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CASE COMPANY SOFTWARE POTENTIAL IN THE SECOND HAND SMARTPHONE MARKET IN THE PHILIPPINES, TAIWAN, AND VIETNAM

Thesis

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Title
CASE COMPANY SOFTWARE POTENTIAL IN THE SECOND HAND SMARTPHONE MARKET IN THE PHILIPPINES, TAIWAN, AND VIETNAM

Commissioned by Case Company

Abstract
The project aims at exploring the market potential of a case company in the used smartphone market in the Philippines, Taiwan, and Vietnam. The research will introduce the three markets in general so that decision makers and readers may better understand the big pictures of these countries. The research also examines the current situation of the market, business practice, sizes, and feasibility of these three markets. Additionally, business cultures and possible market entries are studied and proposed.

The research is implemented by using both secondary and primary data. Primary data is acquired from qualitative interviews and phone calls to the customer service providers and decision makers of phone network operators as well distributors who are key players in each particular market. Secondary data are extracted from reliable sources of previous market studies, books, journals, and newspapers.

The outcomes of the project answer the questions stated as the project’s goals. They should give the company a clear picture of the market situation in order to decide whether to keep penetrating the used phone segment of the market or to explore alternative options in each country. In addition, the author gives recommendations for further processes and possibilities.

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1 INTRODUCTION

1.1 Company background

The case company (company A) is an international company specializing in particularly data security segment and electronic device (computer, tablet, and mobile) reuse solutions. Company A has offices in seventeen countries six continents. Company A’s main segments are Information Communications Technology (ICT) recyclers, IT Asset Disposition, ICT Service Providers, Public Sector, and Corporate. In East Asia, the Japanese branch is responsible for making sales, managing customer relationships and business development. There are Japanese sales people responsible for other markets such as Taiwan, the Philippines, Vietnam, and Thailand.

1.2 Project background

The Japanese branch of company A considers the Philippines, Taiwan and Vietnam as highly potential markets. The Japan branch is highly interested in the high and above average second hand smartphone market in these countries. In many Asian countries such as Singapore and Malaysia, it is enforced by law for personal data protection, meaning the wholesalers or retailers must ensure that previous owner personal data must be secured. It opens the possibility for Company A’s security solution for these high edged second hand smartphones, since the company software allows users to overwrite old users’ data. As a result, the Japanese branch would like to conduct a market research in these potential markets to check the profitability, possible market entry and marketing strategy in these markets.
1.3 Aims of the project

The project’s objective is to verify the assumption of the Japanese branch on profitability of the second hand smartphone section in the Philippines, Taiwan and Vietnam. Since there are countries in the South East Asia Region with strict regulation on data protection, the project would check on the current status of data protection in the aimed markets. The project shall address three main matters:

1. General information of target markets; insights of the second hand smartphone markets such as main distributors, trends, etc.
2. The feasibility and profitability of the markets.
3. Possible entry modes.

1.4 Outline

Business to Business literature will be considered first. This section will act as a theoretical foundation for the practical section. Business to business from an international perspective, market research methods and market entry literature will be highlighted.

The practical section starts with the general information of the three potential markets which will be provided in the form of a PESTL analysis. A PESTL analysis will be done for each country. The analysis will not only show the current situation of the three countries but also the demand for data security in the second hand smartphone market. Business culture including cultural norms and negotiations styles in these three countries will also be studied through literature and considering Hofstede’s approach.
The most important part of the study is the current situation in the smartphone and second hand smartphone market of these countries. The thesis will check on current trends and market potential of the smartphone and second hand smartphone market. Additionally, the main second hand smartphone distributors and their businesses will be studied to verify the possibility of Company A’s solutions.

Finally, possible market entries and marketing strategies will be presented to Company A. Strategies for market entry and the marketing plan will be based on the analysis of the current situation in each market and a consultant of the author’s professors.
2 THEORETICAL FRAMEWORK

The theoretical section briefly provides the theoretical foundation from which the practical section will be built. As the main aims of the thesis are to explore market intelligence, to find opportunities and to propose an appropriate market entry, the theoretical framework will be compiled in the order described in the following paragraph.

It will start with literature on Business to Business (B2B) from the perspectives of marketing, branding, and sales. Then, literature on the research method for international business will be discussed. As one of the most important parts of international business is cultural factors, a cultural framework will be built based on Hofstede’s and Trompenaars, and Hampden-Turner’s work. Finally, the entry modes and their influences are mentioned.

2.1 Business to Business (B2B)

2.1.1 Definition of B2B

B2B describes transactions between organizations and businesses such as manufacturer to wholesalers, wholesalers to retailers etc. Within the theoretical frame of B2B literature, there are several essential concepts and perspectives of B2B environments.
Kotler, Armstrong, Wong, and Saunders (2008, 259) simply define a B2B market as:

“Organizations that buy goods and services to use in the production of other products and services, or for the purpose of reselling or renting them to others at a profit.”

Ross Brenman divided the B2B market into two sub markets: the Business to Business itself and Business to Organizations, in which Business to Organization include also a B2B perspective. Business to Organization is not only composed of organizations with business but also non-business organizations (2007). One of the most important parts of Business to Organization is Business to Government. Business to Government consists of national governments and local governments. Apart from a longer decision process full of bureaucracy, paper work and emphasis on low bids, Government buyers behave similarly to normal business buyers (Kotler, Armstrong, Wong, and Saunders 2008).

2.1.2 B2B branding and sales

Branding is usually mistaken as a B2C concept since the majority of consumers’ knowledge about branding comes from companies such as Cola Cola, Unilever, and Procter and Gamble. However, branding is also indispensable in the B2B perspective, with Boeing, General Electrics, SAP, Oracle etc. as examples.

According to Kotler and Pfoertsch (2006), brands do not only strengthen the recognition of products, services and businesses but also differentiate them from the competitors. They are highly effective communication methods in terms of the benefits and value a product or service can provide. Moreover, they can act as a guarantee of quality and performance for the buyers. As a result, brands increase the perceived value and reduce risks involved in business buying decisions.
Another significant influential aspect is sales in the B2B environment. The thesis will further provide the theories and literature of B2B sales processes and attributes in the coming sections. Recent developments in purchasing function have implied changes for supplier firms. Just in time concepts, centralized purchasing, and proactive purchasing have forced suppliers to evolve to thrive in a global market place (Jobber 2009).

2.1.3 Business to Business (B2B) distinction against Business to Consumer (B2C)

In this section, the thesis will demonstrate the distinctive characteristics of the B2B market by using B2C, which is quite familiar to readers as a benchmark. Additionally, purchasing organizational behavior and buying processes will be analyzed as a basis to answer the market entry and marketing strategy questions of Company A in the practical section.

Authors have slightly different ideas about the attributes of B2B markets and how it differs from a B2C market. However, all of the ideas do not challenge each other but complement the whole B2B concept.

Jobber and Lancaster (2009) state that a B2B market consists of less buyers with closer and longer term relationships with suppliers; more rational with specific requirements for the products; having reciprocal buying, in which company A and B trade one product for another; having more risk and complexity involved; and necessitating negotiations. Meanwhile, Kotler and Pfoertsch (2006) state that the main differences lie in the complexity of the products, since a notable percentage of B2B products are raw materials or components of the ultimate product, the derived demand of which is characterized with complexity and volatility, and the high internationality of B2B market. Later on, Kotler, Armstrong, Wong and Saunders (2008) add further thoughts on the B2B market such as it having less but larger buyers; geographically concentrated buyers, inelastic demand, and involvement of more professional buyers and purchasing efforts.
Although the concept of the B2B market might be perceived modestly differently, the majority of book authors agree that there are three main buying missions, each with different requirements, processes, and implications for the selling institution. The three main buying missions are straight rebuy, in which the buyer reorders the product or service from its current suppliers, modified rebuy, in which the purchaser has adjustments and modifications on suppliers, product specifications, trading terms, and a new task happens when the organization purchases the product or service for the first time.

2.1.4 Factors influence buying behavior

Since the purchasing process of organizations is highly sophisticated, there are a lot of factors that influence the final buying decision directly and indirectly. Most of the time, people mistakenly conceive economic and technical products as fundamental factors to seal the deal. However, according to Kotler et al. (2008), the main influential factors are environmental factors, organizational factors, interpersonal factors, and individual factors. Environmental factors comprise economic factors and general external factors that could affect general demand, such as political, cultural etc. Organizational factors are internal factors that affect the buying process, such as buying objectives, procedures, policies, decision making structures etc. Interpersonal and personal factors relate to the decision maker's or decision makers' demography, age, beliefs etc. Brennan (2007) concentrates mainly on organizational factors, interpersonal and personal factors. She claims that the nature of a business, whether it is a retailer, an IT company, or a construction contractor, will have a strategy such as product winner or cost champion, and purchasing strategy decides how the business will make the purchasing decision. Meanwhile, Jobber (2009) provides a more general internal oriented approach by stating the buying mission type, the importance of the purchase and the product type as the main influences on the decision makers.
2.1.5 Buying process

There is nearly no difference in the way literature approaches the buying process. It all starts from the need recognition of the organization and goes to the specifications of the needed products, on to supplier search, supplier evaluation and selection, and finally to the establishment of the order routine and performance evaluation.

