

Case Study: Mobile World (Vietnam)

Mobile World's Story

Mobile World was co-founded in 2004 by a team of five experienced Vietnamese managers as a mobile device retailer in Ho Chi Minh City.

At the time of Mobile World's founding, Vietnam's retail market for mobile devices was attractive: demand was growing rapidly, penetration was low and the market was fragmented among small, independently operated "mom and pop" retailers.

Led by Nguyen Duc Tai—a former head of Strategy & Planning for a local cell phone operator—Mobile World opened its first location in 2004. With its first storefront, the company developed relationships with mobile phone distributors and operators and implemented a standardized retail model. From the very beginning, however, the Mobile World team had its sights set on expansion.

After the first three years, the company boasted five locations in and around Ho Chi Minh City, and a product portfolio that included mobile phones and accessories, laptops, and value added services.

Yet as Mobile World's growth accelerated, the company quickly encountered capital constraints. Tai and his team sought a financial partner that would help to build relationships with local banks and strengthen the company's balance sheet. After meeting with several potential investors, Mobile World's management chose in 2007 to partner with Mekong Capital.

With Mekong Capital's help, Mobile World began a systematic roll-out of new stores. After the first year of the partnership, the company expanded from 5 to 15 outlets. Mobile World grew rapidly in the years that followed, and soon became Vietnam's market share leader in the retail sector for mobile devices. In 2011, Mobile World operated 209 retail locations across Vietnam and sold nearly 1.8 million mobile phones. Mobile World currently has a 20% value market share among mobile devices sold in a retail setting and a rapidly growing online presence with close to US\$2 million in online revenues per month. In 2010, Mobile World launched a second retail chain, Dien May, to sell consumer electronics and household appliance. By the end of 2011, Dien May had opened nine retail locations.

The Role Played by Private Equity

In 2006, the concept of managed retail was only starting to take hold in Vietnam and the country's first retail chains were beginning to emerge. A growing number of foreign-educated and professionally-trained managers were leaving multinational companies to start new ventures and many of these start-ups were concentrated in the consumer retail space. When Mekong Capital first engaged in discussions with Mobile World in early 2007, it was immediately clear that Tai and his team were a part of this new generation of managers.

In a country dominated by family-run businesses, selecting the right management team ranked among Mekong Capital's most important investment criteria. In Mobile World, Mekong found a company co-founded and led by a team of five capable professionals, all of whom had managerial experience with leading companies in Vietnam. Mekong also recognized at Mobile

World a culture of responsibility, debate, and consensus building. This gave the investment team confidence that Mobile World was a company with which it could build a lasting partnership.

With Mekong's investment, Mobile World was able to accelerate its footprint expansion. As the company grew, Mekong targeted several areas for value creation. An early priority for the team was building the company's capacity for recruiting and retaining high quality employees, which started with hiring a skilled HR manager. Drawing on its professional network in Vietnam, Mekong introduced Mobile World to a strong candidate for the position and helped to recruit him to the company. Still with Mobile World, Mr. Dang Minh Luom has been instrumental in creating a performance-driven corporate culture, setting up systems to recruit and integrate thousands of staff across the country, and ensuring the company's HR infrastructure keeps up with the demands of the growing business. ▶

The Company



Essentials

Company: Mobile World
(www.thegioididong.com, www.dienmay.com)

Country: Vietnam

Sector: Consumer retail

Business focus: Mobile devices and consumer electronics

Size: VND5,388 billion (US\$255 million) sales (2011), 8,377 employees (2011), 227 retail locations (Q1 2012)

GP: Mekong Capital, a Vietnam-focused private equity firm specializing in consumer-driven businesses

Date of investment: 2007

Investment: Mekong Capital has a 33.5% stake in Mobile World

Impact Highlights

Mekong Capital partnered with Mobile World in its early development phase and helped the company grow into the market share leader in Vietnam's mobile device sector

Mekong Capital helped build the company's capacity for recruiting and retaining employees, fostered connections with sector experts and international industry leaders, transformed the company's incentive system and supported its management in expanding into new business areas

During Mekong Capital's partnership with Mobile World, the company has added over 200 retail outlets, assumed national market leadership in mobile device retailing, created a new concept and brand around consumer electronics, and its revenues have grown at a 60% annual rate

Since 2007, Mobile World has created nearly 8,000 jobs spread across every province in Vietnam

The Company View

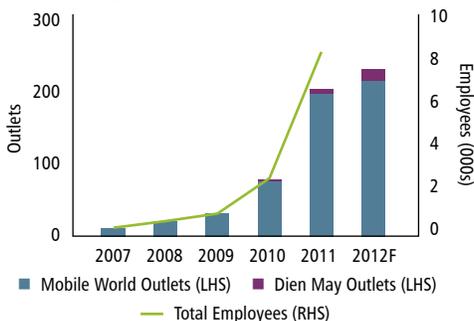
“We partnered with Mekong because they had a solid record of investing in Vietnam and we liked their approach of providing us with a variety of ‘value-creation’ options without imposing any. They understood that we needed space to execute our business plans, yet were close enough and available to provide us with the support we needed.”

