

SOME MEASURES TO ENHANCE THE VINAMILK'S COMPETITIVENESS

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Established in 1976, the state-owned Vinamilk experienced both the centrally-planned mechanism in the past and the market economy at present. In the market economy where the competition is increasingly keen, the Vinamilk has gained certain achievements: more product lines, better product quality and public image, faster capital accumulation and higher contribution to the general treasury and a national distribution network. In the past 15 years, the Vinamilk has worked out its reasonable business strategy. Its products could compete successfully against both local and foreign counterparts. At present, however, the Vinamilk and other local companies are facing new situation and problems.

The U.S. - Vietnam Trade Agreement signed in July 2000, requirements posed by the AFTA (one of which is to cut tariffs on dairy products to 0% by 2006), the globalization and new development trends have posed urgent questions for the Vinamilk: Can its products compete against those from ASEAN countries and how to improve its competitiveness in the coming years?

In my opinion, various strategies should be worked out to enhance the competitiveness relating to market expansion, new product development, pricing, distribution and sales promotion. In this paper, I want to discuss a future strategy to develop new products for the Vinamilk.

To enhance the competitiveness by differentiation and selection of target markets, the company should pay attention to the following problems:

1. Condensed milk

At present, the Vinamilk is producing condensed milk in easy-opening can and meets no competition in the domestic market. This is an advantage because consumers seem content with this product. In the future, a plastic lid could be attached to each can so the buyer could use it as a cover after opening the can (at present, only 10 plastic lids are attached to a 48-can box).

On the can of condensed milk, the label could be printed directly on the can instead of the paper label in use now. For the time being, this innovation could be applied to Mệ Bồng Con and white Ông Thọ, two brands of high-quality condensed milk produced by the Vinamilk. This innovation could make those two products more attractive and beautiful. In the past, such printing should be done



abroad but it can be done at home at reasonable cost now. These products will be more competitive when entering the American market.

The Vinamilk also markets condensed milk in 50-gram plastic cartons which are suitable to remote areas, travellers and low-income consumers. Production of this line could increase because no rivals offer like products. Tasks remain to be done are to put them in large cardboard boxes for transport purpose and to target this product line at low-income consumers in rural areas (who can't afford a 397-gram can of condensed milk).

At present, the Vinamilk produces too many brands of condensed milk that could make consumers confused because they couldn't distinguish these similar products. For example, of the brands Hồng Ngọc and Ngôi Sao Phương Nam with label of various colors (white, pink, yellow and blue), the company could choose to continue the production of two brands that are most saleable (they are yellow and blue Ngôi Sao Phương Nam) and stop producing the others because products of these brands are of the same quality. The same thing could be done to the condensed milk of Ông Thọ brands (keeping on producing only Ông Thọ of white and red labels).

2. Fresh milk

To gain a growth rate of 30% for the years 2001- 2010, full attention should be paid to the following problems:

- Making more investment in production of fresh pasteurized milk in plastic bottle: This type of product is very popular in foreign markets. It

comes in bottles of 0.5, 1.0 liter or 2.0 liters and in Vietnam there is no supplier of this type besides some imported ones. In foreign countries, plastic package has replaced paper ones that are still common in Vietnam. This investment project will help the Vinamilk sell more pasteurized milk.

- Making investment in production of sterilized milk: At present in Vietnam, the sterilized milk is produced only by private companies and An Phước Dairy Farm (Lothamilk brand). This type of milk is more delicious than the pasteurized milk but it requires cold storage and could be preserved for four weeks at most. In the past when the Vinamilk had a limited network of retail outlets, the company couldn't mass-produce and distribute this type of product. At present when the Vinamilk's distribution network includes more than 1,000 retail outlets equipped with freezers, the Vinamilk could increase the sterilized milk output.

3. Powdered milk and nutritive powder

These lines of products are diverse enough to target at different market segments. In the coming years, the Vinamilk can:

- introduce new package for powdered milk and nutritive powder (bigger can with a cover of 99 mm in diameter instead of 88 mm);
- produce powdered milk and nutritive powder in 1-kg and 2-kg cans;
- design more beautiful and attractive labels;
- introduce cartons of powdered milk of 200 grams and 400 grams;

- add soya bean powder to powdered milk and nutritive powder.

4. Yogurt, cream and fruit juice

- The Vinamilk had better develop new lines of yogurt with various flavors (orange, mulberry, peach and chocolate), and research on new kinds of yeast with a view to producing special yogurts like Kefia from Russia or Yokul from Japan.

- Producing and marketing small cartons of fruit juice (from 200 to 250 ml).

- As for cream, more researches should be carried out to produce cream suitable to Vietnamese taste (less sweet and less fat) and make the ice-cream colder and harder.

The following are my suggestions about how to make the product development strategy help enhance the competitiveness of the Vinamilk:

- + The Government can launch programs to improve the public health and nutrition, and give tax incentives to the dairy companies with a view to encouraging consumption of dairy products.

- + To use mass media to disseminate knowledge of need for and benefits of milk to encourage the public to consume more milk.

- + Strong actions should be taken to prevent illegal import of dairy products across borders, especially from Cambodia.

- + To carry out successfully the product strategy and maintain a large market share in the coming years, the Vinamilk should work out a program to train their staff and laborers and introduce new managerial methods because the lack of well-trained personnel is the greatest shortcoming of the company.■