

ON A NEW EXPORT STRATEGY

by TRẦN TÔ TỬ

The Government gave Instruction 171/TB - VPCP on Oct. 2, 1998 asking the Commission on International Economic Cooperation to work out a strategy to join international organizations and trade agreements. Over a year has passed since and companies are waiting for the strategy that could be used as a basis for their export-oriented business strategies when new business opportunities are coming.

Without the master strategy, companies find it difficult to deal with a series of problems: what to do when Vietnam joins the AFTA and carry out the CEPT program, what roles they could play in the international cooperation and labor division, how to make use of preferential treatment extended to Vietnam by economic powers, how to develop into independent industries that could sell finished goods directly to foreign buyers, how to develop technology-intensive industries in Vietnam, etc.

And a lot of other questions will make their appearance when companies realize that they should pay full attention to their public image, give up the "taking the

money and running" attitude and do business based on well-devised strategies. Particularly, in recent months when the U.S.- Vietnam Trade Agreement was to be signed, many companies have prepared to enter the American market. Many businesspersons have gone abroad to make market researches and look for buyers instead of waiting for customers to call in. However, there is still no answer to their worries and their efforts haven't produced good results. Apparently, they are badly in need of help from the Government who can provide them with detailed instructions to adjust themselves to the free trade of the world economy.

Many exporters are aware of their relative dependence on intermediate markets and they want to increase export to end markets in the near future. To achieve this aim, Vietnamese companies should get access to distribution system - the bridge between producers and consumers in developed countries. This system includes seven groups of outlets that target at different market segments:

- Specialty store companies: specializing in high-quality and expen-

sive goods of national brands.

- Department store companies: supplying a wide range of consumer goods.

- Chain store or national account companies: including networks of specialized outlets selling goods at lower prices aiming at middle-class customers.

- Discount store companies: having the same organization as department store companies with larger networks of outlets and bigger sales because of cut prices offered.

- Off price store companies: they are similar to discount store companies but goods are sold at lower prices.

- Mail order companies: these companies advertise their goods in mass media, get orders by post or phone and offer free delivery service.

- Community retail outlets: These stores sell to local communities various kinds of goods at knock-out prices (equaling some 20% of what offered by supermarkets). These goods are usually imported from developing countries and packaged by the stores.

Thus, Vietnamese exporters should decide what group of outlets and what market segments to choose,

and what way to enter this end market, through cooperation with local producers and trading associations or by forming Vietnamese retail companies in America.

Foreign trade authorities in Vietnam at present advise local companies to export what buyers need instead of what they have. This calls for good R&D activities. For example, a new kind of fuel extracted from vegetable oil has been invented with the aim of protecting the environment. Then what could Vietnam do to produce that vegetable in large quantities or that fuel in the next century?

Regrettably, full attention hasn't been paid to R&D activities yet.

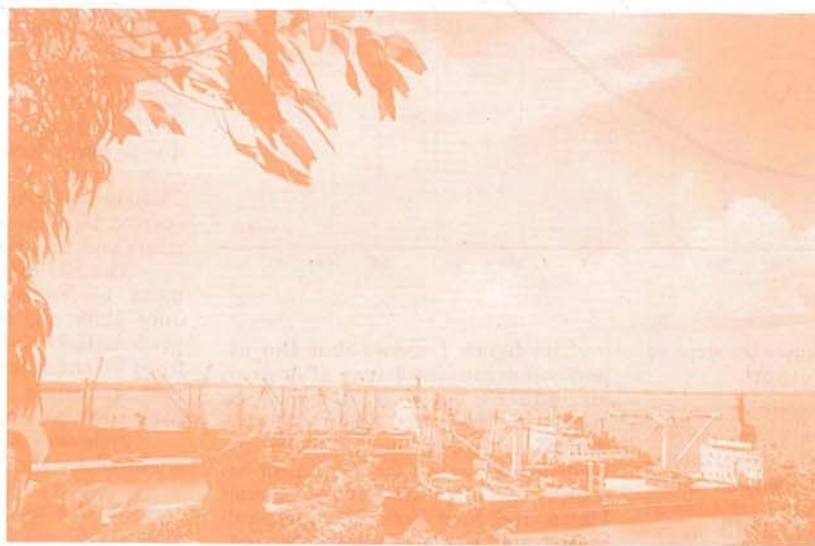
foreign partners". Decision on the target markets is a problem that all companies should solve in order to avoid dependence when putting all eggs in one market.

+ Laos and Cambodia: they are Vietnam's traditional markets where Vietnamese companies have gained firm footholds. Companies had better not ignore these markets because in recent years, the value of export to these markets was still high (in 1997, Vietnamese exporters earned US\$105,537 from Cambodia and US\$46,135 from Laos, in comparison with US\$119,802 from Russia.)

+ Asia (including ASEAN countries, Hong Kong, Taiwan, Japan,

could be considered as an end market for Vietnam's exports.

+ North America: The U.S. is a big market that accounts for some 25% of the world trade value and every exporters want to enter this market. Asian NICs' development also depends on this market. Vietnam will be given preferential treatment from the U.S. when the trade agreement between the two governments is signed. It's expected that in the period between 2000 and 2010, the U.S. - Vietnam bilateral trade will improve in leaps and bounds. Thus, North America should be seen as the end market, and the most important one, for Vietnam's exports.



So for the time being, we have to be content with "exporting what we have", that is, making the best use of existing potentials to expand our share of the world market. In the long run, after studying target markets, we should try to export what buyers need, and after gathering enough information about demand of international market, we should review the structure of exports offered by each industry, each province and the whole economy as well.

Certain companies, after studying the American market, have decided to concentrate on this market only. Some others are more cautious about entering the American market while keeping good relations with buyers from Asian and European countries. This situation shows that not all companies agreed with the Government when it encouraged companies to "diversify their cooperation with

South Korea and China): At present, Vietnam holds less than 1% of the total import value of these countries. This figure is even smaller in the Northeast Asian market. In other words, the vast Asian market is still open to Vietnam's exports and we should keep on tapping its potentials. However, this is only an intermediate market that handles some 50% of Vietnam's export and import value. So we have to work our way to the end markets.

+ The EU: At present, Vietnam's trading relation with this market is limited to certain members (France, U.K., Germany, Holland, etc.) but this market plays an important role in the industrialization and modernization in Vietnam because it supplies technology. In the coming years when Vietnam becomes a member of the APEC and WTO, its relation with the EU will be expanded and the EU

+ Other markets, especially Australia and Russia: To diversify international trading relations as required by the Government, exporters should pay proper attention to other markets, besides the above-mentioned four ones. Of these markets, Australia shows great potential for Vietnam's export. Traditional buyers in Russia and East European countries could provide conditions for Vietnamese exporters to improve the product quality before entering such demanding markets as North America and the EU.

In short, the export strategy of each company couldn't be separated from the national strategy to take part in the WTO, APEC, AFTA and the U.S.- Vietnam Trade Agreement. Thus, without such a national strategy, export companies still find it difficult to improve their international competitiveness when the twenty-first century is coming.