheless, THP maintained its independence and, despite increased competition, its market share, also.

The decision to keep THP independent was consistent with our understanding of the market. My father is a man of many mottos. His key one is that we exist to serve the customer at a profit. If THP can consistently focus on this central goal, we will control the market. But no one ever said it would be easy.