

Some Suggestions to Build Local Distribution Network for Seafood Processing Businesses

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Seafood processing is one of Vietnamese traditional occupations. Domestic seafood businesses have made best use of their advantages of coastal location for export. However, the local market was ignored and has only been paid attention to for recent years. When boosting inland sales, they don't know how to attract customers in the harsh competition against foreign counterparts. To regain local market shares, they should have a professional distribution network. Therefore, the construction of such a network will help businesses recover their local market shares most effectively.

I. FACTS

The seafood industry in Vietnam is relatively young. Despite a traditional career, it is not until 1957 that the first factory of the Vietnamese seafood processing industry was

established: Hà Long Canned Food Factory (Hà Long Canfoco). The production in the early stage from 1960 to 1980 aimed at export. In the initial period of the Vietnamese seafood industry, sub-

sequently, in 1995 until now, seafood factories have continuously innovated technologies, upgraded production facilities and implemented many programs of quality management and food hygiene. At present, three

stant food, etc. However, most of processed products are sold abroad; businesses have just given attention to local outlets over the past years.

According to a survey conducted by Sài Gòn Tiếp

Table 1: Seafood export value over years (US\$ mil.)

Year	1996	1997	1998	1999	2000	2001	2002	2003
Sales	697.0	782.0	858.0	973.6	1,478.5	1,816.4	2,023.0	2,217.0

Source: General Statistics Office

sidy mechanism reduced business efficiency and exports. The export value saw a sharp decline (from US\$21 million in 1976 down to US\$11.2 million in 1980). After 1980, Vietnam's processing industry has promoted investments and grown and by 2000 the whole country had 184 agro product processing and export enterprises and thousands of units manufacturing traditional items. Especially from

agro product corporations (Vietnam National Seaproducts Corporation, East Sea Fishery Corporation and Hà Long Canfoco) and more than 300 businesses in various sectors are manufacturing, processing and trading aquaprocesses.

Their processed aquaprocesses are abundant, including traditional items (dried, fresh, salted or frozen, fermented), canned products, frozen food, in-

Thị Weekly on canned fish, the largest profit earning item, the local market shares held by large businesses are as follows:

It goes without saying that local seafood companies have lost their market shares even on home market to their Thai rival.

Several companies like Vissan and Hà Long distribute their products in local outlets following the model:



Table 2: Market shares of seafood companies

Company	Market share (%)
Thai Royal Foods Company Ltd. (Three-Lady Cook Brand)	56.2
Ha Long Canfoco	26.4
Vissan	6.4
Sunaco	2.4
Highland Dragons	1.9
Seaspimex	1.3

Meanwhile, small enterprises try to sell their products in whatever forms to get profits. As a result, the inert and sparse networks of distribution have impoverished forms and categories of products, not provoked potential demands of customers and not developed local markets.

There are a lot of causes of limitations on local distribution but the main causes of businesses' less attention to local markets are as follows:

- The local markets have not yet obtained a professional distribution network as required. Recently, several outstanding networks take place, including Co-op Mart, Metro and other distributors.

- Earnings from export markets are enough for their survival.

- Large corporations specialize only in production; they do not have experience of retails and contacts with consumers.



- Their products do not satisfy local customers' tastes.

Nevertheless, the seafood processing industry

the local market for seafood companies becomes indispensable in their business strategy and plan.

public kitchens, industrial kitchens.

2. Model 2: Selected one-level channel



has an available advantage, which is indicated by its meeting international standards in export. The advantage will create more favorable conditions for them to win in the local market.

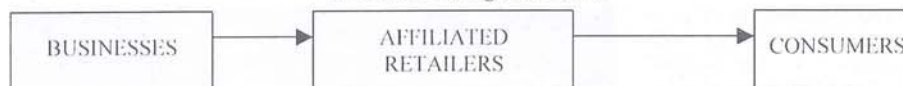
On the other hand, the Government is planning to open the door to foreign distributors and retailers.

II. BUILDING LOCAL DISTRIBUTION NETWORKS

Product sale is the key problem to all enterprises; each kind of products has its own features; and seafood is symbolized by short expiry, strict storage, and directions for use. Just because of this, together with securing product quality and discovering features of

The retailers who meet enough conditions regulated by businesses will be selected to distribute goods. They are commonly supermarkets and large retail shops which have enough warehouses and transport means to avoid damages to products.

3. Model 3: Affiliated one-level channel



This will push local seafood businesses to a harsher competition.

In face of these problems, the establishment of distribution networks in

each market, the building of professional distribution networks also helps boost competitiveness of businesses. The following are

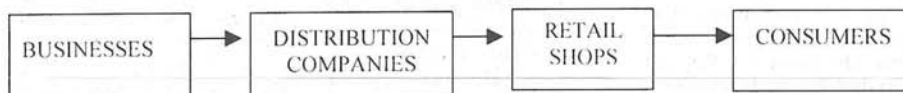
Businesses establish their own retail shops to introduce and sell their products to consumers. These shops should be equipped with suitable fa-





cilities to secure product quality; salespersons trained in storing and using products so that they can give directions for use to customers.

4. Model 4: Affiliated two-level channel



The appearance of professional distributors will facilitate businesses' launching goods in the local market. It is these distributors who will find retail shops to distribute their goods. The model is more professional to businesses because they need not worry about outlets, but only focus their efforts on enhancing product quality.

5. Model 5: Independent three-level channel



These intermediaries operate independently. They have enough conditions to distribute products and know what products are salable in their market.

6. Model 6: Selected three-level channel

Due to specific features of their products, some

businesses select members of their distribution network based on certain criteria. This model is highly professional and requires strict conditions for equipment and personnel to attain the highest quality.

a result, businesses should deliberate and determine their model of distribution.

The distribution model which includes more levels of intermediaries will cover more outlets and generate more sales. In



canned, instant, etc.) and the marketing strategy, businesses may apply one or many models of distribution at the same time.

- In respect of small and medium enterprises, their local distribution may be organized in line with Model 1, Model 2 and Model 3 because it should be simple to control the market and provide high-quality goods on time.

- Large corporations should professionalize their distribution networks. They may apply Models 2, 4, 5, 6. Distribution companies will bring their products to more outlets and consumers. They operate rather independently from large corporations, so they are active and make proper and timely decisions in goods distribution.

Whatever model they choose seafood companies should try to bring their products closer to consumers and take better care of them. The conviction of customers to perform as agents of businesses is also a problem when building the model of distribution. In addition, seafood businesses must give supports to retail shops to promote their brands and approach to customers. ■

Some businesses want to abolish intermediaries in the process of distribution because of high costs. However, the business can't put off their functions. These intermediaries operate more effectively than businesses. As

he meantime, its capacity to control the market and service quality will reduce but possibilities of conflicts between intermediaries increase.

Based on features of each product (dried, fresh, salted, frozen, fermented,