“Mobile World and Mekong Capital have a real partnership. We trust each other and can share anything, and they support us with valuable guidance. Sometimes we are in touch several times a week. At the end of the day, we are all committed to the same long-term objective of building Mobile World into the leading retail company in all the product segments it operates.”

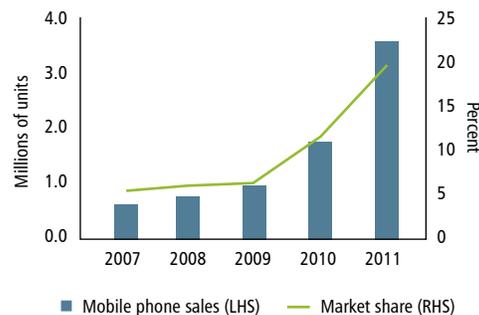
Mr. Nguyen Duc Tai,
Chief Executive
Officer and
Co-Founder,
Mobile World



Growth in Mobile World's Retail Footprint and Employment



Mobile Phone Sales and Market Share



“Mekong has made important contributions on strategic, high-level issues and helped us improve the general infrastructure of the company. In doing so, they have left the daily business decisions to the management team. This is something we appreciate.”

Mr. Nguyen Duc Tai, Chief Executive Officer and Co-Founder, Mobile World

▶ Another area of value creation for Mekong was connecting Mobile World's management team with sector experts and international industry leaders. With Mekong's help, Mobile World was able to learn from the experiences of managers from Bestbuy Europe in the U.K., T-Gaia in Japan, Digitone in China, and Courts Asia in Singapore and Malaysia. These interactions created valuable opportunities for Mobile World's leaders to exchange knowledge and explore potential strategic partners.

Compensation was a third important area for Mekong. Starting in 2009, the firm helped to reform the company's bonus system for the middle and senior management teams. Given the company's ambitious growth plans (200 new stores in four years), the Mekong team knew that growing profitably was going to be a challenge. The new bonus scheme focused on annual net profit milestones and was crafted to incentivize the senior team towards the fulfillment of a specific valuation objective.

Mekong also provided continuous guidance on corporate governance and financial reporting. The company's progress on these fronts ensured that Mobile World gained credibility with creditors, shareholders, and business partners. The positive impact on the company's profile in the business community was especially

important as the company grew in public visibility and has now begun to consider listing its shares on the Ho Chi Minh stock exchange.

A critical test for Mobile World's partnership with Mekong Capital arose in 2010 when the company began to consider expanding into a new strategic area: consumer electronics and household appliances. While Mobile World had already grown into the market share leader in Vietnam's mobile device sector; this decision meant launching a new brand, straying from its proven retail concept of small stores in city centers toward a larger format, and venturing into new product categories where the company had few existing supplier relationships.

Mekong's consultations with Tai and his team ensured that Mobile World's managers carefully considered the new concept's strategic fit with the company's core activities—including potential synergies as well as constraints—and also the risks associated with entering a new business. This strategic process helped shape the company's business plan and contributed to a successful start. Within its first year, Mobile World's new division, Dien May, ranked among Vietnam's top five consumer electronics retailers and the company has aggressive plans to achieve the top spot by the end of 2013.

Beyond the Bottom Line

Mekong Capital's investment in Mobile World enabled what began as a small start-up to grow into Vietnam's largest mobile device retailer. With over 220 outlets, the combined Mobile World and Dien May spans every province in the country. Though this success, Mobile World has created long-term employment for over 8,000 Vietnamese.

Because many of the company's outlets are located in small rural towns, Mobile World's jobs have gone to the regions in most need of investment and employment. In addition, Mobile World's efficient business infrastructure and standardized retail model have allowed the company to offer competitive prices, bringing owning a mobile device and consumer electronics within reach to a growing number of Vietnamese.