

# Selection of Major Manufactured Products for HCMC

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## I. COMPETITIVENESS OF PRODUCTS

The competitiveness of a product depends upon a lot of factors: product quality, production cost, marketability and competitive advantage.

### 1. Product quality

In addition to the target at quantity expansion, product quality is a factor to enhance goods competitiveness on the market. Over the past years, the quality of HCMC's manufactured products has been improved due to innovation of machinery, equipment and use of new technologies in production. Nevertheless, in the process of integration in the world market, the city manufacturing sector is required to positively renovate and intensify its product quality.

At present, as many as 10% of Vietnamese businesses are using advanced equipment. In general, the sector's machinery and equipment are much more obsolete than that in ASEAN countries like Singapore, Malaysia, Thailand... As a result, it must modernize its production technologies in order to boost up product quality.

### 2. Production cost

A competitive commodity is one having low production cost, that is, high productivity.

The city industry still relies on materials imported from other areas, domestic or overseas. Most of production uses foreign materials and components, therefore, it faces high input costs. Furthermore, the labor skill is low be-



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cause they have not yet been given basic training courses, thus find hard to operate new machinery and equipment. This causes low output, high production cost and bad effects on product competitiveness.

### 3. Product marketability

A competitive product is one having strong marketability. The city manufactured products have been expanded their market shares in local and foreign markets. However, their prices and production costs remain high. The businesses' sales promotion has been enhanced but not gained high efficiency. Export price is still lower than that of rivals due to absence of famous brand.

### 4. Competitive advantage

The industries and products which are subject to zero-percent or low tax rates and able to survive

and develop on the market will have competitive advantages.

City products are classified into three kinds: high, medium and low competitiveness.

## II. SELECTION OF MAJOR MANUFACTURED PRODUCTS OF HIGH COMPETITIVENESS IN HCMC

HCMC has planned to develop 60 to 100 manufactured kinds of products into its staples by 2005. The city staple selection for development assistance should consider the following factors:

### 1. To fully utilize the advantage of differentiation

HCMC has more advantages and favorable conditions than other provinces in many fields including: infrastructure, hub location for economic exchange, promoted networks of transport, infor-

mation, energy, human resources, advanced machinery and equipment and production technologies... As a result, it should invest in development of its superior products like those using hi-technologies, electronics, informatics, precise mechanical engineering, processing...

### 2. Selection of competitive staples

To determine which is the city major industries must be based on its own comparative advantages. Initially, it has to start from the industries making the best use of available resources from the city and neighboring provinces with possibly lowest production costs.

The city has its own advantages as follows:

- Geographical location

HCMC lies at the center of regions having favorable conditions for geography, transport and exchange of goods including: the southern focal economic region, the Mekong Delta – a large food basket of the country, the south-eastern region with a lot of mineral deposits and large farms of perennials.

- Human resources

The city has a large population of white and blue-collar workers trained from different sources. The Mekong Delta and south-eastern region with their population of 20 million are really potential markets for the city manufacturing sector. Moreover, the city labor costs remain low.

Given the advantages, the city may boost up industries manufacturing

competitive staples as follows:

- The chemical industry

The city's chemical industry has a lot of potentialities to manufacture essential goods for consumption and production including: organic and inorganic chemicals, hydrogen carbonate and derivatives, fertilizers, nitrogenous fertilizers and others like DAB, NPK, insecticides and agro-chemicals, animal medicines, materials and chemicals for medicine production, plastics, synthetic rubber, auto and motorcycle tires, soap, detergents, perfume, cosmetics and items used in toilets, paint and varnish.

- The industry manufacturing and assembling autos and motorcycles

In the long run, it may be considered as one of the city's key industries. The auto industry's development will give rise to promotion of a series of other industries because it has close relations with other technologies including metallurgy, steel processing, tire production, plastics, color glass, etc. In addition, the success in manufacturing vehicles indicates our country's mechanical engineering has attained high level. This will intensify the sector producing capital goods, an extremely important factor of the national industrialization and modernization program.

