

# **Competitiveness of Entrepreneurial Companies in Vietnam's Beauty Spa Industry - An Emerging Market**

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Abstract  <p>Entrepreneurial businesses in Vietnam have a lot of opportunities and at the same time, face many challenges. The rise of the middle class along with the change in beauty standards makes the demand for spa services significantly increase. In order to seize this opportunity, a wide range of people chose spa as a potential entrepreneurial field. However, in a competitive and seemingly saturated market, becoming successful is a big challenge for every entrepreneur. This thesis aims to determine how entrepreneurial spa businesses can be successful. Generating from business operation in reality, it asks: What are the main challenges for spa entrepreneurs in Vietnam?</p> <p>Relying on literature on the spa industry in combination with theories of entrepreneurship, seven interviews were conducted with spa owners and experts in Vietnam. Interviewees answered a set of related questions. Research showed that lack of suitable business model, inappropriate financial strategy, heterogeneous customer service, inefficient marketing and poor quality management are the main challenges to running an entrepreneurial business. On this basis, appropriate solutions originated from the insights of real entrepreneurs of the field and the light of literature indicates a roadmap for spa business to overcome these challenges. Further related researches are recommended in order to support entrepreneurial businesses as well as create a better understanding of the spa industry.</p>		
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# 1 Introduction

## 1.1 Background

Vietnam's economy contains a wide range of developing opportunities, in which, developing services economy, especially the knowledge-based economy is considered the main focus of development. The government adjusted the public policy for Vietnam's emerging market to prioritize service development. Given that the industrialization process in Vietnam significantly focused on developing manufacturing industries, there have been various negative impacts such as environmental destruction, pollution, participation in low production phase in the global value-added chain. Therefore, in order to successfully implement the process of industrialization and modernization of the country, Vietnam needs to boost the development of the service industry for sustainability. In a harmonious relationship with the development of manufacturing industry, this reality can create a premise to develop a sustainable service economy. (Nguyen, 2010.)

Service industry is considered an important economical facilitator contributing to forty percent (40%) of GDP which strongly redirect the investment and entrepreneurial tendency in Vietnam. (Xuan, 2017.) Recently, Vietnam has focused on potential scientific and technological context development such as communication, aviation, logistics and e-commerce. (Duong, 2017.)

Therefore, the service and trade network has extensively grown nationwide which satisfies the requirements of socio-economic development. In the period of 2011 to 2015, the annual growth rate of Vietnam reached 6,31%, the proportion of industry and services in GDP increased by 6,21%, in which, the service sector did continue to maintain the growth rate of 6,98%. The service sector accounts for more than 40% of Vietnam's total GDP. (Than, 2017.) The development of service industry along with the increase in living standard raised the demand for beauty service in Vietnam relating to plastic surgery, treatment, skincare, spa and relaxation solution which lead to the booming of

beauty spa market. The demand for aesthetic solution is reasonable. Across cultures and throughout history, people have stimulated and manipulated their bodies for beauty, for religious reasons and for social prestige. (Brain, 1979.) In Vietnam, beauty solutions and motivations of plastic surgeons vary depending on various factors such as beauty standards, social prestige, religious belief and physiognomy. (Trang 2018.) Beauty standard and physiognomy are believed to be important factors which profoundly affect Vietnamese women's decision-making. The decision of Asian women to undergo cosmetic surgery is considered as an attempt to escape their stereotypes and achieve ideal beauty standard ("big" eyes, "high" nose). (Brain, 2019.) Utilizing women's need to look their best as women, beauty spa industry rapidly grew in order to fulfil the demand of beauty treatment and relaxation.

Despite the fact that the number of enterprises in service industry in Vietnam increased rapidly, small and micro companies dominate the market. Meanwhile, the average added value of service tends to decrease. (Duong, 2017.) In recent years, along with the rise of the country's economy and the trend of global integration, spa industry in Vietnam has made significant strides. For example, thousands of medical facilities were granted the cosmetic plastic surgery licenses, which is a large number compared with that in the 1990s. (Business Forum, 2017.) In particular, the number of aesthetic plastic surgery centers, medical spas and day spas has remarkably increased.

The booming of aesthetics and spa centers made the market gradually more "cramped" and created fierce competition. Signs of saturation are emerging in the spa industry, in which, the online marketing tools such as Facebook are no longer effective; the cost for advertising using relevant keywords has also significantly increased. Therefore, the entrepreneurs in beauty field directly encounter difficulties which not only come from the need to innovate their business model but also the competitors and market saturation. However, companies which have professional and transparent business model can gain larger business market share based on the fluctuation of the market itself.

## 1.2 Motivation for the research

Understanding the potential of spa industry and the importance of service industry development in Vietnam, finding the appropriate development strategies for start-ups is crucial for optimizing its contribution to human health and aesthetic. Moreover, the economic conditions of an emerging market force start-ups to confront significant barriers such as underdeveloped physical infrastructures and inefficient administrative systems. (Honig, 1988.)

These factors can partially cause the difficulties which challenge the entrepreneurial spirit and ambition to achieve success, but the innovation in services also plays an important part in creating new breakthroughs in the market. For example, aesthetic plastic surgery facilities increasingly received and applied advanced technologies from developed countries. The skills and experiences of plastic surgeons were remarkably improved which leveraged the level of plastic surgery in Vietnam. (Business Forum, 2017.)

Despite strong development, medical spa and day spa market in Vietnam encounters a lot of shortcomings which originate from inadequate regulations, punishment and asynchronous management. The lack of synchronization in collaboration with government agencies resulted in unlicensed operation of medical spa facilities or over-advertising for unreal expertise which caused unexpected incidents and consequences for customers. (Business Forum, 2017). In general, this reality negatively aroused customers' skepticism about the effectiveness of beauty facilities which adversely affect the development opportunities of entrepreneurs when the market still has a lot of potential. Could any breakthrough in development strategies increase the competitiveness of start-ups in spa industry in an emerging market which heavily depends on customers loyalty and beliefs? What could a start-up company do to distinguish themselves from other competitors who offer almost the same types of services and target the same customer segments? Are there any branding strategies that would help them win greater market share which open the opportunities to build stronger influence?

Women naturally desire to look good and stay young. Someone might have aesthetic sensibility which make them constantly search for the value of eternal beauty. Moreover, in Vietnam, a society, in which people highly value appearances, social and family pressure also compels women to take advantage of beauty opportunities to succeed in their career and marriage. Finding the right solution and development strategy for start-up companies in Vietnam will not only provide the market with high service standard but also help women gain direct access to effective beauty solutions. In general, the transparency in the operation process and the quality of service as well as products are important factors that need to be achieved in order to regain consumer confidence in the spa industry.

This thesis will clarify the obstacles and constraints that start-ups in Vietnam spa industry have to encounter and find the solution which optimizes business efficiency during the development process. In addition, effective competitive solutions and tactics in this industry will also be focused and analyzed.

However, Vietnam's emerging market has a tendency of exhibiting rudimentary and impractical financial markets which generate problems such as inflation and high depreciation. (Pissarides, 2003.) Besides, the inadequacy of infrastructure also creates barriers for accessing consumer, suppliers and market information, causing obstacles in synthesizing data on a large scale to comprehensively analyze the market before starting a business. (Coad and Tamvada, 2012.) Based on the lack of customer behavioral research data and market research data, this paper contributes to the variety of information in a relevant topic for the spa and beauty industry in Vietnam. Moreover, this thesis also encourages the comprehensive development of the spa-service industry in general.

### 1.3 Research problem and approach

#### Research objectives and questions

The spa industry is affected by multiple elements. A theoretical framework is needed to generate an overview of market context. A comprehensive and in-depth understanding of challenges such as increasing competitiveness in the

spa industry or the various obstacles leading to high failure rate is needed. With an aim to find the most optimal solutions, the following questions require answers:

1. What can be considered the main challenges for spa entrepreneurs in Vietnam?
2. What are the most effective solutions for entrepreneurs to successfully overcome these challenges?

Drawing on a qualitative research containing 5 interviews of 5 different spa entrepreneurs and 2 interviews of 2 plastic surgeons, this paper explores the various factors involved in spa start-ups in Vietnam, such as capital, investors, innovation and influencers. The mismanagement of capital, misaligned perceptions of potential branding strategy which constitutes key business skills, is the factor bringing contradictory perspectives which have characterized interactions among the participants involved in Vietnam's entrepreneurship. Thus, these disconnected constituents created additional challenges for entrepreneurial activities by complicating the market definition, capital flows, business skill development, and innovative promotion. (Marlen, 2016.)

This thesis is organized in the following order: First, the literature review section will provide an overview of studies on spa industry in general and spa industry start-ups in Vietnam's emerging market, combining with a brief reflection on competitive advantages and disadvantages in entrepreneurial activities. Second, the methodology and research context will be summarized to generate comprehensive data platform utilized for explicating research findings. The conclusion of this thesis consists of recommendations for seeking a solution to foster a conducive business model and effective form of entrepreneurial activity.

## **2 Literature review**

### **2.1 Spa industry**

Being considered as a global phenomenon converging the practices of traditions, industries and therapeutics, spa industry was rediscovered, branded and integrated into a new global industry which is generated by a range of aligned industries. The relevant industries are known as massage, beauty, hospitality, architecture, landscaping design, property development, leisure fitness as well as traditional and conventional medicine. (Bodeker, 2008.) The word "spa" is a Latin abbreviation "Salus Per Aquam" meaning water therapy which is believed as practical therapeutic methods. However, nowadays, with aims of mental relaxation, health recovery and beauty care, spa contains a range of service and products enhancing health and well-being. (Ngoc, 2012.) Besides, the convergence of tradition, culture and regional features diversified the operational purposes of the spa industry worldwide. Upholding the holistics therapies, spiritual practices and service ethics, Asian spa industry heavily focuses on customer health and beauty, based on the harmonious combination of both modern and traditional values. (Cohen, 2008.)