![Diagram of the buying process](source: Kolter 2008)

The more complex and expensive the product, the more likely the process will have more steps with longer times at each stage. According to Jobber and Lancaster (2009), need recognition can happen internally or externally. The company might recognize the need or obstacle during its business process or via external sources such as supplier sales representatives, trade fairs etc.

The specification and description of the needed items could be divided into two phases: general need description and product specification (Kotler 2008). In this phase the decision making department may need to cooperate with the technical and engineering team in order
to specify the criteria of the item. The ability of salesmen to influence this stage by demonstrating exclusive features can give a huge advantage to their companies in a later phase. The length and complexity of the supplier search depends on whether the purchasing task is a new, modified or routine one.

Nowadays, more and more businesses start actively seeking potential suppliers’ information from the internet or a business partner. Then, proposals and quotes from some potential companies will be requested and analyzed. Proposals, meetings, and negotiations will be called during the stage of supplier evaluation and selection. Kotler (2008) quotes a result of a survey showing the top criteria all business buyers consider to be quality products and services, on-time delivery, ethical corporate behavior, honest communication, and competitive prices. Priority ranking of each of the criteria depends on the company and culture which could be implied partly in the business culture section. In the last phase the buyer will evaluate and feedback the supplier based on the performance and implementation.

### 2.2 Market research/ International market research

As buyers become more selective, marketing strategies evolve to be more complex, and as competition increases in scale, sellers need to understand their markets better to get information on the effectiveness of their marketing tools and to receive updated information on decision making processes (Kotler 2008). Albaum, Duerr, and Strandskov (2005), also mentioned that the basic ingredient of any market selection program is the availability of market information.
2.2.1 Importance of market research

The importance of market research is even emphasized by Hooley and Jobber (1986), who state that the use of market research information is associated with above average corporate performance. Baker and Hart (1989) shows that companies performing better than average are significantly involved in gathering market research data. Although it could not be concluded that the increase use of formal market research data will lead to business performance improvement, it is certain that using formal market research is one of the essential factors (Brennan2007).

2.2.2 Market research process

The marketing research process comprises four steps: defining the problem and research objectives, making the research plan, implementing the research plan, and interpreting and reporting the findings (Kotler 2008).

Figure 2. The market research process (Source: Kotler 2008).
Brennan (2007) finds the definition of the industry or industry sector to be crucial to the success of a B2B marketing research, since without a clear and agreed industry definition, the company may waste time and energy to research things that it is not interested in. Albaum (2005) believed that defining what kind of information is needed is essential. As the needed information is not decently defined, the value of later stages in the research process will be negative. Brennan (2007, 130) demonstrated a small example of the automobile industry:

“When you say the car industry, do you just mean manufacturers of automobiles, or would you include such things as trucks and buses… what about construction equipment like backhoe diggers? Is it only the vehicle manufacturers that are of interest or are you interested in the suppliers of automotive components as well?”

Albaum (2005) defined the planning process as the specification of methods and steps for collecting the information needed. Developing a research plan usually consists of determining information needs, planning on searching for secondary data, and acquiring primary data (Kotler 2008).

According to Albaum (2005), management is the most important issue of implementing the entire research plan, since it involves an in house work force or an out house one, or whether it is centralized or decentralized inside the company.

Interpretation is an important phase of the marketing process. This is also the step which could mislead the whole research. Wrong interpretation can come from both the researcher or the decision maker. Therefore, it is recommended for the researcher and the manager to work closely in analyzing and interpreting the results (Kotler 2008)
2.2.2 Sources of information

As determined by Albaum (2005), sources of information can be categorized to internal or external sources. Internal sources may consist of sales records, staff’s knowledge etc. External sources refer to primary and secondary data during the data collection.

The availability of the internet eases the process of collecting updated secondary data to an unprecedented level. However, the increase in the availability of the information means that the researcher must be critical when assessing the quality of the information. It is recommended by Brennan (2007) to carefully qualify the information by checking its recentness, relevancy, and objectivity. In cases where information is collected from less well known and credible sources, there is a tremendous demand for critical examination.

General market indicators can be acquired easily from national and international organizations such as the UN, the World Bank, the International Monetary Fund etc. National governmental agencies such as an exporters’ or importers’ government or an embassy are also major sources of information (Albaum 2005).

2.3 Culture

2.3.1 Cultural perspective in B2B sales and marketing

Among all of the external factors that influence international business, culture is usually claimed as the main factor for the success or failure of a business. Tomalin and Nicks (2010) mentioned that international business without understanding local business culture
is risky business. Hans Koehler (1994) emphasize that multicultural awareness is an essence of any international business plan and operation without the knowledge of foreign business practices, negotiation skills, social customs comes with the chance that the business ends up as a failure.

Cultural factors are important to the success of an international business since they directly affects how people think, their behavior, the methods of communication, leadership and decision making styles, motivation, and negotiations (Tomalin and Nicks 2010). Jobber and Lancaster (2009) provide a more detailed approach based on product. A specific product perceived value and meaning are influenced by the culture buyers are living in. Therefore, international business people need to customize the sales and marketing approach according to how their target culture functions and what their values, belief, etc. are. In order to offer true value to the market, a business person must understand the value system of the foreign market.

2.3.2 Cultural approaches

There are plenty of theoretical approaches regarding culture in a business or management aspect. The two most prevalently used approaches are Hofstede's study and Trompenaars's and Hampden-Turner's one. This sub-section will act as a prerequisite for some further Hofstede approach for each target market in fourth section.

Hofstede’s framework is considered as the most widely used international literature relating to cultural psychology, sociology, marketing, and management. In his framework, Hofstede uses 116,000 questionnaires for 60,000 samples in 70 countries. He also devised five cultural dimensions with indexes on each for all nations and connected the dimensions with other general factors such as demographic, geographic, economical etc. (Kale and
Hofstede's cultural framework consists of five main cultural dimensions. They are masculinity/femininity, individualism/collectivism, power distance, uncertainty avoidance, and long term orientation.

Masculinity/ femininity is about the concept of self. Masculine cultures value success and achievement, while feminine cultures value caring and welfare. Individualism/collectivism refers to relationships between individuals. In an individualistic country, a person is responsible for his or herself and his or her immediate family. On the other hand, in collectivistic culture, a person belongs to groups and connections. Power distance relates to hierarchy and relationship to authority of a country. Uncertainty avoidance reflects the extent that people conceive and avoid uncertain and ambiguous circumstances. Long term orientation shows people perceptions related to future rewards and long term goals.

The Trompenaars and Hampden-Turner approach is more of a business and management approach, since their sample consists of thousands of managers. However, the scale of the study is smaller than that of Hofstede with only 30,000 surveys and 28 nations. The seven dimensions of culture by Trompenaars and Hampden-Turner comprise universalism/particularism, individualism/collectivism, achievement/ascription, neutral/affective, specific/diffuse, internal/external, time orientation (Trompenaars and Hampden-Turner 1997).

Universalism/particularism refers to the value people place on general rules and laws against personal relationships. A universalistic culture believes that rules and laws are applicable in all circumstance, while a particularistic culture believes that friendship could
be prioritized against law. The achievement/ascription aspect is similar to the power distance of Hofstede's framework, in which an achievement country considers social status to be gained from accomplishments while ascribing culture claims that status can be achieved with age, social position etc. Neutral/affective refers to the extent that individuals express and display their emotions. Specific/diffuse reflects how individuals involve and engage in different areas of their lives (i.e. working life and personal life). The individual in a specific culture will distinguish his or her work from the personal life. On the other hand, an individual in a diffuse culture usually sees the interrelations between his or her lives. Internal/external describes the view of the external environment. An internal culture considers nature as a controllable factor, while an external culture believes nature cannot be controlled, but an individual should harmonize with the nature. Finally, time orientation refers to whether an individual prefers to be single or multi tasked.

The fourth section of the thesis will utilize Hostede’s cultural approach to analyze the business culture of each particular country.

2.4 Market entry modes

2.4.1 Planning on market entry modes

Market entry is an answer to a question of the vertical integration of a company whether to utilize company’s salesforce and company distribution division or to use external sales agents and distributors. Using the internal integrated channels will allow more control, while using external channels will mitigate risks and commitment (Anderson and Coughlan 1987).
Albaum (2005) added more detail to the company strategy perspective by stating that a market entry decision should be made using methods that are consistent with the company’s strategic objectives, since entry mode is influenced by the international strategy followed by the firm for its foreign business or market expansion. Albaum also noted that the company must plan for the flow of transactions (the flow of ownership) and the flow of the actual product.

2.4.2 Alternative market entry modes

Though similar in their ideas and approaches, Albaum divided alternatives into three main groups: home country production, production in free area, and overseas production, while Kotler categorized them into export, joint venture and direct investment. The alternatives are illustrated in Appendix 4. Due to Company A’s attributes and business strategies, the thesis focuses only on home country production (export) mode.

Exporting is considered the easiest entry mode to satisfy a demand for foreign markets since the risk and commitment are low and organizational change is not significant. The two main subcategories in the exportation mode are indirect export and direct export. Indirect export consists of cooperative organizations, home country based agents and home country based merchants. On the other hand, direct export contains a home country based department, a foreign sales branch, foreign storage or warehouse facilities, a foreign sales subsidiary, a foreign travelling sales staff, and a foreign based distributor and agent.