This industry manufactures staples such as: cars, trucks and buses. The city government has selected products of the Saigon Auto Mechanical Company (SAMCO) as one of the city's staples. They are buses made by the company.

- The mechanical manufacturing and repairing industry

The Mekong Delta, the southeastern region and the city have established close relations for a long time. The Mekong Delta and the southeastern re-

gion are significant consumers markets for the city's mechanical products including machinery, equipment and capital goods. Furthermore, these commodities have also been sold on other domestic and foreign markets. As a result, this industry must be given incentives and large investments and developed into the city key manufacturing sector.

The city's major mechanical products having competitive advantages are machinery for special use including agricultural machine, forestry machine, machine-tool, metallurgy equipment, mining machine, food processing machine, and machines for making textiles, garments and leather. The city's program of promoting industrial staples announces the electricity products group comprises fluorescent lamps and bulbs made by the Điện Quang Electric Lighting Company, electric fans by the Lidico Electric Engineering Company, and electric wires and cables of various kinds by the Vietnam Electric Wire and Cable Company.

- The information technology industry (Electronics, informatics, and telecommunications):

This is an inevitable sector in the industrial structure. The city's potentiality of information technology is so large. However, to build it into the key industry must encounter a lot of difficulties and challenges.

The industry's competitive products include radio, television, radio cassette player, amplifier, DVD&CD player, electronic products for special use in the post and telecommunications, equipment and components in information technology...

- The industry producing building materials:

The country is facing a great demand for building materials in its process of industrialization and modernization. In addition, the

fast growth of export processing zones and industrial parks as well as the construction of new residential areas are also badly in need of these materials.

The city's major products with a lot of competitive advantages include enameled tiles, stones for internal decoration such as marble, granite and composite.

- The industry processing food and producing textiles and garments:

Several products in the city's food processing sector are though competitive but have fewer advantages than their counterparts in the Mekong Delta's provinces. Their production should be transferred to these provinces. That is processing rice, various kinds of powder, animal feed, frozen agro-products.

The city's food staples include butter, snack (Vinabico-Kotobuki Company), instant noodle (Vifon Company), milk (Vnamilk Company). They use a lot of local materials and high efficiency in domestic and foreign markets.

This industry should be also enhanced to offer jobs to workers. Textile and garment companies like Việt Tiến, Việt Thắng and Thắng Lợi have to take necessary measures to build their brands strong.

The city's major clothing products include textiles and garments, especially Việt Tiến shirts, and bedclothes made by Thắng Lợi Textile and Garment Company. Their quality is not less than foreign rivals but their price is only one-third lower.

In addition, the city's industry also has high-competitive products including high-quality footwear.

### III. MEASURES

#### 1. Financial measures

- Investment orientation: Local businesses are required to prioritize their investment in high-tech

sectors which have high competitiveness and potential market shares.

- Mode of investment: in the trend of international integration, local enterprises should make intensive investments and diversify products in order to meet increasingly high requirements of customers.

- Capital mobilization: businesses may attract capital from different sources including: increasing equities, taking loans from banks, equitization, corporate consolidation, financial leasing, joint venture and cooperation, and attracting medium and small-sized projects.

- Capital utilization: businesses may use financial management instruments to determine which stages and processes are effective or not for immediate rectification.

#### 2. Technical and technological solutions:

In respect of old machinery and equipment having poor quality and low capacity, businesses should sell them as soon as possible. The installation of advanced technologies and equipment may be carried out by purchase or joint venture.

Purchase of new technologies: businesses may import advanced technologies and equipment from developed countries, and purchase machinery and equipment which have been used but still modern as compared to local production lines in a specific period. They also sign contracts of technology transfer with foreign partners for the lines which are determinants to product quality and price. As for remaining equipment, they may buy them from local companies or improve their operations with the aim to automate the production process at low costs but still secure product quality and low price.

Entering joint ventures to attract technologies:

most of foreign-invested companies select state-owned enterprises as their partners, this form of joint venture should be encouraged.

### 3. Solutions of technological and management improvements

Importance should be attached to the training of managers and workers in staple manufacturing industries. In addition to the state budget, businesses in the industry should contribute money to establish the fund for training human resources. Authorities of various levels are required to pay attention to the planning of employment for the city's key industries.