The development scale of spa industry is still in its infancy, especially in Vietnam, as yet, its size and scope are believed to be negligible. However, spa industry's significant growth is estimated at \$119 billion globally, including over 149,000 spa facilities around the world in 2017. (Global Wellness institute, 2018.) Driven by booming customers' interest in wellness, rising income, and auspicious economic development, it is estimated that spa industry created 2,6 million job opportunities, earning more than \$93 million in revenues. Moreover, annual revenue growth of this industry is 9,9% considering much higher than the previous two-year period. (Global Wellness Institute, 2018.)

In a developed country like the United States, spa was the fastest leisure growing industry accounting for 20% annual growth which had overtaken the revenue from other experience services such as amusement parks, ski resorts and vacation ownership. (ISPA, 2002.) The market is expected to reach \$154,6 billion in 2022, in which, medical spa is believed to create the fastest growth from 2016 to 2022 (Allied market research, 2016.) Spa industry cluster comprises of various sectors: spa facilities, spa capital investment, spa

education, spa consulting and spa media, association, in which, spa facilities have the highest revenues of \$74,1 billion. (Global Wellness Institute, 2014.) Europe is believed to have the largest market share of approximately 39,1% which is respectively followed by Asian Pacific and North America. (Kohli, 2016.) However, Asia surpassed Europe with the region with the largest number of spas. Asia-Pacific can be mentioned as home to the largest number of spas and new spas in the period from 2015 to 2017. Meanwhile, in Asia and Latin America, the economic expansion of emerging markets including Vietnam increases the revenue of potential spa market. (Global Wellness Institute, 2014.)

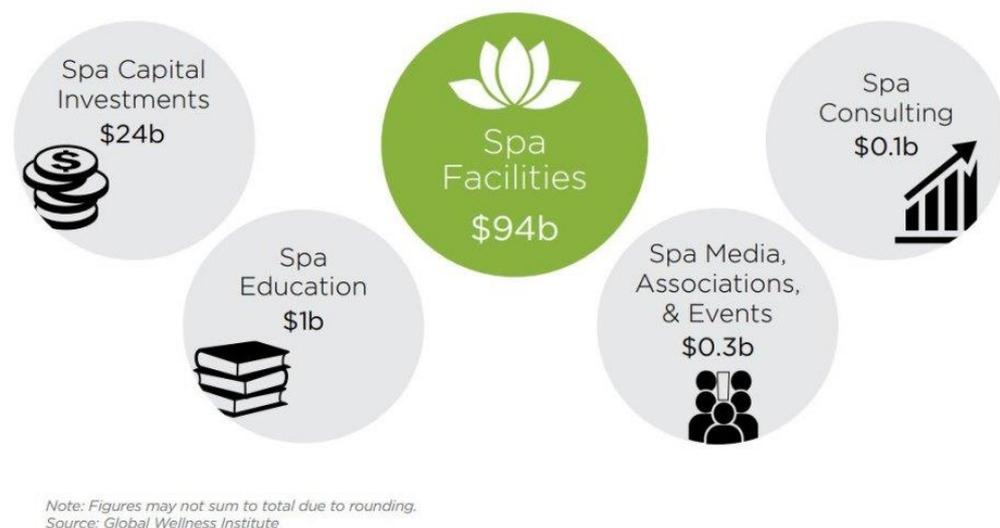


Figure 1: Spa industry cluster, 2013. Source: Global Wellness Institute, 2014

In Asia, healing traditions and rich culture heritages, pure environment, compelling exchange rate and the trend of travel and health has turned Asian spa industry established since the mid-1990s into a phenomenon. Because of low operation cost including lower rental rate and labor cost, Asian spas make a lot of profit when the spa charges as high as international rate for their high-end services. (Cohen, 2008, 42.) According to Professor Madhachitara, "Based on what he studies in classroom or witness[es] in practical business life, market rarely grew as explosively as the health and spa industry in Thailand has done", which is written in his paper "Opening up a service market-the Thai spa industry". (Spa management book, 2007.) Following the spa industry movement, entrepreneurs rapidly realized the start-up potential which hugely increases the scale of the industry in Thailand. Thailand thrived

from a country having no spa to the spa capital of Asia Pacific in a short period of ten years. Vietnam, as well as other countries in the region, have gained certain success in claiming the stake. (Cohen, 2008, 44.)

Besides, the profile of spa-goers had changed remarkably in the last few decades due to the transition of services from vanity and unrealistic to holistic treatments providing long-term effectiveness (Julia, 2008, 45.) The spa benefits include a range of health-friendly methods that enable access to stress management, health and wealth achievement, fitness and beauty as well as myriad other reasons (Cohen, 2008.) Spa-goers tend to consider themselves as having good health condition who have a health concern, meanwhile, younger spa-goers seek preventive treatment relating to stress-relief solutions (Tourism Queensland, 2002.) Moreover, the improvement of living standard, hectic lifestyles and wellness tourism foster the growth of the spa market by raising teenagers' and middle-class demand (Kohli, 2016.) Therefore, spa is no longer considered as a luxury concept which was only suitable for the upper class. Nowadays, the rapidly expanding customer 's segments of the industry are dominated by the middle class. (Ngoc, 2016.) The level of economic and cognitive development in Vietnam—an emerging market—resulted in a significant increase in women's demand for spa relaxation, holistic therapies as well as cosmetic surgery.

In addition, the rising population of male customers and the increased number of skillful spa workers contributed to the growth of the spa service market. (Kohli, 2016.) For example, in 2003, 13 million men—constituting 29% of spa-goers—visited spa (Mc Neil, 2005.) In Asia, while the development of spa industry is driven mainly by women, the number of men experiencing spa services is reported to have significantly increased at an annual rate of 25-30%. (Durocher, 2017.) Around the world, a wide range of spa services for men has been applied such as facials, steaming and exfoliating in places such as Raffles International's Amrita Spa in Singapore or San Francisco-based Spa Fusion and Health Club at the Hilton. (Mc Neil, 2005.) Compared to men, millennials and young people also contribute to the vast consumption in the spa industry, teen-segment is considered to be the fastest-growing segment among all spa-goers. (Warren. D, 2014.) Sixteen to twenty-four years old

customers accounted for 14 percent of spa-goers, in which, teenagers experiencing spa treatment with their parents should be seriously taken into consideration. (Palm beach newspaper, 2003.)

Collective terms assigned for various applications such as body treatment, body massage, pedicure, manicure and facials are indicated as essential practices in the spa service industry. Personalized services in spa facilities are also meticulously designed for peace of mind, pleasure, health, fitness, and wellness for customers with an aim to managing stress, detoxifying body, losing weight or finding “a state of bliss”. (Yukti, 2016.)

In general, there are six types of spa operated throughout the world, in which, club/day spas have the largest market share. Because of their domination in terms of number and capital, day/club spas and hotel/resort spas respectively have the highest share of spa revenues. (Global Wellness Institute, 2014.) In Vietnam, there are four popular types of spas which can be indicated as Club/Day Spas, Hotel/Resort Spas, Medical Spas, and Destination Spas, which supply specific service in order to target different customer segments. (Tabacchi, 2010.) In this report, the writer mainly focuses on the operation of Day Spa and Medical Spa model in Vietnam.

Day Spa—the most popular type of spa in Vietnam—offers a variety of services (body treatments, facials, and massage) which are carried out by trained professionals. (Global Wellness Institution, 2014.) Day spa is believed to be the most suitable solution for people having a busy life on a daily basis, as yet, customers are able to enjoy the spa services for several relaxing hours. This type of spa offers small service packages in a short period of time without overnight stay.

Medical spa is operated full-time and supervised by a licensed healthcare professional, supplying comprehensive healthcare and medicine that combines alternative, traditional or cosmetic medical treatments and therapies. (Global Wellness Institution, 2014.) Medical license, high-tech machines for treatment, treatment regimens and prescriptions are mandatory components of medical spa operation.

## 2.2 Competitiveness:

The productivity of firms, the innovating and leveraging process, as well as the management of competitive strategies are basic criteria of companies' competitiveness. (Kao & Onsel., 2008.) Competitiveness of corporates has long been considered an indicator of the small company productivity which fostering and controlling the competitive environment of organizations. (Kao & Önsel, 2008.) Competitiveness is also mentioned as the meeting of supply and demand creating new sources of income for suppliers. On the other hand, the corporate capability of providing superior products compared to the price of its competitors shows the competitive advantages of the company. (Michael & Atonia, 1996.)

According to the competitiveness measurements of Catherine L. Mann, the macroeconomic content, the microeconomic content, value toward price, and business balances are key evaluations of competitiveness. (Catherine, 1999.) The macroeconomic factors such as inflation, the exchange rate, and economic outputs may indirectly affect the company price assessment. Microeconomic factors such as import and export policies, trade flow are applied to evaluate the strategy and cost of the firm itself which contributes to pricing decisions. Rather, the competitive strategy could be the ability to offer products, services or experiences containing an exaggerated value of money proposition compared to its rivals. (Business Dictionary.) The price competitiveness made a huge impact on buying and selling activities as well as external factors of the company. Meanwhile, Michael Enright indicated that the corporate capability of providing superior quality products compared to the price of its competitors is the competitive advantages of the company, meanwhile, price is not the only appropriate competitive advantage for diverse kinds of business. (1996.) Competitiveness is also mentioned as the meeting of supply and demand creating new sources of income for suppliers.