A home country based department is established as a dependent department within the head office that participates directly in international sales or works as home based marketing or sales control support. A foreign sales branch is usually established when the demand in the market area is sufficient and the company would like to have better supervision on the export process. A foreign sales branch takes responsibility for sales, distribution and
promotion throughout the assigned market area. Storage and warehouse facilities are usually set up as part of a sales branch when it is necessary and profitable to maintain stock and inventory in the designated market area. A foreign sales subsidiary is a higher level of sales branch. A foreign sales subsidiary has higher independence and takes care of greater responsibilities than the sales branch. A travelling salesperson usually resides in one country (exporter’s home country) and travels aboard to take sales responsibilities. Finally, foreign based distributors and agents/ representatives are the method which involve independent marketing organizations.

In the seventh part of this thesis, entry modes will be mentioned as suggestions for Company A in entering its potential market.

2.5 Exhibitions and trade shows

As exhibitions and trade shows will be mentioned as one of the direct marketing methods of Company A to its potential clients, it is logical to learn briefly about trade shows literature. In this section, the thesis will provide information on the importance of trade shows and the relevancy of particular trade shows for businesses and preparations.

2.5.1 The importance of trade shows

According to Obringer (2003), exhibitions and trade shows are some of the best ways to provide first impressions to thousands of customers and prospects in a relatively short amount of time. Trade shows provide the chance to demonstrate the products and build brand awareness simultaneously. A typical national trade show with 1,000 exhibitors and 10,000 visitors can allow companies to reach realistically everyday 200 visitors, which is
impossible to reach using cold calls. Dallmeyer (2004) adds that exhibitions are the only sales and marketing medium that delivers a pre-qualified visitor to a company’s stand in a face-to-face selling environment. Sink (2004) compares trade shows with sex in the way that even in bad cases, outcomes could still be satisfactory.

However, as the cost for attending trade shows is high including booth rental fee, travelling cost, time, effort etc., the company may want to plan and prepare carefully in advance to make the best of its investment. The planning and operating phase consists of plenty steps with different tasks and from three to six months of planning to just one month. There are also tasks during and after the trade shows. In detail, tasks can range from selecting the right exhibition to pre-show communications with visitors, staffing the exhibitions, and managing prospects.

2.5.2 Selecting the right exhibition

There are hundreds of international and domestic exhibitions happening in a region. In order for the company to find its most relevant pool of audiences and prospects, the company needs to plan and qualify for in advance which exhibition to attend and in which role to be.

According to Dallmeyer (2004), there are several questions that the company should answer before attending any exhibition.

Those questions are:

--What is the targeted industry of the exhibition?

--Do competitors attend to this exhibition?
--What are main profiles of exhibitors and visitors?, and

--Who is the organizer of the exhibition?

These questions would allow the company to check in advance the targeted audiences and the relevancy of the exhibition to its goals and visions in the market.
3 GENERAL MARKET INFORMATION (PESTL ANALYSIS)

The thesis provides readers with general pictures of three targeted markets of Company A via a PESTL analysis. The PESTLE analysis would demonstrate three countries in factors that could influence Company A’s penetration to those markets.

3.1 Taiwan

3.1.1 Political

Taiwan is a multiparty democracy country with the current head of state President MA Ying-jeou and the current head of government Premier JIANG Yi-huah (CIA World Fact Book 2014).

As Taiwan depends significantly on imports and exports, the Taiwan government is highly open to foreign trade. Taiwan is also a part of the WTO Information Technology Agreement, meaning there is no tax or tariffs on IT products, including software, entering Taiwan. Corporation tax in Taiwan is 17 percent, which is similar to Singapore’s and just slightly higher than Hongkong’s (Pevrzer and Hsu 2010). This is made in an attempt to attract more foreign investors.

According to Best (2014), Taiwan is a low political risk country. The government has privatized and deregulated much of the economy. Taiwan is in the category of CRT 2 and
is considered as low risk. However, apart from other CRT 2 countries, Taiwan depends significantly on external demand for exportation. Taiwan’s relationship with Mainland China is still the most concerning aspect of its politics. President Ma Ying-jeou has brought a closer relationship with Mainland China by resuming the two sides’ dialogue, agreeing to new trade deals etc. However, people are still divided when it comes to the possibility to strengthen relations and economic cooperation with the Mainland.

3.1.2 Economy

The economy of Taiwan is one of the strongest and most vibrant economies in Asia. Both GDP and GDP per capita of Taiwan are relatively high in comparison with the rest of the world. They are ranked 21st and 28th respectively. As a highly open country, Taiwan is ranked 16th in the world in ease of doing business (World Bank 2014). Taiwan seems to be a high potential market since it is among the top ten potential consumer markets (Thomson Reuter 2013).

According to Best (2014), Taiwan is a foreign trade oriented economy, meaning the economy is vulnerable to fluctuations in global demand. The economy is predicted to recover slowly as domestic demand remains low. A recent increase in Japanese growth and a slow recovery in the Eurozone could increase Taiwan’s economy slightly. In fact, Taiwan's economy sped up in the second quarter of 2014, as exports increased, companies continued preceding their investments, and consumers continued to spend. In the three months prior to June 30, Taiwan's GDP increased 3.8 percent from the same period of the previous year and was 1.5 percent larger than the previous quarter (Liu and Dou 2014). The central bank continues to keep the monetary policy throughout 2014 as inflation remains low (1.1 percent) and growth has yet to fully recover. Fiscal policy is on the same track with the extension of expansionary policy in order to boost the domestic demand to decrease the dependence on external demand. As a result, private and corporate sector spending could be expected to grow in the near future.
With $268.5 billion (207 billion euro) in value, Taiwan is ranked 19th in the world in terms of importation. The majority of import products are electronics, machinery, and crude petroleum. Japan, China, and the US are the three main importers as well as exporters for Taiwan (CIA World Fact Book 2014). Similar to the Philippines, Japan is the biggest account in Taiwanese import value.

### 3.1.3 Social

With 23,359,928 inhabitants in a relatively small country, Taiwan is quite a lucrative market for electronics. The majority of Taiwanese is in the 25 to 54 years old range (CIA World Fact Book 2014). Since both the unemployment rate (4.1 percent) and population living below relative national poverty line (1.5 percent) are low, smartphone and the second hand high end smartphone market seems to have potential in Taiwan.

### 3.1.4 Technology

Taiwan is one of the most innovative countries with great adaptation to high technology. Taiwanese technological companies produced up to 90 percent of components of top brand laptops, such as Dell and Apple (Sui 2014). Additionally, technological startups have increased consistently over past few years, preparing Taiwan to be a new innovative leading country. Both the numbers of mobile phone users and internet users are high proportionately in Taiwan. As a result, it could be predicted that the smartphone and second hand smartphone market in Taiwan might be lucrative with a large number of high end smartphones.
3.1.5 Legislation

Taiwan passed the Personal Information Protection Act in 2010 but only started to enforce it in 2012 due to some severe articles and the law’s extensive scope. The Personal Information Protection Act applies to all companies, individuals, and public organizations. According to the act, all requirements and procedures must be followed when collecting, processing, or using personal data. As the Taiwanese government enforces the act intensively, there could be also a demand for data protection. Organizations that profit from the collection, processing, or use of personal data can be fined up to NT$1,000,000 (25,660 euro) (Rich, Ordikhani, and Wugmeister 2010). According to Article 41 of the Personal Information Protection Act (2010):

A violation to Paragraph 1 of Article 6, Articles 15, 16, 17, 19 and Paragraph 1 of Article 20, or an order or disciplinary action of the limitation on international transmission made by the government authority in charge of subject industry at the central government level in accordance with Article 21 which may harm other people’s rights should be imposed of a sentence or custody of no more than 2 years, or a fine of no more than NT$200,000 (5132 euro), or both.

Articles 6, 15, 16, 17, 19, and 20 are concerned with illegal and inappropriate personal data collection and similar matters. Additionally, individuals will receive monetary compensation based on their loss including tangible and intangible suffering caused by the breach of the PDPA. Even in the case that the victim cannot prove the amount of actual damage or compensation, the courts may set the amount of damages at NT$500 (12.8 euro) to NT$20,000 (513 euro) for each incident per person.

The strong economy and highly opened markets of Taiwan provide a favorable environment for IT business, although secondhand smartphones are not so favorable. The supply from individuals in the Taiwanese domestic market may be considerably greater than the demand. In addition, the regulation of Personal Data Protection in Taiwan is quite strict, meaning there might be a demand for data security for second hand smartphones in
Taiwan. As a result, Taiwan seems to be a market of great potential for Company A data security software.

3.2 The Philippines

3.2.1 Political

The formal name of the Philippines is the Republic of Philippines. The political regime is a republic, and the head of state and head of government is President Benigno AQUINO. The legal system of the Philippines is a mixture of civil, common, Islamic, and customary law (CIA World Fact Book 2014).

Similar to most of South East Asian countries, the Philippine government is opened to international trade with regulations supporting international business. Since the Philippines has participated in the Information Technology Agreement of the WTO since 1997, there has been no tariff or importation tax for software in the country. However, a 30 percent corporation tax in the Philippines is relatively high in comparison with its neighbor ASEAN countries.