Businesses should have appropriate salary policies together with social and medical insurance with a view to attracting and keeping skilled workers and encouraging them to increase productivity and save costs.

### 4. Promotion of marketing activities

Improving product value: first, businesses have to focus their investments on adding value to products. This is the weakest point of current businesses. Its costs are not large. If businesses know how to renovate function, design, package, brand, label, etc., their product value will thus increase many times as compared to the paid costs and their price is acceptable for customers. To improve their products, businesses should implement the following steps:

- Enhancing function, design and quality of product by permuting, complementing, rearranging functions or contents of old products with the aim to expand diversity, safety and convenience of new products; increasing credibility, speed, durability, taste and other function of products or create products

with different quality; and improve product appearance by changing product color, design, package and structure.

- Improving package: it is important to make it durable, pretty and eye-catching.

- Building the customer loyalty in the long run: In fierce competition, the brand credibility will determine customers' loyalty. Businesses should build the two kinds of trade names: Company name and product brand.

- Fixing product prices: To determine the price of a product, businesses have to depend on its targets and costs, standard profits, customers' satisfaction, prices of rivals and the economic situation (inflation, growth or recession). They must carry out policies of discounting for buyers who pay on delivery, buy goods in large quantity, in the recession period, change goods, or are workers of the business. Businesses should also take measures to stabilize retail prices on the market and keep them informed on media, packages and advertising posters at shops. Furthermore, they have to establish close relations with distributors to avoid their dumping.

- Distribution of products:

+ Indirect distribution via agents

+ Direct distribution for hi-tech products like machinery and equipment, businesses should sell their products directly to customers for better sale service (technical reply and instruction, warranty, maintenance, installation), receiving comments and approaching customers' requirements.

+ Mixing distribution (direct and indirect): manufacturer-manufacturer's agent-retail agent.

- Sale promotion advertisement: the advertising costs are not small, so businesses should attain

the advertising efficiency via sales or customer survey; consult customers' evaluation about its advertising programs with the aim to find causes and adjust the advertisement better. It has to establish a department to monitor and manage its advertising programs.

Regarding customers as businesses, the following direct advertising forms may be used: letters, emails, faxes, leaflets, brochures, and articles on local newspaper, advertisement on papers, magazines, television, radio, billboards, cable TV, video, Internet. Companies' budget for advertisement must be raised to 3%-15% of sales.

- Sale promotion: in addition to advertisement, businesses should enhance their sale promotion in order to attract buyers and increase sales.

- After-sale service: it determines loyalty of customers to the business and help businesses perfect product quality. Furthermore, they may sponsor sports and cultural events, exhibitions, workshops, conferences to improve their images and brand names.

Another way is to place ads on websites introducing logos, prices, quality, warranty time, mode of payment. Besides, the Internet service providers should lower costs of website registration for staple producers.

### 5. Solution to improve product quality:

There need be quality standards for the city's competitive staples. The Vietnam's quality standard system remains a lot of shortcomings, thus, it should apply the international practice. To promote their competitiveness, businesses must improve product quality by meeting requirements in applying ISO 9000, ISO 14000.

In short, when implementing the above requirements, businesses may

perfect their production process by focusing all available sources from materials, technologies, labor as well as management on improving product quality and satisfying customers' demands.

### 6. Completing the mechanism and policy for development of staples

An integrated system of policies concerning production and business of staples should be built.

- The Government should earmark a part of its budget for staple development.

- Businesses producing staples must be given access to bank loans and soft loans, especially medium- and long-term loans with appropriate collaterals.

- Manufacturers should be provided necessary information on markets, prices, and customers' needs.

- Infrastructure costs should be reduced such as port services, electricity, clean water, fuel, and post service.

- Tax policies should be completed and tax relief given to staple producers.

- The Government creates favorable conditions for businesses' land leasing for staple production.

- A fair playing ground should be built for all economic sectors and the Antitrust Law promulgated.

- An assistance fund should be established for staple manufacturing.

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