Besides, competitive advantages are the result of effective managing system of the company. Since products and services are the fundamental element of companies, it is believed that every market has its own competitive advantages. This reality boosts the popularity and sustainability of the company which protect the firm from its potential competitive forces. (Wang & Petit, 2016.) The

exclusive value created privilege for the users providing the advantages in effective adaptation of existing resources, industrial, technical and managerial activities.

In order to generate value for companies without being consistent with competitors 's strategy, maintaining sustainable development for companies is a crucial requirement for long-term development. Vision and strategies to achieve success of organizations are indicated as the competitive advantages of the company itself. Considering the existing competitive environment and standardized characteristics, it is essential for companies to guarantee substantial productivity. Hence, to raise the fundamental ability of corporations, intentional success strategies need to be taken into consideration which adjusts both functional and structural operations.

### 2.3 Entrepreneurship

The term entrepreneurship combines two French words which are “entre” and “prendre” (“between” and “to take”), as yet, entrepreneurs are responsible for ensuring that suppliers and customers share a common ground. (Lagrosen, 2015.) According to a French economist, entrepreneurship is leveraging common business model to achieve greater scale and higher productivity. (Chason, 2000.) Meanwhile, Derek Hutson, the CEO of Datical related entrepreneurship to the core of the American Dream which is believing in one's own mission, blazing new trails and persuading people to devote to the journey. The activities of exploiting product-market opportunities by proactive operation and innovation are objectives of major organizations, start-ups, and alliances among global partners. (Dess, 1999.)

Those definitions successfully describe the crucial elements in creating entrepreneurial businesses including ambition, motivation, experience and innovation factors. While an investor creates new inventions, entrepreneurs own a mission of congregating and integrating all the resources needed - the vision, the people, the teamwork, the strategies and risk management ability - to convert an idea or invention into a valuable business. (Sharma 1999.) A wide range of research reported that entrepreneurial activities play an

important role in propelling the economy and developing the overall well-being of societies. Entrepreneurship can be applied in innovation-driven, effectiveness-driven economies. (Abu-Saifan, 2002.) Therefore, it is believed to create positive results for the economy such as reducing unemployment rate, adopting innovations, creating healthy economic competitiveness, improving productivity and accelerating the structural changes of the economy. ( United Nations of Conference, 2004.)

Regarding the definition of entrepreneurship, the core functional role of entrepreneurship is frequently mentioned as innovativeness, risk-seeking, and opportunity seeking. One of the most crucial behaviors of entrepreneurs is believed to be identifying the opportunities and bringing the ideas into practices. Entrepreneurial groups or individuals are motivated, creative, and willing to take risks. (Duane Ireland, 2015.)

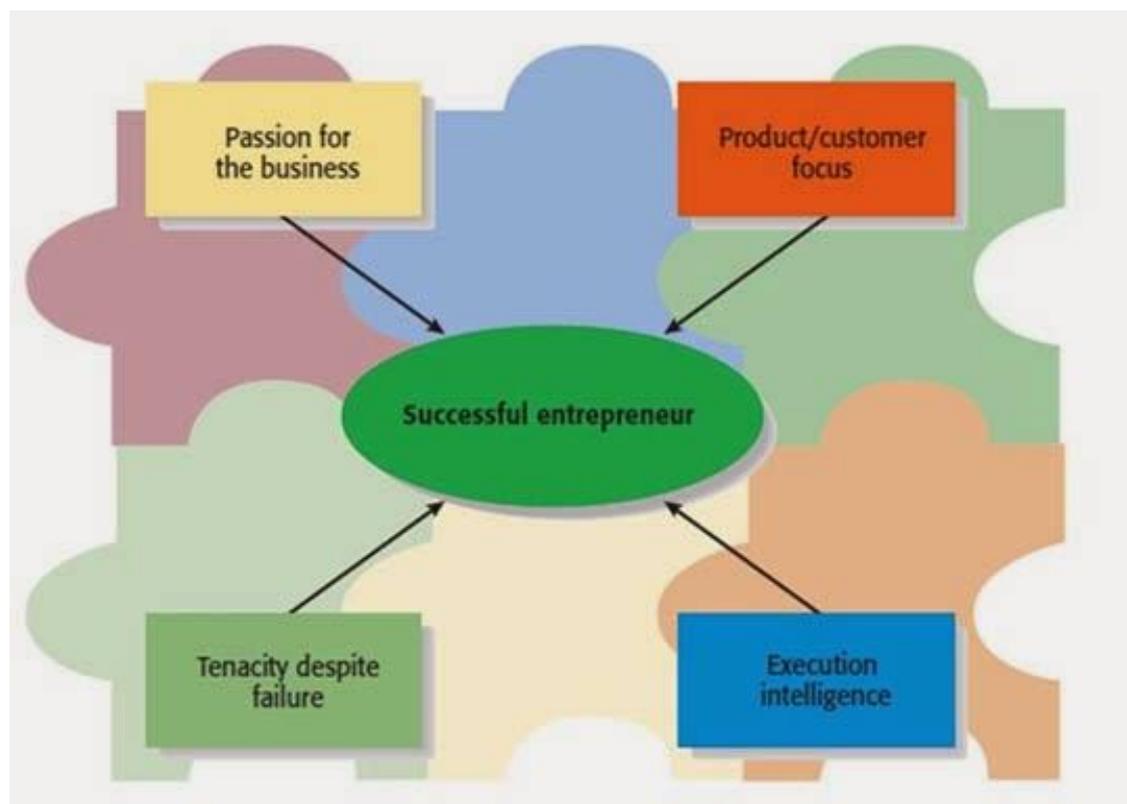


Figure 2: Four primary characteristics of successful entrepreneurs. (Bruce.R & Duane. R, 2012).

On the one hand, it is believed that the three main features of entrepreneurial behavior are becoming their own boss, pursuing their own vision and achieving financial prosperity. (Stone, 2014.) First, the entrepreneurs hardly

accept authority as well as the traditional working environment and have a strong desire to devote to their own firm. Second, most entrepreneurs clearly formed an innovative or breakthrough idea for themselves since they were young. When recognizing the potential ideas for products, services or experiences, they have the tendency to realize those intentions. With a strong commitment and ambition, entrepreneurs are willing to take the risk of leaving the corporation employing them so as to create their own firm and prosper their passionate ideas. They require a tremendous amount of time and energy to transform their ideas into reality. Third, most entrepreneurs are not able to make more money than people who work for a traditional company with the same amount of responsibility, time or even effort. (Stone, 2014.) Even though money plays an important part in fostering entrepreneurial spirit to establish a business, money is not the primary motivation behind entrepreneurial activities. Indeed, the primary motivation of entrepreneurial behavior is believed to be individuals which can also be paraphrased to be bolstering the entrepreneurial traits of individuals. ( United Nation Conference on Trade and Development, 2004.)

On the other hand, as explained by the studies of the psychologist David McClelland (1961), personal achievement and justifiable proclivity for becoming an entrepreneur are believed to be the most important factors encouraging entrepreneurs to start their business. Motivation will foster personal spirit for maximizing economic achievement, regardless of the deviation in economic development. Thus, ten different types of characteristics and competencies which remarkably demonstrate and strengthen the potential of entrepreneurs include (1) creativity and opportunity seeking, (2) desire for higher quality and efficiency, (3) risk-taking, (4) persistence, (5) confidential dependence, (6) networking, (7) dedication to work task, (8) clear goals, (9) information updating, and (10) systematic monitoring and organizing (McClelland 1961). Besides, cultural elements are assumed to have a more potent impact on entrepreneurial tendencies or traits, which are believed to vary from culture to culture. (Muller and Thomas 2001, 51-75.) The behavior of entrepreneurs can be described and attributed to a wide range of factors. Among these, devotion to the business, focusing on products as well as

customers, persistently overcoming failure and wisely executing plans is significant. (Stone, 2014.)

Theories of production, manufacturing, distribution, and economic development discuss the fundamental changes resulting from entrepreneurship

. (United Nation Conference on Trade and Development, 2004.) According to the long-wave theory of Mr. Joseph Schumpeter, the business developing spirit motivates the business to create new combinations. The process of product development indirectly drives economic development. By diversifying products, entrepreneurial businesses can utilize the breakthrough innovation to take over the market share of competitors and raise the products' demand in the market. In order to create a new market structure and generate additional profit, dynamic and enthusiastic individuals came up with destructive creation. (Schumpeter, 1911, 78.) This tendency is believed to be the hypothesis of long wave economic growth and market diversification, in which, the business cycle is created by disruptive innovations. (Thurik and Wennekers 2001, 2.) Afterward, the implementation of new products will foster national economic growth, leading to the rise of employment and financial achievement. (United Nation Conference on Trade and Development, 2004.)

By improving productivity, creating health benefits and promoting a new form of entertainment, new innovations of entrepreneurial firms heavily impact on the society. Entrepreneurship is also considered a societal phenomenon, in which, individual behavior leads to the competitiveness of market operation.