According on Best’s analysis (2014), the Philippines has high political risk. From the lowest risk rank Country Risk Tier (CRT) 1 to highest risk rank CRT 5, the Philippines scores CRT 4. Domestic rebellion, terrorism, and security issues have negatively influenced the Philippines’ attractiveness to foreign direct investment in the past. President Aquino received wide support in his implementation of numerous economic and political reforms. The Liberal Party took the majority in the 2013 midterm elections, improving political stability. However, in a country which is still haunted by the dictatorship of Ferdinand
Marcos, the fact that politics is filled with same family members and President Aquino even suggest a possibility of law amendment allowing two terms president could shake a stable boat in the near term (The Economist 2014).

3.2.2 Economy

While the GDP of the Philippines is ranked 32nd in the world, the GDP per capita is ranked only 165th in the world. Therefore, there is a big gap between the rich and poor in the country. According to Best (2014), the Philippines fiscal position continues to improve thanks to recent fiscal policy adjustments, policy management, strong growth, moderate inflation, and political stability. The Philippine economy grew 6.4 percent in the second quarter of 2014, continuing as one of Asia's fastest-growing countries and rationalizing expectations for further rate increases (Larano 2014). In 2013, the inflation rate was at the low-end of the central bank’s inflation target of three to five percent. In 2014, it raised to 4.1 percent due to the increase in food, fuel, and electricity prices (Kendrick Chua, Mariano, Kaiser, Johnston, Limkin, Cruz, Sabarillo, van den Brink, 2014). The Philippine government surely would like to boost the consuming and domestic spending in 2014. Monetary policies have remained loose, with policy rates maintained at record lows. Additionally, there are policies encouraging businesses and households to make loans and maintain healthy balance sheets for banks.

The ease of doing business in the Philippines is quite low with a 106th ranking in the ease of doing business report (World Bank 2014). The Philippines’s importation is ranked 47th in the world with approximately $64 billion (49 billion euro) in 2013. The main imported products of the Philippines are electronics, mineral fuels, machinery, and transportation vehicles mainly from the USA, China, Japan, and South Korea (CIA World Fact Book 2014). Japan accounted for most of the Philippines’ foreign trade in 2013 (Philippines Statistics Authority 2014), meaning it could ease the selling process for Japanese partners in selling high tech products.
3.2.3 Social

With 107,668,231 inhabitants, the Philippines is one of the most populated countries in the world and one of the biggest consumer markets. The majority is 25 to 54 years old (CIA World Fact Book 2014). According to the CIA World Fact Book, there was a 7.4 percent unemployment rate in 2013 and 26.5 percent of the population living below the poverty line in 2009 (relative poverty line: the poverty line as national estimation. Definition of poverty line varies greatly among nations). Based on the World Bank’s (2009) absolute poverty line (portion of population living less than $1.25 or 0.96 euro per day), the Philippines has 18.42 percent of the population living below the poverty line. There might be a slight challenge on the smartphone or second hand smartphone market.

3.2.4 Technology

The Philippines is still in a developing phase in terms of technology. While most of the population had access to mobile phones in 2012 (approximately 100 million people), there is only a small portion of the country that has access to the internet (approximately 8.3 million people). The small number of people with access to the internet might bring to the deduction that the smart phone market is rather small in the Philippines.

3.2.5 Legislation

The Philippines has a similar Personal Data Protection Act as its South East Asian neighbors Singapore and Malaysia. In 2012, the Data Privacy Act of 2012, which was influenced by EU and APEC Information Privacy Framework, was introduced.
The Act’s objective is to protect data privacy by obligating that all personal information controllers comply with regulated procedures and requirements before collecting, holding, processing, or using this information. According to the Republic Act No. 10173 (2012):

An Act protecting individual personal information in information and communications systems in the government and private sector, creating for this purpose a national privacy commission, and for other purposes.

The processing of all types of personal information and any natural and juridical person involved in personal information processing, including personal information controllers and processors, is regulated by this Act. Any access of personal data due to negligence shall be punished by law.

The intensity of penalties for violations ranges from a half year to six years of imprisonment and a fine from 100,000 pesos (1743 euro) to 4,000,000 pesos (69,700 euro). Section 27th of the Republic Act No.10173 stated that:

The improper disposal of personal information and sensitive personal information shall be penalized by imprisonment ranging from six months to two years and fine of not less than 100,000 pesos (1743 euro) but not more than 500,000 pesos (8711 euro). The fine shall be imposed on persons who knowingly or negligently dispose, discard or abandon the personal information of an individual in an area accessible to the public or has otherwise placed the personal information of an individual in its container of trash collection.

The current growth pace of the economy together with a recovered domestic consumption demand both signal a decent demand for electronics. Although the Personal Data Protection Act might not be as strongly enforced as in Singapore, the Philippines could still be of great potential for Company A’s software product.
3.3 Vietnam

3.3.1 Political

The formal name of Vietnam is the Socialist Republic of Vietnam. Vietnam is a communist country with a market economy. Since the country's reunification, the Communist Party has led the Vietnamese people in carrying out the country's renovation, modernization and industrialization (Government Portal 2014). In Vietnam, there is only one political party: the Communist Party. The chief of state is President Nguyen Tan Sang, and the head of the government is Prime Minister Nguyen Tan Dung. The political environment in Vietnam is not so favorable to do business in. There is a lot of bureaucracy and paper work. In addition, Vietnam has a quite high corruption rate (Vietnam is ranked 123 in the Transparency International Statistics). However, there are still a lot of regulations and projects from the government to attract FDI and foreign business to enter Vietnam.

According to Best (2014), Vietnam is a politically high risk country (CRT 4). Although economic and government reforms have been going on for many years, the changing pace is slow, and resistance to privatization is still strong. The state-owned sector accounts for about 40 percent of GDP. The government priority continues to be the stabilization and growth of the economy. Although the communist party is able to maintain the political stability over years, tension has risen during the dispute with China over oil rich islands in May 2014.
3.3.2 Economy

Vietnam is a successful story of economic development. It is one of the most dynamic emerging countries in East Asia. According to the CIA World Fact Book (2014), although Vietnam has a strong GDP ($358.9 billion (277 billion euro) and ranked 39th in the world), its GDP per capita is rather low ($4000 (3088 euro) and ranked 168th in the world). Even though Vietnam is ranked 99th in the ease of doing business with a lot of bureaucracy and corruption (World Bank, 2014), the economy was still able to increase to 55 percent of FDI in 2013 thanks to the government encouraging policies for foreign trade and foreign investments.

According to Uyen (2014), Vietnam’s economy grew robustly in the second quarter as the export picture improved after the currency (Dong) was devalued for the first time in a year. GDP increased to 5.25 percent in the second quarter from a year earlier. In the near term, the country growth is expected to maintain the five percent pace with the devaluation of the currency and a tight fiscal policy. Although the government approved a decrease in the interest rate to boost it and the consumption rate, the market is just slightly improved. According to Bhattacharya’s study (2013), because of the lack of detailed mandates and autonomy from the Central Bank, the monetary policy transmission mechanism is rather weak in Vietnam. Vietnamese domestic demand is considered as weak, and the economy could thrive mostly by external demand.

International trade including export and import has grown considerably in 2013. Vietnam’s exports massively outperform those of its neighboring countries with 15 percent growth (Arnol 2014). The international trade rate is expected to grow even higher in the short term. The main import products are machinery, equipment, and petroleum products from China, South Korea and Japan (CIA World Fact Book 2014).
3.3.3 Social

With approximately 93 million inhabitants, Vietnam is a huge market for consuming goods such as smartphones. Additionally, a current trend to follow the modern technology of young people and middle age people could make Vietnam a lucrative destination for smartphone producers. Nearly half of the population is 25 to 54 years old. Even though the unemployment rate is low (1.3 percent in 2013), the percentage of the population living below the poverty line is quite high with 11.3 percent in 2012 (relative poverty line: the poverty line as national estimation. Definition of poverty line varies greatly among nations). Based on World Bank’s absolute poverty line (portion of population living less than $1.25 or 0.96 euro per day), Vietnam has 16.85 percent of population living below the poverty line in 2009. In combination with the slow growth rate of the economy and domestic spending, Vietnam should become a highly potential market in the near future.

3.3.4 Technology

According to the Ministry of Technology and Information, the industry has grown 20 to 25 percent since 2001. Vietnam is rising as an emerging outsourcing destination in the world with skilled, cheap labor force and the globalization mindset of Vietnamese entrepreneurs. With 134 million mobile phones (ranked 8th in the world) and 23 million internet users (ranked 17th in the world) in 2012, Vietnam could be considered as a rising potential market of smartphones and second hand smartphones.
3.3.5 Legislation

There is no concrete law in Vietnam for personal data protection regarding electronic devices. Until now, the majority of written laws in Vietnam for data protection is in the form of the transfer of data on the internet, consumer markets or organization networks. Since there is no consolidated regulation on personal data protection for the moment, Vietnam might not yet have any demand in the second hand smartphone section for data security.

In addition, according to Decree No. 187/2013/ND-CP of the Ministry of Industry and Trade, used mobile phones are listed as used consumer goods prohibited from import. As a result, the second hand smartphone market in Vietnam is narrowed down to the domestic scale.

However, as the governments and state owned business sector is significantly powerful in Vietnam, there are strongly enforced laws and regulations with extremely harsh punishments for any information breach. Additionally, there are detailed regulations for the disposal of data and IT assets in the government sector. Even though the government sector and IT asset disposal are out of this project’s scope, it opens the chance for further research and a considerable opportunity for Company A to enter the Vietnamese market.