#### 2.4 Emerging market

Emerging market (EME) is known as a developing economy with highly increased capacity for productivity. (Amadeo, 2019.) It is also defined as the country with lower-middle gross domestic product per capita. (Antoine, 1981.) Market with a high growth forecast was also believed to be an emerging market (Citibank, 2019). Narrowly defined, a market, which attracts a lot of foreign investment, comprises a trustworthy source of data, achieves public trading security, is an emerging market. (Divecha, 1992.) Another definition of

an emerging market is an economy without mature securities which has significant foreign investment recently. (Mody, 2004, 3.)

Moving from a raw material exportation and agriculture-based economy, emerging market turns into a more advanced market economy which strongly industrialized. The advancement and reforms of an emerging market can be shown by regulatory adjustments, stock market, liquidity, and market transition. (Amadeo, 2019.)

Standardization and modernization are considered the target of emerging economies in the future which will increase the productivity and efficiency. Despite the lack of sustainable infrastructure, emerging markets have essential banking systems, consolidated currency, and stock market, creating a fundamental financial infrastructure. (Kenton, 2019.) The transition plays an important role in emerging markets, which shows the transformation of a closed economy into a transparent market. The internal accountability process is deployed throughout, which reform and leverage the economic accomplishment. (Heakal, 2019.) Fundamental concentrated partners of emerging makers are family- run business firms, domestic as well as foreign financial institutions. (Khanna, 1999.)

There are five main characteristics of an emerging market, (1) which are rapid social change, (2) high level of volatility, (3) increase of global institutional investors, (4) high return on investment, and (5) low-income rate. (Heakal, 2019.)

1 The rapid growth is accompanied by low-income rate. In order to adapt to rapid changes, the government attempted to comprehensively industrialize the economy. The transition from agricultural-based economy to manufacturing based economy motivated the accelerated development as well as the increase in basic wages.

2 However, unstable politics, natural disasters, domestic stock market cause the volatility for initial currency. (Gopinath and Aguiar, 2014.) Besides, the concentrated tendency, which means considerable stock takes a high percentage of total capitalization in the market, reduces the opportunities for market diversification. Moreover, in emerging market, a single forceful market-related factor can heavily impact on the whole stock market, which is different

from developed markets, where own forces influencing distinct parts of the economy separately. (Divecha, 1992.)

3 The rapid growth results in a high return on investment attracting foreign direct investment as well as domestic investment. Export-driven strategy is believed to be the backbone of emerging markets in order to fulfill developing market 's demand by low-cost products and commodities. This opportunity makes investors earn more with manufacturing development. (Amadeo, 2019.) Besides, regulators of emerging markets make an attempt to keep the tax rate at its lowest despite the rise in inflation rate. (Amadeo, 2019.) Therefore, low correlation is recorded among emerging markets compared to developed countries because of strict restrictions and the lack of trade links. This situation leads to risk reduction in moderate investments. (Divecha, 2012.)

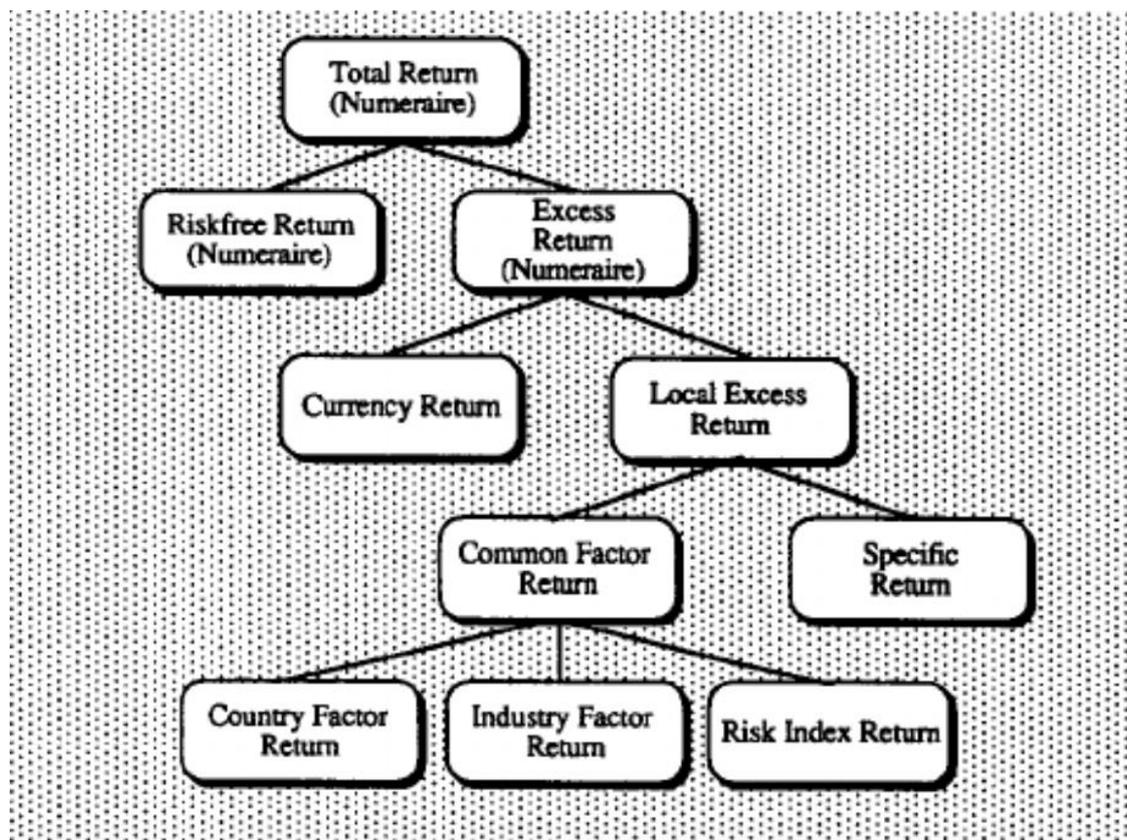


Figure 3: Emerging market model. Source: Divecha & Drach. 2016. Emerging market: A quantitative perspectives.

Due to the modest correlation between markets as well as the homogeneity within market, the decision of investment in specific market became crucial for

success. Country allocation performance, corruption rate, and potential labor market were essential elements deciding individual markets' volatility and return on investment rate. (Pacek, 2012.)

### **3 Methodology**

With an aim to find the competitive factors in Vietnam spa industry, this thesis mainly reviews the challenges and solution for entrepreneurial companies in Vietnam. The literature review was mean to generate deeper understanding of theoretical concept for competitive advantage of the spa industry. Hence, the writer's point of view and vision was built in in order to collate the research results in an empirical study.

Qualitative study is the chosen method for this thesis. Qualitative study is considered the research process which studies in-depth social issue in its fundamental background. Based on people's experiences in the real context, the assumptions are generated in order to answer the "why" questions for public issues. Instead of optimizing probable and number systems, a wide range of studies are applied for qualitative research such as life stories, case studies, history, phenomenology, iconography, literature review and acknowledged analysis. (Abram, 1997.)

The qualitative method mainly focuses on several phenomena including cultures, social issues, communication behavior, language and people. Analysis in qualitative method is variable. However, the conclusion based on inner experiences rather than fact are created in order to better understand the research topic. As a principally investigating research, it is utilized to develop interpretations of or insights into probable quantitative research. (Susan, 2011.) This method applies neutrality in analyzing and developing the research process which enables trustworthy and accurate inductive and deductive arguments. (Cresswell, 1998.)

The semi-structured as well as unstructured methods are used for collecting analyzed qualitative data. Several popular methods can be mentioned as personal interviews or group interviews (group discussion or group debate).

(Susan, 2011.) The data size is relatively limited. Small number of participants is requested to give appropriate answers to given questions for further data collecting and investigating. (Abram, 1997.) Hence, judgement samples are chosen for this research which is the most optimal sample for conducting correct and reliable data. Considering the demographic layers and social class as important aspects of justification, the research subjects are classified relying on public approach or expectation. In order to enhance intellectual recognition, it is essential to target subject groups with distinct expertise, special experiences, or exception. Subjects who show their disagreement or distinguish issues needed to be more focused attention for further investigation. (Marshall, 1996.)

As the value of qualitative method depends on its flexibility and broad-mindedness, it can foster the creativity and logical thinking of researchers. Despite the lack of generalizability, qualitative method requires a large amount of data from a limited number of participants which create valuable awareness and in-depth insights. (Marshall, 1996.) Meanwhile, quantitative statistical analysis results in parsimonious and concise assumptions due to a large amount of numeric data and its diversification. (Marshall and Rossman, 1999.)

In qualitative research, the context-specific settings are applied to investigate complicated or ambiguous problems. (Eisner, 1991.) In an application for qualitative approach, reliability is meant to be considered to have a mission of deeply and well explain the research topic well and in-depth. (Stenbacka, 2001.) According to a wide range of researches, researches might personally develop their own perceptions and expectations about the credibility which are believed to be the most suitable concept. For example, the reliability can be created by quality, accuracy and transparency. (Nahid, 2003.) Therefore, due to the diverse determinants, the standard for credibility is considered to be inappropriate or even misleading in qualitative method. However, according to Lincoln and Guba, there are six factors that needed to be taken into account in order to guarantee the credibility and accuracy of the research which are context, reliability, psychological sincerity, transferability, and confirmability (1985). Context plays an important role in limiting the scope of research with an aim to generate the most succinct and relevant assumptions for the

research topic. This principle includes manipulation of targeting correct situation, correct time phases, correct people, and desirable applicable context. Meanwhile, a qualitative report also requires an in-depth understanding of the researcher's method of data collection by personal intellectual rigor which enhances the credibility of the research. In order to point out the nature of the discussed topics, three main activities are offered for selective explanations, analysis and conclusions which are respectively: prolonged engagement, continuous observations, and triangulation. In this thesis, the main selected activity is triangulation. This activity allows users to utilize diversified sources of data which allow cross-examination of findings. (Leonard, 2009.)