Although the economy is starting to recover and regain a fast development pace, loose legislation on personal data protection casts a big challenge for Company A to enter Vietnam’s secondhand smartphone market at this moment. However, as the country is growing with a significant pace in the IT sector, Vietnam is still a high potential market for other Company A software products.
4 BUSINESS CULTURE

In this section, the thesis will analyze Taiwanese, Philippine and Vietnamese business cultures. The analysis starts with basic cultural information based on Hofstede’s cultural framework. Additionally, negotiation styles and business tips are also provided in this section.

4.1 Taiwan

4.1.1 Hofstede framework

Taiwan scores quite high in power distance. Most of the organization is centralized with plenty of hierarchy.

Taiwan is a collectivistic country. As a result, long term commitments and responsibility to family, extended family or wider relationships are crucial. Loyalty in a collectivistic culture is prevalent and overrides most other societal rules and regulations. In such a culture, everyone needs to take responsibility for members of their groups.

Taiwan is a slightly feminine country. The society still tries to care for others and stresses quality of life. Managers strive for consensus among the team, and people value equality, solidarity and quality in their work. Conflicts are solved by compromise and negotiating.
Additionally, decision making processes contain involvement. However, there are still levels of competition, thrust for achievements and success to become the best in the field.

Taiwanese prefers to avoid uncertainty. In such a society, there is a need for regulations and precision. People tend to work hard and to be punctual. Innovation may be resisted while security is a source of motivation.

Taiwan scores high in the long term orientation aspect. As a result, it is a pragmatic, long-term orientated culture. Long term oriented cultures show an ability to maintain traditions in a modern context and a strong urge to save and invest. Additionally, people are perseverant in achieving results.

4.1.2 Business practices

It is unusual for Taiwanese companies to buy from suppliers that they do not know. Business connections and guan xi is essential to start a business relationship in Taiwan. It is not appropriate to start a business relationship using cold calling. The width and depth of a business agent or representative is even more important than the profitability of the product (Australia Trade Commission 2014). At the beginning of the business relationship or meetings, businessmen should expect to be asked a lot of casual questions as their Taiwanese counterparts aim to build a trustworthy relationship before starting any business.

Foreigners are expected to be punctual to meetings in Taiwan despite the traffic congestion. Additionally, since evening business entertainment may happen during late night, it is recommended to arrange a business meeting from late morning.
Businesses are recommended to spend time in Taiwan with their representative to clearly explain the product, effectively negotiate terms of business, and develop networks in the market (Morrison and Conaway 2006).

4.1.3 Negotiations

The negotiation pace in Taiwan is slow as in other Eastern Asian neighbors. Thus, businesspeople should not mention deadlines or pressure partners and they should expect to make several trips to Taiwan before closing deals.

Negotiation should be sincere and honest. Any breach of trust will not be considered lightly. Additionally, harmony between parties should be taken into account during the negotiation and business deal. Profits are important, but harmonious human interaction is even more important (Morrison and Conaway 2006).

Since the market is highly competitive, businesspeople should prepare to demonstrate in detail all parts of a proposal. Additionally, Taiwanese negotiators are reputable for their toughness. Therefore, it is crucial for foreign businesspeople to be well prepared (Australia Trade Commission 2014).
4.2 The Philippines

4.2.1 Hofstede framework

The Philippines has a high score in power distance. Organization is hierarchical and centralized. Leaders’ opinions are usually respected.

The Philippines is relatively collectivistic. People value long term commitments and responsibility to family, extended family, or wider relationships. Loyalty in a collectivist culture is prevalent and overrides most other societal rules and regulations. Everyone is part of groups and has the responsibility to take care of members of the group.

Unlike Taiwan and Vietnam, the Philippines is a masculine society driven by achievements and success. People “live to work”. Managers are expected to be decisive and assertive.

The Philippines also scores low in uncertainty avoidance. As a result, schedules are flexible; innovations, uncommon norms are tolerated easily.

The Philippines has a very low score for long term orientation, which means they have more urge to spend than to save. Additionally, people tend to focus on achieving quick results.
4.2.2 Business practices

Although time is malleable, foreign businessmen are expected to be on time for business meetings. However, meetings should be confirmed one or two days before since the business meeting could be changed or canceled. It is recommended to wear a suit to business meetings. Additionally, in the first meeting, the combination of company title and surname should be used for greetings.

Personal relationships are crucial in the Philippine business culture. Personal interaction and face-to-face meetings are highly recommended to build and strengthen a solid business relationship. Business conversations in the Philippines normally contain casual conversation and personal questions at the beginning as this is how Filipinos establish a relationship. Humor is highly valued in relationship building, but businesspeople should avoid political and religious topics.

Corruption, bureaucracy, especially and speed of approvals is common in the Philippines. Additionally, an overburdened judiciary and comparatively less stringent law enforcement may hinder the business practices of foreign companies in Philippines (Australian Trade Commission 2013).

4.2.3 Negotiations

The pace of negotiation is also slow in the Philippines. It takes normally more than one visit to close a deal. Filipinos respects harmony. Thus, businesspeople should use gentle tones, avoid aggression, and respect hierarchy. In addition, negotiations are held in a formal and precise manner (Morrison and Conaway 2006).
4.3 Vietnam

4.3.1 Hofstede framework

Vietnam has quite a high score in power distance. Similarly to most Asian countries, the level of hierarchy in Vietnam is high. Most of the organization is quite centralized, and it is not so common to challenge a leader’s opinions.

Vietnam is a collectivistic society. Vietnamese people want to have a good, long, and extensive relationship with friends and family. People are family oriented. Parents take good care of all family members until their child can take care of them. In such a collectivistic society, everyone is expected to be in a group and society in which people need to take responsibility for other group members.

Vietnam is quite a feminine country. People focus on “working in order to live”, managers strive for consensus among the team, people value equality, solidarity and quality in their working lives. Additionally, decision making processes contain involvement.

Vietnam has a low uncertainty avoidance score. People can easily tolerate any deviance from a norm. Schedules are flexible. Hard work occurs when necessary, and precision and punctuality do not come naturally. Innovation is not seen as threatening.

As with most East Asian countries, Vietnam is a long term oriented country. Vietnamese people value long term relationships. They prefer saving and investing over spending.
4.3.2 Business practices

Even though punctuality is considered as flexible in Vietnam, business people are expected to be on time for their business meetings. Additionally, prior arrangement is essential for a business appointment.

Vietnam has a similar *guan xi* practice as China. Connection is highly appreciated in Vietnam. Business processes will be expedited if there is a prior connection.

Similar to other Asian cultures, trust must be built before any business is done. Vietnamese need to build personal relationships before starting any business. Therefore, businesspeople should expect to spend time having casual conversations. Moreover, foreign businesspeople should learn to distinguish between a true agreement and polite but insincere consent, since a “yes” in Vietnam is not always a “yes”.

Bureaucracy and paperwork are common in Vietnam, especially in relation to customs and documentation. However, businesspeople should be patient and persistent in overcoming these challenges (Australian Trade Commission 2012).

4.3.3 Negotiations

Being patient is one of the most important assets in Vietnamese negotiations. The Vietnamese negotiation style involves low pressure and aggression. Expressing emotion is also not appreciated. Furthermore, Vietnamese usually interpret facts and data based on their own experience, making a search for truth highly subjective. Even experienced
Vietnamese businesspeople may not make decisions entirely based on objective facts (Morrison and Conaway 2006).

Transaction details should be focused on the same balance with cultural factors, especially with price, as the formative Vietnamese market is highly price-conscious. Additionally, Vietnamese buyers prefer stable and certified or well proven products and expected after-sales service support from the seller (Australian Trade Commission 2012).
5 THE SMARTPHONE AND USED SMARTPHONE MARKET

This section will provide readers information on the current situation in the smartphone and secondhand smartphone markets including market status, key players, and the data security processes of Taiwan, the Philippines and Vietnam. Before digging into each particular country, the thesis will illustrate a general picture of refurbished phones which originate from both domestic and international sources.

Recently, there has been considerable growth for the second hand mobile phone market with more and more companies jumping into the refurbishing and recycling electronics market. The fast pace of manufacturers to introduce new phones to the market every quarter or six months triggers the demand in the second hand phone market. In addition, in emerging markets, where brand new top tier smartphones such as the iPhone or Samsung Galaxy SIII are unaffordable, used mobile phones are the solution for those who would like to possess one. In 2010, ReCellular, one of the largest US refurbishing companies, resold or recycled 40 percent of 5.2 million used cellphone in Asian, African or Latin American markets (Hagerty 2011). According to Castonguay (2011), an analyst at the consulting firm Yankee Group, the global used phone market was valued at approximately one hundred million units a year in comparison with 1.6 billion new phones sold globally in 2010. The used smartphone market is expected to grow rapidly in the near future from 53 million to 257 million units over the next 5 years (Guglielmo 2013). Based on an interview with Mr. Terry Overby (Director of Research, Engineering and Development of HYL or eRyclyngCorp), Asia accounted for the biggest share of HYL in refurbished phones.

However, according to some short interviews with some staffs, customer services, the US market uses both professional software and resets to factory setting method. There are big players in the field such as Gazzel and Buymytronics that do not use any professional
erase software even though most of them aware of the odds of data leaks when resetting to manufacturing settings.