Besides, the methodology for this thesis is also the application of inductive method based on the content of in-depth expert interview. Due to the limitations of relevant available data, inductive research is considered an appropriate approach for this research which helps comprehend the challenges and solutions for entrepreneurial companies in Vietnam's emerging environment. This strategy was selected as the most optimal solution for exploring the emerging, advanced growth as well as match perfectly with an aim to answer question for developing fundamental theory. (Majamäki & Akpınar, 2014.) How and why questions will be deployed to generate main points for this analysis. As an industry with a wide range of entrepreneurial companies, it is difficult to find appropriate companies for investigation in Vietnam. Meanwhile, a small percentage of spa facilities in Vietnam achieves reliable quality standard, legal business license, and safety guidelines. (Nhi, 2018.) Due to the market turbulence and the lack of transparency of business operations, the selection of trustworthy businesses for conducting in-depth interviews is a sophisticated task. (People's Police Paper, 2018.)

Given this, companies chosen for the study are not considered as typical in the industry. Specific individual having vast knowledge and experiences in this field reveal his/ her points of view which can be considered as the guideline for spa companies in general. With an aim draw important content from research results, unlike generalization, extrapolation solution is applied for better results. (Alasuutari, 1995.) In studying about B2C (business to customer business), the finding of challenges and solution for companies are the key

advantages which can be expected to contribute to the quality and development of Vietnam's spa industry.

Moreover, another source of data was collected by the interviews with 5 different spa managers and 2 surgeons who have years of experience and extensive knowledge about this field. However, due to lack of trustworthiness, the data generated by selected interviewees cannot be considered as comprehensive. In the process of collecting this data, 20 questions were created for participants.

Primary data collecting process of this thesis mainly relies on the interview content of interviewees of a successful company. Interviewees have the typical personality of entrepreneurs which success-driven, assertiveness and business creation orientation. (Kerr & Xu, 2017.) They have a panoramic view thanks to their long involvement in this industry. They also witnessed spa industry from the early period until its booming period in Vietnam and experienced the significant growth and rewarding profit of launching a new spa in the market. Thanks to the close relationship between interviewees and the interviewer, the data is believed to be reliable which combines both general perspectives and individuals' critical opinions.

Therefore, the market provides insights into the market challenges and keys to success. With the roles of being an executive manager for 16 years and spa founder for 5 years, one interviewer is expected to gain the most honest and critical view from a managing expert in this field. Moreover, the company's websites, as well as other data sources (articles, news and promoting videos), were also considered to arrange and generate data for better understanding of the interview.

In order to protect business privacy and information security, interviewees don't allow interviewer to reveal the name of the company in this thesis. Those company are clinic and spa establishments participating in the B2C (business to customers) services which provide services to customers. As established in the 2010s or earlier, those companies provide beauty services and medical treatment with the application of traditional treatments and high-tech beauty solutions. They were born in the period of market saturation which forces them to face fierce rivalry from other competitors.

The interviewees expressed their objective view of the market when the industry is in need of a qualified transition than ever before. The industry is facing instability leading to a declining reputation for the whole market. Therefore, comprehensive understanding of the industry is highly required thanks to the stated backgrounds. No matter how complex it is, they along with their team understand the industry, the technology application and the field well enough to identify their shortcomings and figure how to overcome it. The creativity and adaptation are acknowledged for fulfilling existing gap as customer searching and productivity in order to gain reputation for their own company. Hence, background of the founder plays an important role in detecting problems and offering solutions.

The interview is semi-structured. Collecting data using interview method leads to the opportunities of judging interviewee's validity through verbal as well as non-verbal communication which is especially helpful for discussing sensitive topics. (Gordon – 1975.) Besides, the observer can directly discover the attitudes, experiences, motivation, and vision of participants. Given the semi-structure of the interview, the results are expected to clarify and investigate the optimal findings regardless of sensitivity and complexity. (K. Louise, 1994.) On the other hand, the direct interaction between participants and interviewers might reduce the possibilities of potential desirable answers. (Patton 1990.)

The interview was arranged for more than one hour in interviewees' working office. Direct interviews were held in Vietnamese for better communication and deeper understanding. Deep discussion and natural communication are considered suitable using native language of both communicators, reducing the risk of misunderstanding. Literature review is relied on to interview questions which provide the most optimal practical discussion for the interview. The participants allowed the interviewer to record, and duplicate record's content in writing this thesis. Two keywords, "challenges" and "effective solution", were used to guide the interview. Author of this thesis is the interviewers with all founders and surgeons.

The content analysis method was used to analyze data which combine both primary and secondary sources. By clarifying and summarizing texture data, context analysis allows users to replicate and generate valuable conclusion.

(Kymberly, 2016.) Effective results are generated by the contextual data analysis using key words. Based on the experimentally grounded method which incorporate both inductive and deductive approaches, received answers were analyzed.

## **4 Findings**

In this thesis, findings are originated from the interviews and validated by expert opinions. As experts confirm, the spa industry market in Vietnam was seemingly saturated at this time. However, there were enough opportunities for new players who are capable of running a customer-focused, high quality, and creative business.

In Vietnam, due to the rise of the middle and the upper classes in combination with the diversity of business models, spa business becomes more and more popular. Once considered luxury services, spa treatment is currently recognized as a relaxing solution after long working hours which enhance the quality of life. As a result, a wide variety of spa models was established which can satisfy the demand of most customer segments. Besides, the development of Vietnam's tourist industry makes the demand for spa industry rise significantly. Tourists constitute potential a potential customer segment that businesses strongly focus on. Social awareness of spa & wellness industry also fosters the market growth in Vietnam's emerging market.

Due to the increase in customers' needs, spa business becomes a trending industry in Vietnam's emerging market. The expert interview confirmed that as an emerging market, Vietnam created a lot of opportunities as well as challenges for entrepreneurship, especially in a high-profit industry such as spa. Technological advantages and economic growth are believed to have beneficial relations which are the catalysts for the development of entrepreneurial business. The advantages of innovation, as a result of advanced technology, significantly boosted the effectiveness of business performance as well as management. Moreover, relying on culture, the intensity of returnee entrepreneurs and social capital, emerging market contains extreme heterogeneity in business types. People who start a

business may also help ameliorate various problems such as environmental pollution, lack educational opportunities and poverty. (Saul & Tomasz, 2017.) Thanks to the impressive growth of the economy in recent years, the spa and wellness industry showed its significant developments. It is predicted that the industry will maintain the high growth rate which contributes to the beauty and health of customers. Since 2017, the spa business recorded its remarkable developed comparing to other service industries. This phenomenon not only shows the potential of the industry but also the unseen competitive challenges. Especially in Vietnam's emerging market, high heterogeneity rate represents existing fierce competition which forces spa business owners to find a way to survive and thrive.

Despite being considered as a potential field for Vietnam emerging market, spa and wellness business is also known as an industry with high sensitivity rate. Having been strictly controlled, spa and wellness business was the government's focus on development. Instead the government strongly focus on developing manufacturing industry and agriculture, which accounted for a large proportion of Vietnam's GDP- as much as 60%- in 2018. (Vietnam capital securities, 2018.) In 2018, service industry in Vietnam also recorded a development rate as high as 7,44%. However, it mainly focused on retail and wholesale trade, financial activities, banking, insurance, as well as accommodation, and F&B. (General Statistics Office, 2019.) Meanwhile, experience service only makes a small contribution to the overall picture of the service industry due to the limited market size and living standards.

The diversification of spa industry was not recorded and managed accurately. According to the department code system of Vietnam's Department of Planning and Investment, Massage and hair salons are the only department code applied for spa service establishments. Department code number 96100 represents massage service, similar health promotion service, and non-surgical treatment. Meanwhile, department code number 963 represents hair salon operation such as hair services, nail care and make-up. (Capital lawyer paper, 2017.) Two main department codes were categorized since 2017 without additional adjustment until now.

Besides, tax policy is believed to be an obstacle to spa entrepreneurs. Spa businesses are responsible for 10% Value Added Tax and 30% excise duty which is relatively high compared to other industries. These policies reduce the competitiveness and attractiveness of Spa and Wellness in comparison with others services department. Hence, a wide range of spa businesses in Vietnam operated illegally due to the lack of department classification and high tax rate.

While the spa industry is currently booming, investors also consider this period as hard time for beginners. In reality, there are thousands of spa facilities opened every year in Vietnam. However, a wide range of spas had to close or transform their business models after a short period of operation. This volatile market is believed to be the result of the fierce competition for development and market shares between sustainable businesses and the new spa business. A saturated market makes it even harder for entrepreneurs to compete and survive. With the exception of massive development which premises on market trends which might destroy existing businesses, most start-ups have to come up with innovative ways to thrive in a volatile market

Therefore, understanding the beauty trends, mastering the factors of building a successful and stable spa model are believed to be among the most important factors for start-up's decisions making in this field. Besides, the smooth processes of establishing, managing and recruiting significantly contribute to the success of small and medium business facilities. Moreover, choosing the most suitable services and products with high quality and effectiveness can benefit both businesses and customers.

#### 4.1.1 Challenge 1: Lack of strong business model

The first challenge for entrepreneurs is identifying the most optimal business model for the company. The interviews revealed that except for popular spa brands in luxury resorts and hotels, in Vietnam, most business facilities in Vietnam was spontaneously established based on temporary market tendency. Due to increasing demand and high return in spa industry, many people opened their own spa without well-planned strategies. The scale of business was not well estimated leading to confusion in management and

operation. Without an appropriate business model, it is difficult for companies to identify the targeted customer segment, suitable treatment, marketing strategy or even service quality.

In order to be successful, investors need to deeply understand the spa industry from the brainstorming and conceptualizing stage till the development stage. The owner needs to determine the most suitable spa-types given their available financial resources. Designing an appropriate business model allows entrepreneurs to decide on the appropriate facilities, developing potential business strategies and using financial resources wisely.

However, in Vietnam, most entrepreneurs lack the required management skills and relevant experience needed for properly operating a business.

Entrepreneurs in this field recognize the potential and trends in the beauty industry and opened business based on business instinct and or intuition. As a result, the ultimate business model created might not be sustainable. They might confuse concepts such as market research, market penetration and market development.

To generate an applicable business model, business owners need a team who deeply comprehend the market or consult external experts. Besides, the lack of senior management or staff who satisfies high international standard is considered one of the most challenging obstacles that businesses have to deal with. Due to the high cost of hiring experienced personnel or foreign experts, finding talents and optimizing business models are believed to be a complicated challenge for companies with limited capital. Cultural and language differentiation, as well as lack of market insight, are unwanted problems that may occur when finding qualified consultants.

#### 4.1.2 Challenge 2: Gaining financial sustainability for business

Financial resources for spa business in Vietnam mostly come from private sources. In practice, financial resources of entrepreneurial businesses are mainly generated from two sources which are internal and external funding sources. Internal funding sources include personal investment, family and friends support. Meanwhile, external funding sources include the contribution

of angel investment, venture capital, business loans, crowdfunding, and other resources. (Atonio. D & George. F, 2003.)

When most entrepreneurial businesses in Vietnam started the first period of running business, the resources are principally invested in investigating appropriate customer segments and verifying business model. It is likely that private investment, funding from family and friends, and part of external sources are considered the most important financial resources.

Nevertheless, capital for start-ups generated from angel investors in Vietnam was significantly limited as a result of skeptical views of investors about start-ups. Entrepreneurship is not considered a way to generate as much profit as a traditional investment portfolio. Known as a resources-based developing economy, (Global entrepreneurship monitor, 2018.) there were 15.000 startups operated in Hanoi and Ho Chi Minh City. (Project 844, 2017.) Since 2017, the number of domestic angel investors significantly increased which shows a new tendency in capital call for entrepreneurial business in Vietnam. The systematization and expertise of Vietnam's angel investors has been enhanced through the establishment of potential investing networks and organizations. (Duc. D & Ha. D, 2018.) Figure 3 shows the number and value of external funding in Vietnam from 2011 to 2017 which has been witnessed a significant growth of Vietnam's entrepreneurial investment in a period of 7 years.

However, except for hospitals including cosmetology department, most of Vietnam's spas are considered small or medium-sized enterprises without creativity and technological breakthrough. In addition, loose financial and cash flow management are weaknesses of SMEs. Strong nepotism is known as a peculiarity that enhanced difficulties in managing and developing SMEs businesses. A large number of spa owners in Vietnam used to work in the field for a long period of time. In most cases, after gaining certain skills and experiences, they utilized internal resources to open new businesses for themselves. However, professional know-how and workmanship are not applicable in financial management. Lack of business knowledge may lead to misconceiving personal finance as corporate finance. The deficiency of fundamental elements required for raising external investment made it difficult

for SME to achieve alternative financial resources. Given the limited financial resources entrepreneurs are compelled to create the most optimal financial plan for company. However, implementing an effective financial strategy requires thorough preparation from initial stages of the business.



Figure 4: Total amount of Vietnam's startup investments from 2011 to 2017 (Topica Founder Institute, 2018).

In practice, due to the limitations of capital and management expertise, the process of hiring financial consultants or accounting staff can generate both benefits and lost. Hiring experienced accounting staff can increase the awareness of owner about financial performance. However, in early, non-profit stage, owners should be able to conduct fundamental accounting tasks on their own. That said, spending money on hiring frequent financial consultants is crucial to avoiding unexpected mistakes and realizing the company's financial position from the beginning. In practice, average wages for experienced accountant positions in Vietnam remained relatively high in a domestic job market which is approximately 101 million dong per year (4000 euro per year). Compared with financial capability of entrepreneurial spa businesses in Vietnam, payment for full-time accountants is a large

investment especially given the limited resources. According to professional advice, if annual charter capitals of business were 50 times as high as consultant income per year, recruiting would be recommended. In this case, investment in hiring accountants guarantees the application of the correct financial structure from the beginning. The probability of making mistakes would be decreased which can eliminate low productivity and ineffective outflow of valuable resources.

#### 4.1.3 Challenge 3: Marketing the brand and competitive service

For spa businesses, brand marketing and building positive reputation are considered two of the most important factors. After designing business model and plan for utilizing capital, creating a proper marketing plan is crucial to attracting customers and offering services. As the interviewees reveals, they spend around 50% of total resources in marketing. Common marketing methods used are leaflets and social media. However, a large amount of marketing campaign did not bring about the required effect for the company's performance and profitability.

In practice, Vietnam's spa market is filled with spa businesses in different shapes and sizes; therefore, finding an effective marketing method was both challenging and cost-intensive. Moreover, approaching the right customer at the right time became a big race for competitors in this field. In practice, more than 50% of cost invested in marketing is ineffective which cannot generate expected profit and customer interaction according to interviewees.

The most powerful marketing approach for traditional entrepreneurial model is considered digital marketing and influencer marketing. Due to the high demand of millennials and young customer segments of spa business, utilizing and optimizing the enormous network of users on trending digital platforms, spa businesses in Vietnam. Digital marketing is known as promoting products and services on technological platforms such as social media or search engine. Digital platforms can be Google, Facebook, Instagram, Zalo and Youtube. In Vietnam's domestic market, Google, Facebook, Zalo, Youtube, and Instagram relatively maintained largest market shares of users, becoming the most used digital platforms for business marketing. (W&S research, 2018). Besides, the content marketing on digital

platforms was often compelling, trending and diverse, which created and spread valued information further and faster than traditional marketing methods.

Compared to traditional marketing methods such as leaflets, TV ads, or on and offline magazines ads, digital marketing creates two-way business interaction effect between customers and businesses. Interactive process can effectively promote product and service sales in total. In particular, purchasing tendencies, needs and demands of customers can also be revealed through digital communication. Two-way interaction may generate efficient customer information database and relevant insights into customer's behavior. Moreover, the impersonal public data collected from communication context can be utilized for further purchasing behavior observation and analysis. Besides, digital marketing helps businesses to save cost and time by targeting audiences by keywords. Utilizing massive customer database of Facebook and Google, Google Ads and Facebook Ads applications were used for many spas. Hence, spa businesses can reach the right people at the right time due to the application of keywords and customer segments' characteristics.

Besides, the overwhelming reputation of influencers and celebrities in information-technology age makes collaborative projects with celebrities became the core marketing strategy for many spa businesses. For spa businesses, influencer marketing became a persuasive approach due to the fact that women tend to pay more to look like celebrities or influencers. Besides, this marketing method is believed to inspire and motivate customers to purchase beauty services based on the inspiration of influencer trend.

Nevertheless, in order to choose an appropriate marketing method for businesses, there were several steps that should be implemented by entrepreneurs. First, according to the business model and operational efficiency, specific objectives for marketing campaign should be confirmed and followed. Second, in order to reflect and learn from previous strategies, old plans and their effectiveness must be evaluated and analyzed to avoid unwanted mistakes. This attempt can improve the weaknesses of former strategies with an aim to create a superior and more cost-effective approach. Third, analyses of the characteristics of targeted customer segment contains

keywords that allow digital marketing tools to reach those customers directly. Aspects such as gender, age, behavior, interests, and demands are basic features that need to be studied carefully to meet the exact needs of different customer groups. Available customer data should be aligned with the current marketing objectives to minimize costs via effective apply personalized advertisements. Fourth, company resources including existing digital channels, financial budgets, and employees participated in marketing activities. Meanwhile, due to the limitation of financial resources, allocating financial resources to effective marketing is a real challenge for SMEs in Vietnam's emerging market. However, utilizing the minimum capital to provide optimal efficiency requires a strong ability to sharply analyze trends and market tendencies. Last but not least, by relying on four previous steps, marketers can build comprehensive blueprint for businesses with corresponding timeline. Besides, marketing plans should have fresh contents and flexibility which can distinguish their features from their rivals.

#### 4.1.4 Challenge 4: Professional customer service

Customer service is the unique method that helps create brand loyalty. Having a potential business model, sustainable financial resources, and an effective advertising strategy was not enough for spa businesses to keep loyal customers who are willing to repurchase products and services. In Vietnam, most spas focused on finding customers and creating profit but forgetting about the long-term goal for sustainable development. They found ways to approach as many customers as possible but ignored customer care such as gratitude program.