Apple even starts considering selling old generation and refurbished phones as a strategy to slow down Android phones competition, build brand name and to increase a user base in emerging countries where a large percentage of the population cannot afford to buy a new Apple phone (Kanematsu 2014).

5.1 Taiwan

5.1.1 General consuming market

Based on the Nielsen global consumer confidence quarter 2 (2014), Taiwan ranks 41st among 60 countries. 66 percent of Taiwan respondents still prefer to save their money rather than spending it. The percentage of spending on new technology products (11 percent) decreased 6 percent from the previous quarter.

5.1.2 The mobile phone market

According to Gfk research (2014), the approximate sales of smartphones in Taiwan will reach 7.7 million units, and tablet computers sales will reach 2.1 million units. Google’s study in 2013 demonstrated a 51 percent of penetration rate of smartphones.
In the second quarter of 2014, HTC took first place in the market with its newly introduced One M8 and middle range Desire 816. Samsung is in second place by maintaining its popularity of its Note models. Asus and Xiaomi ranks third and fourth, respectively.

The mobile market in Taiwan is highly mature with over 23 million subscriptions in comparison with approximately 23 million inhabitants (National Communication Commission 2014).

5.1.3 Taiwan secondhand smartphone market

Mrs. Mini Liu (executive of Taiwan External Trade Development Council) claims that the second hand smartphone market is not highly prevalent in Taiwan since the majority of Taiwanese is able to afford a brand new smartphone.

The second hand smartphone market is shared between big players such as Senao (owned by Chunghwa Telecom) and FarEastone, with their trade in programs and small players in small mobile shops or online platforms.

5.1.4 Data protection procedure

Despite the enforced law of data protection, the awareness of companies in regards to avoiding data leaks and protecting private data is still low. The biggest players in the market of mobile service as Senao and FarEastone offer only manufacturer reset as a data wiping method. Most of the customer service or technical support employees believe that resetting the mobile phone to factory default is sufficient to erase previous owner data.
5.1.4 Key players in the mobile phone and second hand mobile phone market

Senao International (owned by Chunghwa Telecom), Arcoa, and Aurora are the most famous three smartphones retail companies in Taiwan. Senao is the only player who offers the supportive secondhand smartphone program. It allows sellers to trade in their smartphone even though they might not buy their smartphone in its stores.

Chunghwa Telecom, FarEastone and Taiwan mobile are three main network operators in Taiwan who also acts as mobile device distributors. Taiwan Mobile does not offer any policy for secondhand mobile phones. While Chunghwa with Senao International participates quite actively in secondhand smartphone market, FarEastone offers a restricted trade in program. In order for sellers to trade in their mobile phones, they must have a contact subscription with FarEastone.

The used smartphones of FarEastone will be sold limitedly in its outlet shops in Taiwan. In Senao’s case, according to Mr. R.H and Mr. K.Y (directors of Senao), Senao has already exported its used smartphone to Hong Kong and is planning to expand the capacity of its used smartphone segment. In fact, Mr.K.Y claims that Senao has been planning for this expansion for a while.

5.1.5 Summary

Taiwan is only a small market in terms of population or number of smartphones. However, Taiwan is the most potentially successful market for Company A among the three studied markets. Taiwan is a highly advanced country in terms of technology with a high frequency of phone switching, making a growing demand to sell or trade in old mobile phones.
Two of the three biggest operators in Taiwan offer a trade in program, and one of them even already exports a portion of used phones to Hong Kong or China. According to Mr. K.Y and Mr. R.H, Senao International is able to acquire approximately on average 1,000 units per month, and the number could be 3,000 units by the beginning of 2015. They also predict that the number could reach to 5,000 to 6,000 units by the end of 2015, as it had been able to achieve in the past with featured phones. As FarEastone’s involvement in secondhand smartphone is smaller than Senao, it could be estimated that the Taiwanese used smartphone market is centralized with big players acquiring 3,500 to 4,000 devices per month by the beginning of 2015. In addition, Taiwan has an enforced law for data protection. As a result, Company A could profit both from the developing Taiwan domestic market and international used phone trade.

5.2 Philippines

5.2.1 General consuming market

Greg Navarro (2013) predicted the increase in consumer confidence and stability in the government would lead to a considerable increase in domestic consumption and consumer spending in affordable luxuries. Recently, according to Nielsen global consumer confidence quarter 2 (2014), the Philippines continues to show confidence in consumer and spending power by being in 3rd place among 60 countries with a 120 index score.

5.2.2 The mobile phone market

In 2012, the number of mobile subscription in the country was 102.3 million (population 96 million). According to Google’s study in 2013, smartphone penetration rate in the
Philippines was 39 percent. As a result, GfK Asia (2013) said smartphone sales growth in the Philippines was among the highest in South East Asia, with 42 percent sales growth in comparison with 2012.

One notable piece of information from JANA’s survey in 2014 was that 85 percent of people in the Philippines is willing to buy local based, low cost brands such as Cherry Mobile, StarMobile, or MyPhone. This need for the low cost phone combined with the possible psychological need for a branded phone might trigger great growth in the secondhand smartphone market.

5.2.3 Philippines secondhand smartphone market

Smartphone penetration in the Philippines is not yet high. Demands for low edged smartphones are fulfilled at this moment by both domestic low cost producers and imported used or brand new smartphones. Research firm IHS mentioned that the Filipino gray market, including counterfeit phones, is one of the top gray markets in the world. Divisoria, Greenhills and Baclaran are three main shopping centers or market places of mobile gray market in the Philippines. These market places are the concentrated zones for all of the smaller mobile shops and merchants. Mobile phones (brand new, used, and counterfeited) are imported by merchants from Hong Kong, Singapore or Bangkok (TechinAsia 2013).

According to a top author of Seeking Alpha (2014), used iPhones offer a sizeable market in the Philippines. The Philippines has a very active buy/trade/sell underground industry for iPhones with olx.ph, ayosdito.ph, local shops.

Based on an interview with Mr. Joona Selin (Executive Director of Nordic Business Council of the Philippines) and Mr. Chris Frianeza (Director General of the Philippines Chamber of Commerce and Industry) in 2014, the used mobile phone market in the
Philippines is considerable but scattered. The majority of the business is done C2C via the online market place or B2C via merchant shops that are spread all over the country. Mr. Frianeza claims that smartphones are quite expensive. Therefore a lot of Filipinos acquire them on a second hand basis from small retail outlets. However, he also thinks that the entry of lower priced smartphones will eat up a part of the market shares of these second hand phones.

Big players in the Philippines’ mobile markets such as Globe, Smart, Wellcom, and Abenson do not offer any policy regarding second hand smartphones. There is no trade in program or buy back policy.

5.2.4 Data protection procedure

The combination of an enforced Data Protection Law and a lack of interest from big players in the second hand smartphone market may lead to unguarded wiping data procedures. As the majority of trade in secondhand smartphones market is done on a micro to medium scale by traders and merchants, it is relatively impossible to measure how the data security is processed in the Philippines.

5.2.5 Key players in the mobile phone and second hand mobile phone market

Smart, Sun (owned by PLTD) and Globe (owned by Ayala) are the three biggest players in the Philippines. They act both as network operators and distributors. According to a phone research with Mrs. A.B (Account Manager of Globe) and Mr. L.B (Head of Business of Smart), they do not involve themselves in the second hand smartphone market and have not had any plan to expand the mobile device section to foreign markets. Electronics retailers
such as Wellcom and Abenson are also key players in smartphone market. However, they do not offer any policy for secondhand smartphones.

In terms of the secondhand smartphone market, apart from online platforms such as sulit.com, ayosdito, olx.com, Divisoria, Greenhills and Baclaran are main players with large shopping malls or market places filled with stands and stores of mobile shops.

### 5.2.5 Summary

With more than 100 million inhabitants and a growing economy with written legislation for data protection, the Philippines seems to be a potential market for Company A’s mobile solution. The market of secondhand smartphones, especially the iPhone, is considerable.

However, the biggest obstacle with this market is the lack of big player involvement. There is no big player in the Philippines (operators and distributors) which participate in the secondhand smartphone market. The whole enormous market is left for small mobile shops and an online market place, neither of which highly care about the possible incidence of data breach or the possibility of exportation.
5.3 Vietnam

5.3.1 General consuming market

Based on the Nielsen global consumer confidence quarter 2 (2014), Vietnam ranks 18th among 60 countries with a 98 index score for the consumer confidence. Even though the consumers might be more optimistic about the market, according to the General Statistics Office, the economic crisis still has its impacts on employment, consumption, and spending. GSO claims that there would not be any significant improvement in purchasing power in the coming months as the aggregate demand had not improved, and the majority of Vietnamese still prefer saving to spending (Vietnam News 2014).

5.3.2 The mobile phone market

In 2012, the number of mobile subscriptions in the country was 134 million in comparison with 80 million inhabitants. However, there were only 20 million 3G service subscriptions (Manabu Ito 2014). According to a GFK press release (2014), Vietnam is in the top three growing markets in South East Asia in term of value, with 59 percent of an increase in sales and a 36 percent rate of market penetration.