The interviewee, who founded a spa establishment in Vietnam, expressed her desire to raise as much profit as possible in a short period of time to increase capital for further investment and business expansion. She spent about 50% of the monthly financial budget on marketing at the initial stages. Most profit, however, was generated from new customers who came to experience basics products and services. Although the company had competitive advantages in price and service quality, the percentage of customers who returns to use the services was very low, which was around 20-30%. This result made the company's manager realize weaknesses in their customer service policies and

methods. After considering customer feedback, the company realized that they lacked membership offers and customer feedback. Hence, customer appreciation events and member engagement ideas were applied to gain customers' loyalty. Since the company started conducting suitable customer services, monthly customer return rate has increased up to around 45-65%, which showed the efficiency of improving customer s' experiences.

In practice, with the exception of the above interviewee, all other interviewees participating in this interview indicated that improving customer experience was not considered a crucial strategic goal of their company. However, with a typical experience service model like spa, customer experience should be the most important criterion for creating the success of this business model. Therefore, finding appropriate solutions to bringing about optimal experiences for customers is a mandatory element for spa businesses.

Customers should be provided with customer services during the three different stages: before experiences, while experiencing in spa, and after experiences. Before experience can be the process of communicating with spa consultant online and offline. At this step, customers expected appropriate and useful advice from counselors with a polite and courteous attitude. Consultants need to possess professional knowledge of services types that are offered in order to gain customer trust. Besides, affable attitude and attractive body languages of consultants significantly contribute to the success of persuasive communication. Smiles, enthusiastic attitude and considerate behavior can be the initial factors that help you close the deal. This attitude can be utilized for both online and offline communication. Booking management services can attract customers via dedicated and professional service arrangement. Spa establishment should utilize online booking system which can enhance accuracy and convenience for making appointments. Besides, the available business schedule provided by this software solution can boost profitability by showing empty slots on websites. Hence, last-minute services can be selected and booked by customers. Moreover, reminding messages for customer before treatment shows enthusiasm and respect toward customers' schedule.

After closing the deals, customers will experience the services at the spa. During customer's experience of the services, spas should focus on enhancing customers' pleasure, relaxation, and sensation of spa environment by providing high services quality and showing respect. To enhance the ambience, spas should impress customers with open space, natural scent or pleasant sound. Enhancing customers' experience requires focused attention and suitable investment. Spa is considered a relaxing destination filled with melodious music and therapeutic scents. Employees' sincerity and elegance play an important role in improving customers' experience. Employees must be adequately trained in their mannerism so that they can apply the relevant skills in practice. Staff should avoid participating in idle conversations or making noise while customers are enjoying the services. In addition, spa's decoration and cleanliness must satisfy the most demanding customers. Delightful atmosphere can easily be created by gentle light, scented candles, and fresh flowers. Employees' courtesy and respect toward customers is second in importance when it comes to impressing customers prior to experiencing the services. While using the services, product quality and employees' skills are the most powerful catalyst for customers's sensation.

After completing the services, getting quality customer feedback is mandatory. Customer feedback plays an important role in enhancing customers' satisfaction and improve service quality in general. The feedback should be immediately gathered and archived after customers' experiences. This information can be utilized for further analysis of customers' behavior and expectations which increases the likelihood of creating effective customer service strategies. Keywords for specific customer segments can also be taken into account in order to develop long-term marketing strategies. Interviewees think that keeping loyal customers would be more cost-effective than finding new ones. Thus, it is important to come up with cost-effective services for regular customers. Loyalty programs and membership rewards are two efficient and inexpensive post-service promotions that can encourage customers to repurchase appropriate services. Customers will feel that they are given attentive care from the spa. Moreover, customers' preferences and interests can also be discovered by loyalty program which fosters new ideas for future strategies or customized services.

#### 4.1.5 Challenge 5: Quality management

According to the interviewees, human resources training, and product quality assurance are considered the main challenges that Vietnam spa businesses need to resolve to ensure the quality of products and services. They play an important role in creating brand reputation and corporate value. However, most spa businesses in Vietnam were spontaneously developed, equipped with unqualified facilities, and only provided substandard services.

The interviewees reveal that, along with the rise in demand of beauty services, a wide range of spa businesses are established and operated without being officially declared. The mismanagement and non-transparency led to customers' skeptical attitude toward the spa industry. According to the interviewees, in spite of available opportunities for sustainable development, the challenges of assuring the safety and effectiveness of beauty treatments remain a big problem which needs to be resolved. Along with the development and application of technology, human resources also require focused attention. Spa businesses would not thrive if their employees are not well trained and prepared for delivering services. The training process of employees is considered unprofessional when both study and practice are combined into one process. Therefore, it is difficult for trainees to achieve an appropriate level of knowledge and skills before starting the job, which may negatively impact customers' health. In general, the above-mentioned unsolved inadequacies in the beauty industry generate anxiety and caution among customers.

Given that the market is loosely managed, there were spa and beauty businesses which do not check the quality and expertise of their doctors. According to the expert interviewee, many people without surgical licenses are working in spa businesses as surgeons. Despite the possibility of dangerous consequences for customers' health, they illegally operate plastic surgeries or filler injections on customers in order to maximize profits. As a result of such practices, legitimate concerns about human resources and quality management unavoidably reduce customers' trust to a large extent.

By the same token, a wide range of beauty establishments operated plastic surgeries, filler injections and non-invasive surgeries on customers' bodies despite insufficient surgeons' qualifications. "Doctors" working for those spas just want to make money quickly but do not possess any relevant experiences and expertise. Common plastic surgery methods are double-eyelid surgery, jaw reduction, rhinoplasty, breast augmentation, botox injection, and filler injection. In Vietnam, only several spa establishments have the licenses to operate plastic surgeries. However, a lot of spa establishments without proper certificates directly operated surgeries on customers. Most of them only possess skincare certificates. Moreover, their unauthorized services are advertised in public through social media or online websites. For example, on many spas' Facebook fan pages, images or videos of surgical operations are published. Despite the lack of legitimate and specialized expertise, those video advertisements are meticulously staged to attract customers' attention and make them believe in the service quality.

A large number of post-operative complications were recorded in Vietnam in recent years. This reality was alarming due to the fact that the consequences are extremely painful and tragic. For example, several women permanently lost their vision after having been injected with fillers for rhinoplasty. Due to the application of dermal fillers as well as volume improvers, arterial or venous occlusion can cause ischemia which leads to blindness or skin necrosis. (Souza Felix Bravo B, 2015.) In some other cases, necrosis cases may force customers to curette the filler which results in sequelae in patients. In general, tragic cases of dermal filler injection remained a serious problem, leading to customers' skepticism, which negatively affect the credibility and reputation of the spa industry.

In addition, counselors in many spas are not only responsible for consulting services but also for examining customers' bodies and problems. They can even touch and draw on customers' bodies so as to examine the body area(s) requiring treatment. Based on that sketchy diagnostics, the relevant beauty service packages will be recommended to customers without consulting any specialists in plastic surgery. Surgeries are operated in the spa establishment

itself even when there is a concern about sanitary standards and required facilities. Afterwards, customers will return home immediately without getting proper rest, which can create post-operative implications. If customers encountered post-operative complications, the spas they went to might not be responsible for re-examination and treatment. The customers had to go to hospitals or qualified plastic surgeons to resolve post-operative complications. The lack of professional knowledge in combination with the primary purpose of maximizing profit undermine service standards at many spas, which may bring about tragic consequences.

Besides, in order to find jobs and earn money quickly, demand for spa certificates rose rapidly which prosper the growth of spa training courses in the market. However, the quality and quantity of training course were not tightly managed by operating individuals or organizations. The nationwide standards of teaching materials and qualifications were so heterogeneous that it is impossible to guarantee the required skills and experience level of trainees. The number of students enrolled in spa training courses is also not strictly controlled. The process of training is believed to be cursory, illegitimate and without expertise. Unfortunately, taking advantage of the apprentice's lack of experience, many spa businesses offered training courses in order to raise profit from tuition fees as well as to utilize free human resources. Consequently, after the coaching process, the output quality of workforce is not sufficiently high, which means that the certificates obtained have little value.

Moreover, the quality of cosmetics plays an important role in creating effectiveness and success of all spa businesses. However, in practice, fake products and toxic-added cosmetics are considered an unsolved problem in Vietnam's beauty industry. 75% of cosmetics in Vietnam beauty industry is considered counterfeit and unverified, and only 25% is trustworthy. (Nga, 2018.) Besides, 100% perfumes and hair wax sold in traditional markets, were fake products. (Ha & Thuan, 2018.) Market management department also declared that the presence of fake products is alarming. In order to decrease costs and raise profits, many spa establishments applied fake cosmetics or

toxic chemicals directly on customers' skin, which tremendously damaged for their skin.

The reality of corticosteroid addiction dermatitis has remained a prevalent complication in dermatological disease treatment for several years. In Vietnam, women's beauty standard was always associated with fair skin. Women constantly searched for skin whitening products which can make their skin as white as possible. Spas and cosmetic brands cannot ignore this potential market. They offered a wide range of whitening products and services in order to fulfill the market's demand. However, the quality of those products is not guaranteed by producers and those products may contain dubious ingredients or even toxic chemicals.

In reality, in order to produce quick whitening cream for women, many spas in Vietnam used cosmetics containing corticosteroids. Those cosmetics were advertised as regenerating the skin layer and eliminating melanin which enhances the whitening/anti-aging effects. In fact, corticosteroid was typically overused and abused which led to customers' addiction. After using the products for a short period of time, the discontinuation can result in redness, acne disorder, burning, itchiness, pustules, and nodules (deeper bumps). (National Eczema Association.) The irritating and allergic symptoms of topical corticosteroid addiction are severe and require radical treatment.

Particularly, according to the interviewees, cosmetics containing toxic elements were widely used in countless spa establishments in Vietnam. Regardless of the consequences that might affect customers' health, those cosmetics are publicly available in different shapes and sizes. At first, skin became whiter and smoother after using. However, when customers stop using the products containing corticoids, a skin thinning process started as a result of vasodilation, hyperpigmentation, or corticoid addiction.

Moreover, several spa establishments even offered peeling skin treatment and bleach bath services as intensive whitening methods despite the fact that chemicals used for peeling skin and bleach bath, can seriously harm users' health. Phenol and resorcinol contained in chemical cosmetics can excessively increase or slow down heartbeat. (Joseph G. Cannon, 1984.)

Abusing or overusing cosmetics containing harmful chemicals can lead to incurable complications. (Son, 2018.)

The reality of spa quality in Vietnam's beauty market remains as a bewildering issue that needs to be addressed. Besides low-quality spas, there were a wide range of beauty businesses that provide high-quality services and products for customers. However, due to the inferior reputation of several spa establishments, the public had a critical view on domestic spa market. Therefore, affirming product and service quality becomes a big challenge for entrepreneurs in this industry.

## **5 Discussion**

### **5.1 Solutions**

This thesis aims to identify and analyze the challenges encountered by entrepreneurial companies in Vietnam's spa market. Hence, qualified solutions have been developed to successfully overcome these challenges. In Vietnam's emerging market, the spa market witnessed significant growth in the number of spa establishments, which raises concerns about the level of competition in a seemingly saturated market. Earlier literature showed obstacles that businesses had to face in terms of quality and management. In order to successfully manage a spa, not only abundant capital is required, but the owner must also have an in-depth knowledge of services and corresponding treatments. Moreover, business management, human resources, branding, and marketing skills should also be focused on. This remains the solid barrier which makes many people hesitate to run their own spas.

According to earlier research and interviews, five main challenges of entrepreneurs in spa businesses are unclear business model, weak financial management, inefficient brand marketing, lack of customer service, as well as low product and service quality. In practice, spa business models in Vietnam are heterogeneous and lack general quality standards. Consequently,

professionalization in business management is the prerequisite for the enterprise to overcome initial difficulties.

Depending on their financial potential and business purposes, entrepreneurs should create appropriate business models with clear operational objectives. In order to design a strong business model, the owner must identify at least 9 elements according to Canvas business model which are key activities, crucial partnerships, fundamental resources, targeted customer segments, selling channels, customer relationships, value for different customer segments, cost structure, and revenue streams. (Magali, 2015.) Those nine elements detail operations and inextricable relationships among the different elements within every business. Therefore, searching and identifying those elements constitutes a strong backbone necessary for creating long-term plans and development strategies.

Second, in order to overcome financial obstacles and maximize the potential of available resources, a long-term financial plan is a crucial factor that determines how spa businesses can survive and compete in the market. Strategic financial planning, working capital management, fixed-asset administration, as well as reporting and controlling might be required as developing objectives. As suggested by the interviewees, budget planning must be seriously taken into account.

At the initial stage of business, reliable estimations of the level of trust, growth predictions, and fundamental calculations of costs and benefits will reinforce the development strategies of SMEs in emerging markets. A solid financial plan which was designed to be goal-oriented and applicable in the long run not only smoothly manages a business's operation on a daily basis but also determines the suitable courses of action for firms with limited resources.

Besides, managing working capital plays an important role in the survivability of entrepreneurial companies in an emerging market. As mentioned above, SMEs confront obstacles in trying to access external markets. Hence,

balancing receivables, bad debts, and excess cash flow is important to a company's survivability. The limited amount of cash, optimum inventory and account receivables should be utilized for long-term business maintenance. Strong management of cash in and cash out is indicated to help raise profits, decrease the receivable collection period, and extend the accounts payable period. (Hande, 2015.)

In spa businesses, fixed assets such as facilities, furniture, treatment machines, and equipment are considered essential. However, purchasing and investing in fixed assets might affect long-term cash flow. The long maturity period of investment in high-end equipment can limit daily operation resources, especially when the impact of cash flow was not analyzed in detail before making investment decisions. Hence, a crucial element in profitable fixed asset acquisition is a long-term reasonable evaluation of equipment depreciation and productivity. However, technological equipment and machines contributed to a diverse range of services offered for different customer segments. Thus, in spa businesses, acquiring or hiring fixed assets that bring about great benefits for customers is crucial. However, fixed asset acquisition needs to be balanced with firms' financial ability as well as revenue. In order to maximize productivity and profitability, a range of questions pertaining to effective resource allocation and investment should be addressed before acquiring fixed assets.

Last but not least, financial activities of business should be recorded and analyzed. In SMEs, the entrepreneurs may confuse between business investment and personal spending. Therefore, it is important to note down operating costs, reinvestment costs along with personal spending on a daily basis. This routine enabled entrepreneurs to analyze and adjust their management of limited financial resources. Three efficient tools such as balance sheet, cash flow statement, as well as income statement can help entrepreneurs monitor cash flow and how it corresponds to firms' objectives in detail. However, a large number of spa entrepreneurs, who have expertise in beauty treatment, lacks basic financial skills and enterprise management skills. Maintaining monthly financial reports might help entrepreneurs deal with the above problem. Owners' in-depth awareness of their tangible and

intangible assets, liabilities, cash, inventory, and growth ratios can aid sustainable development.

Moreover, appropriate solutions should be implemented to strictly manage poor-quality businesses and control beauty products in the market. There were three main problems faced by spa businesses which are personnel standard, business license, and product quality. Therefore, in order to be successful, entrepreneurs have to ensure the quality and legality of every service and product. Effective services and treatments are the best method of cultivating customers' trust, which helps businesses overcome the public's distrust of the spa industry in general.

Moreover, specific laws and regulations must be publicized by the government in order to target unlicensed spa establishments. Investigations must be conducted to ensure the quality of the spa establishment in the market. Regarding the vocational education system, it is essential to determine fundamental standards according to which the quality of students and the value of their certificates can be appropriately assessed. Besides, information about qualified vocational training centers and official aesthetic academies should be published. Hence, students who want to train in cosmetology school can enroll at prestigious educational institutions. The apprenticeship certificates obtained will have real values which can improve the overall quality of the industry.

## 5.2 In the light of literature review

The earlier literature showed the obstacles as well as opportunities for entrepreneurs in an emerging market. In Vietnam's developing market, new spa businesses have the potential to grow and gain market share. However, due to the heterogeneity of quality management and lack of industry-wide standards, service quality as well as the legality of spa establishments were not strictly controlled. This reality negatively affects not only customers' health but also the reputation of the spa industry. Unqualified infrastructure, poorly formulated policies and high level of volatility are the main characteristics of an emerging market which results in too much heterogeneity and unfair

competition in different economic sectors. Meanwhile, emerging markets witnessed significant returns on investment due to low-income rate, low tax rate and the increase in size of the middle class. Hence, companies can gain competitive advantages from this situation by pursuing sustainable development in terms of both quality and scale.

In practice, due to the heterogeneity of both quality standards and sizes of business operations, businesses need well-managed financial resources, effective strategies, and stable development goals in order to slowly gain market share as well as reputation. Meanwhile, compared to businesses in a developed market, it is more difficult for entrepreneurs in a developing market to gain market share in a relatively saturated service market.

### 5.3 Limitations of the research and recommendations for future research

This thesis has at least three main limitations. First, research related to this thesis topic has not been found in Vietnam. As a result, concepts such as entrepreneurship, competitiveness, and emerging market could be further developed. Second, the author is not allowed to publish the names of companies and their founders. This restriction can limit in-depth analysis for any specific situation. However, an overview of Vietnam's spa industry was demonstrated and analyzed. The findings are considered typical in Vietnam's economic context, given interviewees' opinions and experiences. Last but not least, the scope of this thesis is limited to Vietnam's spa industry. Hence, the findings of this thesis are limited to Vietnam's developing market and entrepreneurs. The results cannot be interpreted to reliably reflect contexts outside Vietnam in terms of spa businesses, entrepreneurs as well as the market context.

Nonetheless, this thesis might encourage in-depth studies related to this topic. In the light of what has been discussed, further research into the spa industry and entrepreneurial competitiveness are recommended. These studies may increase the scope of research outside of Vietnam by including another economic context, for example. Or else, same topic studies conducted in countries with similar economic backgrounds to Vietnam should also be

conducted. The results of those recommendations can validate the findings and foster further in-depth studies.

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## Appendices 1

1. How old are you?
2. What is your current role in the company?
3. How long did you work in this particular field?
4. How old is your company?
5. What is your motivation and inspiration to work in this field?
6. What you like and dislike about your job?
7. What you like and dislike about the industry itself?
8. Please tell me about the market condition at this time?
9. Which elements are considered to be the most important to be successful in spa industry?
10. What are the obstacles that you need to face at this time?
11. Do these obstacles happen for all companies in the industry?
12. If yes, Why?
13. If not, what are the common obstacles in the industry at this time?
14. Which challenges are considered to be the most difficult to overcome for your company?
15. Which challenges are considered to be the most difficult to overcome for the whole industry?
16. What would be the optimal solution to overcome it?
17. If it is technology, please tell me more in detail?
18. Is your company in difficulty of competition?
19. What is your strategy for your own business?
20. Which strategy do you think would bring business in this field to take more market share?