IDC’s research on the Vietnamese smartphone market in the second quarter of 2013 demonstrated the market share of operating systems to be a top three of Android (82.2 percent), Windows (15.3 percent) and iOS (1.6 percent).
5.3.3 Vietnam secondhand smartphone market

For better price and convenience, most secondhand smartphones in Vietnam are sold in small mobile stores in the neighborhood or to friends instead of selling to big retail chains. Since the usage of smartphone is not ubiquitous in Vietnam, it is also common for people to give an old phone to a relative. However, when buying a new phone, Vietnamese usually go to large retailers for warranty offers and trustworthy products even though the price is usually higher than flea market shops.

According to interview call to key players’ salespeople, customer support, or technical support, retail chains in Vietnam do not support the secondhand smartphone market fully. They either do not buy used phones in any case or only buy used phones with strict criteria. For those retailers who buy used phones, the mobile phone must be bought in shops belonging to their chain, and the phone must still be in its warranty period.

Despite the lack of support from large mobile retailers, the market for used phones in Vietnam is growing quickly. According to the Ministry of Industry and Trade, although sales of brand new mobiles had fallen since due to economic and income issues, the second hand phone market did well with shops competing for this growing market (Asian News Network, 2013).

Thegioididong (or the mobile world) claimed that they were able to sell 50 used phones per day in some shops and 50,000 units per month, in total accounting for 15 to 20 percent of its total revenue (Asian News Network 2013).
5.3.4 Data protection procedure

For those retailers who support a used phone return policy, such as Thegioididong, VienthongA, and FPT retailer, the only method for wiping data from a previous owner is to reset the phone to the manufacturer’s default. According to Mr. A.B, who is the manager of Thegioididong, there are two main reasons for using this method even though the previous owner’s data could still be restored by professional freeware. First of all, there is nearly no legislation in Vietnam reinforcing data protection. Secondly, both the previous owner and the buyer of the smartphone do not considerably care about the possible data leak incident.

5.3.5 Key players in the mobile phone and second hand mobile phone market

This section is written based on interviews with customer servicers, sales executives, and some decision makers, such as purchasing managers or head of business of all the named companies.

Three main mobile operators in Vietnam are Viettel, Mobifone and Vinaphone. Viettel is owned and operated by the Ministry of Defense. Both Mobifone and Vinaphone are daughter companies of VNPT (Vietnam Post and Telecommunication Group), which is owned by the Vietnamese government and the national post office. While Viettel is actively expanding in the retail sector with its Viettel stores, Mobifone and Vinaphone mainly concentrate on their network operator business. Nevertheless, Mobifone still distributes Blackberry, and Vinaphone offers iPhone and Blackberry. However, Viettel, Mobifone, and Vinaphone are not involved in the used smartphone market.

The biggest players in the mobile phone device retail sector are FPT shops, Vien Thong A, Thegioididong, and Viettel retail with a wide range of products to offer. As mentioned
above, Thegioiididong and FPT shops have policies to return a used mobile phone as long as the mobile phone was bought in the particular shop and the warranty period is still valid.

Nhátcuông is the online big player in Vietnam who has its core business focused on second hand mobile phones. As long as the phone is still in good condition, a Nhátcuông store could already buy, polish, and resell it. However, Nhátcuông only operates in the Northern part of Vietnam, concentrating on the Hanoi region. Vien Thong A also supports the trade in program without much restriction. A used phone could be bought from different retailers and out of the warranty period. However, the phone must be considered as profitable in order to resell.

Among all of the big players in the secondhand smartphone market (Thegioiididong, Vien Thong A, and Nhátcuông) excluding FPT which does not have available data, only Thegioiididong is open to the export option. The rest has neither exported nor are they open to exporting as an option. According to Mrs. P.N (Director of Vien Thong A), the two main reasons for Vien Thong A not considering exporting used mobile phones to foreign markets are that Vien Thong A’s used phone supply is not sufficient to export and there is no regular quantity of trade in used phones.

5.3.6 Summary

With more than 90 million people, a large gap between the rich and poor, a growing middle class and a large percentage of the population in the range of 18 to 35 years old, Vietnam is an enormous market for second hand smartphones.

Since Thegioiididong claimed that they could sell up to 50,000 used mobile devices and the number of used mobiles available on Nhátcuông’s website, it could be estimated that large
distributors in Vietnam such as Thegioididong, Nhatcuong, Fpt and VienthongA should be able to buy or sell from 100,000 to 150,000 devices per month. Since all of the distributors have restricted policies for used mobile phones (must be useable, must be considered valuable), the quality of the used mobile phones distributed by these companies is quite high. In fact, by observing offers on the websites of the companies, it could be noticed that 30 to 50 percent of the used phones are high end ones with a price range from 5,000,000 Vietnam Dong (187 euro) to 12,000,000 Vietnam Dong (448 euro). Moreover, it could be deduced that there is a niche market for the data privacy conscious previous owners of these thousands of high end mobile phones which are bought by branded distributors. As mentioned above, in Vietnam it is more convenient and profitable for phone owners to sell their old phones in small mobile shops or online. Therefore, it is likely that by selling used mobile phone to branded shops, previous owners may alleviate the chance that their used phones get into the wrong hands.

The key disadvantages of Vietnam are the decentralized method of buying and selling used mobile phones and the lack of regulation in data protection. Although the market is considerable with participation of key players in the mobile phone market, the method of selling or buying is still quite decentralized. The majority of the used phones are bought and resold in individual shops. There is limited support in distribution among shops within a city or nation. Secondly, there has not yet been any legislation in Vietnam regarding consumer data protection. Additionally, the majority of Vietnamese still believe that resetting to factory settings is enough to erase previous data. These disadvantages set huge challenges for Company A to enter the used mobile phone market in Vietnam.
6 COMPETITION

Company A seems to be the most active player in mobile device data protection market in Asia. However, large competitors such as Company B and Company C have had interest and establishments in Asia. Moreover, Company C, Company E, and Company F can be potential competitors in the used mobile market in Asia.

Company B and Company D are the two competitors that are probably interested the most in the Asian market. Both companies have had establishments and branches in Asia. Company C is similar to Company B and Company D in its wide product range including the mobile section. However, Company C concentrates its business mainly in the United States and North America. Company E also focuses mainly on the North America region without any support for mobile phones. Company F is a small scale company based in the United Kingdom.

Company B might be the biggest competitor of Company A in the world with all product range including the mobile sector in Asia. Company B’s data security software products are able to serve a diverse range of devices and to provide certified reports. Additionally, Company B is actively performing in Asia with its branch offices.

Company C supports a wide range of devices including mobile phones with certified reports. However, Company C mobile only supports iOS devices. In addition, Company C seems to have offices only in the US.
Company D operates in the Asian market in a wide range of devices. Although it is not mentioned in the current webpage of Company D that it has solution for certified data erasure, the product paper of Company D Japanese office in 2010 claimed that it does offer an overwrite data erasure program for mobile phones. In addition, the company states that it has worked with large corporations such as Softbank (mother of Brightstar), Toshiba etc.

Company G is a small company. It offers services on mobile devices ranging from Symbian, Window, iOS, and Android. As its main business is in the mobile sector with a branch office in India, Company G could be an active competitor for Company A in the mobile sector.

The main competitor of Company A might not come from direct but rather indirect competition. Indirect competitors are the reset to manufacturing a default method of wiping data, the level of customers’ awareness and a lack of strongly enforced regulations. This indirect competition is more prevalent in the region.
7 POSSIBLE ENTRY MODES AND SALES STRATEGIES

In this section, the author considers whether Company A should enter the used phone sector of each country or to further explore different segments of each market. In addition, the author provides possible market entries in case Company A would like to further penetrate to the market.

7.1 Taiwan

Even though Taiwan is small in market size, the business potential is favorable for Company A to enter with its mobile solution. Additionally, the author recommends that Company A also explore the corporation sector, which is powerful in Taiwan. There are large corporations and conglomerates in Taiwan that are famous globally, such as HTC Corporation, ASUS, Chunghwa Telecom etc.

7.1.1 Market entry

As mention in the business culture section, it is recommended in Taiwan to have some advanced connections before doing any business. Company A could use some established connections that its current sales people have had as well as those connections developed during the research at the beginning. By doing this, Company A could save money, avoid complexity from hiring an agent, and could have a first step checking size and profitability of the Taiwanese used smartphone market. In case the Taiwanese market is profitable enough and prior connections are insufficient, the use of an agent should be considered.
7.1.2 Direct marketing

Because of the specification and attribution of the product and the market, Company A cannot use solely direct email, mail, or phones to advertise and sell its product. Potential customers need to try and get instructions from the company to use it. Therefore, a combination of these methods is needed to contact with potential customers beforehand. After that, Company A needs to make a field trip to meet the company, to establish a relationship and to demonstrate the software. Language barriers should not be a problem, as the majority of Taiwanese is able to speak English on an intermediate level.

7.1.3 Buzz, pull and push marketing

Despite a favorable business environment to enter, it is recommended that Company A utilize some pull marketing strategies. As Taiwan is highly advanced in modern technology, there might be already an awareness of data privacy and data protection. The use of a pull strategy may create some buzz in the market for the need of data protection from the end customers who could demand it from phone distributors or operators. According to the study of Alexa (part of Amazon.com) in 2014, the top visited websites in Taiwan that Company A could access to ignite data protection demand are yahoo.com.tw, pixnet.net, ettoday.net, life.com.tw, udn.com, and xuite.net. Most of these sites are news and lifestyle sites. In addition, Company A could influence or hire Facebook influencers, who have thousands of followers to create word of mouth hype regarding data privacy and Company A’s software.
7.1.4 Trade shows and exhibitions

Many important business deals are made face-to-face. Tradeshows are a great opportunity to establish new customer relationships and maintain existing ones. It is a potential way to enter a new market and to grow a business. Moreover, tradeshows offer a possibility to create a good image of the company. With a professional and well-organized stand, the visual identity of the company may be delivered to the public, and with the help of it many visitors can be attracted, which could lead to new deals.

Two large trade shows in Taiwan that Company A could be interested in are Computex, June 2 to June 6, and Secutec, occurring April 28 to April 30 annually. Secutec hosts Taiwan’s most international information security event for top IT devices and software suppliers, and Computex is the largest ICT trade show in Asia. While Secutec attracts about 26,127 visitors, Computex welcomes 130,000 visitors and 1,700 exhibitors.

The renting price in Secutec is from $352 (277 euro) to $402 (316 euro) per square meter. Price for renting booth in Computex is ranged from $3950 (3114 euro) to $7900 (6227 euro), depending on the size of the booth.

7.2 The Philippines

The Philippines is an enormous market for used smartphone. However, the combination of improperly enforced data protection laws and a scattered market makes the Philippines highly challenging for Company A to enter. The author suggests that it may be sensible for Company A to explore business opportunities first within the Public Sectors, Corporations
and the business outsourcing industry, which are all quite strong in the Philippines while further exploring profitable alternatives for the used smartphone market in the country.

7.2.1 Market entry

It is impossible for any salesperson to deal with a highly scattered market without any big player. It may be sensible for Company A to create a middle man or a distributor who could connect scattered medium or small size players as a pool. This distributor could be connected to Company A’s partners or customers who are interested in purchasing used smartphones from the Philippines. Greenhills Shopping Malls could be a middle man solution to further develop, since Greenhills has had a lot of medium and small flea mobile shops in its premises.

7.2.2 Business partnership

As Company A needs a partner who could connect the scattered market, seeking a business partner process may be the top priority for Company A in the Philippines. Profiles of the optimal partner for Company A may include the strengths of its connections in the secondhand smartphone markets, the capability to acquire a large number of phones per month, storage facilities etc. In the case of having a middle man or distributor, Company A should negotiate and agree to all the details of a contract, including possible termination, in advance.

A business partnership could be found with the support of Finpro, Nordic Business Council and the Philippines Chamber of Commerce.
7.2.3 Trade shows and exhibitions

There are not many relevant trade shows in exhibitions in the Philippines for Company A to visit. Additionally, as the main entry of Company A in the used smartphone market does not involve any big players or end consumers, it may be irrelevant for Company A to visit trade shows to make sales connection. Nevertheless, trade shows are still great occasions for Company A to keep up with the latest trends of the market, prepare for possible changes, and to look for potential partners.

It is recommended by Mr. Joona Selin that Company A should visit the PROTECT 2015 exhibition, which will take place March 23 to March 24, 2015. The agenda of PROTECT includes security in technological developments, the internet, the mobile world, social media, natural disasters, pandemics, chemical/radiological threats, dangerous drugs, counterfeits, and other matters.

7.3 Vietnam

Although it may not be recommended to enter the Vietnam used phone market at this moment, the large population and the fast pace of smartphone growth in Vietnam make it unignorable for Company A. The author recommends that Company A should further explore Vietnam within the governmental sector with the company’s wide range of products while waiting for the mobile market to be more mature in terms of legislation and data protection awareness. Nevertheless, there are still options for Company A in order to enter the Vietnam used phone market by using buzz marketing and a pull strategy.
7.3.1 Market entry

The use of a travelling sales person is appropriate at this stage of market penetration. A sales person from the Japan office is responsible for sales duty in the country. Additionally, the use of an assistant who could act as a translator and connector is optimal since a language barrier and business culture trickiness could be a challenge. The majority of Vietnamese do not speak English fluently.

7.3.2 Buzz, pull and push marketing strategy

Apart from using direct marketing as with Taiwan market, Company A may consider using the combination of a pull and push marketing strategy in Vietnam to generate sales.

The pull marketing strategy aims to create a need first from customers so that the customers can demand its suppliers to satisfy that need. Company A can spend money on a marketing campaign to build up data awareness within the target group of young people from 18 to 35 years of age, i.e. the main users of smartphones. Awareness could be built via several low cost yet still popular media marketing channels in Vietnam such as technological websites, digital newspapers, and social media. Genk.vn and tinhte.vn are the two most crowded and famous websites in Vietnam regarding technology. There are thousands of Facebook top users who could be considered as lifestyle influencers with thousands of followers. Zing.vn, webtretho.com and Vnexpress.net are the two most accessed news sites in Vietnam. The combination of these channels could build up a sizeable niche market with people who are concerned about data protection.

At the same time, a push strategy could also be combined. A distributor can offer two alternatives for data security to phone sellers (Company A software with ease of mind versus factory reset with some risks). Sellers who are concerned with their personal information could receive less money for their used phone but have ease of mind.
Additionally, Company A could set a postpaid method of payment that distributors only pay for used licenses to enhance the possibility for distributors to introduce Company A as an erasure alternative. Company A could explore the market with some main distributors such as Thegioididong and FPT shopspilot scale in big cities such as HoChiMinh City and Hanoi.

**7.3.3 Trade shows and exhibitions**

Although Vietnam does not host many relevant trade shows in telecommunication, security and technology, there are still the Vietnam Computer World and VietnamExpo, great chances for Company A to introduce the brand and its products formally to the Vietnamese market and to meet new customers in different sectors. Vietnam Computer World is the most prestigious ICT trade show in the country. The next trade show is in January 7 to January 8, 2015. As the VietnamExpo is not highly relevant for Company A’s business, it may be sensible to visit as business visitors to create connections or to generate sales leads.
8 CONCLUSIONS

The research has generated a picture of three potential markets for Company A and served as a preliminary step for Company A in exploring the possibility for further penetration. From the research, Company A could already make a decision whether to conduct further research to deeper develop the used phone market or to continue exploring other sectors in these three markets, which are potentially lucrative. Each of the three markets has its own distinctions and challenges. Although there are markets that Company A should not enter immediately, the company could continue exploring opportunities in these three markets as they are growing rapidly and are highly profitable.

In Taiwan, Company A could enter with its mobile solution. Additionally, the author recommends that Company A should also explore the corporation sector which is powerful with a lot of global players in Taiwan.

Even though there are challenges regarding key players and legislation, the Philippines possesses a huge market that Company A should not ignore. The author suggests that it may be sensible for Company A to explore business opportunities first with Public Sectors, Corporations and the business outsourcing industry, which are quite strong in the Philippines, while further exploring profitable alternatives for the country’s used smartphone market, such as creating a new player in the supply chain.

Vietnam may not be a good market to enter at this moment in the used mobile sector. The author recommends that Company A should further explore Vietnam within the governmental sector with the company’s wide range of products while waiting for the mobile market to be more mature in term of legislation and data protection awareness.
Nevertheless, there are still options for Company A in order to enter the Vietnam used phone market by using buzz marketing and a pull strategy.

The research has answered the main aims of the project. It provides general information of the markets, the current situation of the used phone markets, approximate market sizes and possibilities, and possible market entries for each market. In case Company A would like to further penetrate to any particular market, marketing strategies could be studied. Business connections could be built in advance, sales could be forecasted from a pilot campaign, and product, pricing, and promotion decisions could be made.
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Interview questions in Taiwan, Philippines, and Vietnam

The orders and appearance of interview questions during phone interviews are subjected to change depending on circumstances.

1. How do you buy used mobile phones? (Centralized/ Decentralized) (Individually/ In bulk)
2. Do you erase the data of previous owner(s)?
3. How do you erase personal data of previous owner’s phones? (Professional software or reset to factory setting)
4. Could you share with me the reason for not erasing previous owner data?
5. Do you aware that data which is erased by resetting phone to factory setting could be retrieved using freeware?
6. Does your company export or open to the export option for used mobile phone?
Interview questions in the US

As considerable portion of used smartphones in Asia is imported from the US, the author has conducted some small call interviews in order to have a clear big picture of the used phone market.

1. How do you collect phones? (individuals/ in bulk)

2. You mentioned on your site that you will make a data wipe. Could you be more detail on how do you wipe the previous owner data? (Reset to manufacturing setting/ use a professional data erasure software). Do you do it in US or partners in foreign countries will be in charge?

3. Where is the main destination of these refurbished phones? (among US/ Asia/ Africa/ Latin America)

4. Could you mention name of some large refurbished phone trader in Asia?
Alternatives international marketing channels

- Home country production
  - Indirect export
    - Corporative organizations
    - Home country agent
    - Home country merchant
  - Direct export to foreign importer or buyer
  - Overseas production
    - Home country production in free area
    - Strategic alliances
      - Licensing
      - Joint Venture
      - Management contracting
      - Contract manufacturing
      - Other
    - Overseas subsidiary
      - Overseas travelling sales staff
      - Overseas based distributor and agent
    - Home country export department
      - Overseas manufacturing
      - Assembly