Competition Strategy of The Garment Company 28

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1. Competition in the garment market

Men's shirts could be divided into three categories:

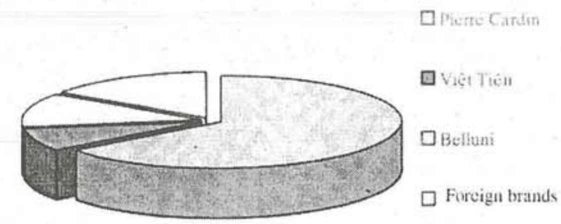
- High-end products include locally- made high-quality brands such as Pierre Cardin, Việt Tiến, Pharaon (Garment Company 10), and Belluni (Garment Company 28), and some imported ones such as Valentino and Armani.

- Medium products supplied by such companies as An Phước, Việt Tiến, Việt Thắng and Garment Company 28; or imported from Thailand, South Korea and Hong Kong.

- Low-end products supplied by Khataco, THL, Centex or imported from Thailand and China.

At present, the Company focuses on three brands, Belluni, Agtex and Stylist. Belluni is positioned as a high-end brand sold at luxurious stores while Agtex and Stylist are medium products distributed through agencies all over the country. This means that the Company meets different competitors in each market segment.

a. High-end segment

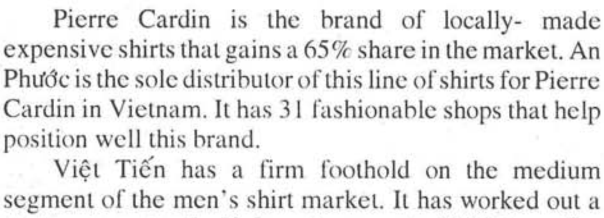


Pierre Cardin is the brand of locally- made expensive shirts that gains a 65% share in the market. An Phước is the sole distributor of this line of shirts for Pierre Cardin in Vietnam. It has 31 fashionable shops that help position well this brand.

Việt Tiến has a firm foothold on the medium segment of the men's shirt market. It has worked out a strategy to enter the high-end segment with high-quality and expensive shirts (from VND240,000 to 850,000 a piece). However, its market share is only 5% because it has no marketing campaigns for this segment.

Such foreign brands as Valentino and Armani account for a 15% market share. Products from these companies are distributed exclusively through big shopping centers such as Zen Plaza, Diamond Plaza, Saigon Tourist Center, Tax Shopping Center and some official outlets. The distribution network, however, is not large enough because their prices are very high (from VND800,000 to 2 million a piece.)

b. Medium segment



In this segment, Việt Tiến controls a 60% share with 135 selling agents and five official outlets. This large distribution network is one of its strengths. The next 9% share belongs to An Phước who distributes Pierre Cardin shirts. Products from Hong Kong, South Korea and Thailand account for only small shares because customers usually take them for Chinese ones.

2. Competition strategy of the Garment Company 28

At present, the Company's products are not different from ones from its rivals with the result that it meets with keen competition on both domestic and foreign markets. To survive the competition and develop, the Company must:

- to keep ahead of its rivals by constantly develop new products to monopolize a new market and gain profit before its rivals come: The success will depend a lot on the R&D activities that help enhance the value of brand names and their prices; and win trust from both local and foreign buyers because it always lead the way in development of new products.

- to find and control new market niches: Studies show that many companies have made huge profit by adopting this approach. In a market niche, there is almost no rival; and it will take a long time for a new comer makes its appearance, which allows the company to get profit and payback and engage in a new race. This effort also relies on market researches. In my opinion, promoting the R&D activities and market researches is a measure best suitable for Vietnamese employees because of their good creative ability. Investment in these fields could help local companies compete against foreign competitors more successfully when the comparative advantage of cheap labor ceases to exist.

- establish good trading relations with textile and garment factories: When selling raw materials to garment companies, textile factories have come into contact with a big and stable market for their products on condition that their products must be of high quality and good design. With a reliable source of raw materials and financial support from textile factories, garment companies could improve their position in negotiations with major customers, especially foreign ones. These relations also help to reduce unnecessary competition because textile factories need not develop their own garment divisions. This could be seen as a measure to turn potential rivals into allies.

- to develop brand names and trade- marks: after joining the AFTA, APEC and signing the BTA, Vietnam is preparing for the WTO accession. This situation forces the Company to improve its competitiveness. Besides developing the legal infrastructure for business developmenr, the Government should help companies build their trade- marks and brand names. This could be considered as a precondition for the international integration.

In Vietnam's trade promotion program, five major export markets are the U.S., China, Japan, the EU and Africa. All of these markets require imports to have legal trade-marks, brand names and certificates of origin.

Cash Hamrick, a lawyer from Tradi Corporation in the U.S., remarks that the Vietnamese goods are less competitive than its counterparts from China and regional countries because it lacks familiar brand names. Most of Vietnamese goods are exported to the U.S. through middlepersons or under foreign brand names of companies that subcontract jobs to Vietnamese companies. In contrary, American companies and other foreign partners pay a lot of attention to tasks of registering and protecting their brand names in Vietnam.

In its strategy to integrate into the world clothing market, the Company 28 prioritizes replacement of old technologies and development of good brand names. The Company has registered its brand names and trade-mark in such potential markets as Canada, the U.S. and ASEAN countries. It is doing the same in European markets.

- to enhance its public image: at present, the Company has its stores in Tax and Saigon Tourist Shopping Centers specialized in selling shirts. By building luxurious stores, employing skilled sales clerks and selling high-end products, the Company is trying to affirm its trade-mark. Moreover, the Company takes part actively in activities for the good of the community in order to build its public image.

Another problem for the Company is to position and enhance its trade-marks on both domestic and foreign market. Recent studies show that 60% of buyers make their decisions based on trade-marks and this proportion is on the increase. As for garment companies, enhancing their trade-marks is also a way for freeing themselves from the role of doing subcontract work for foreign companies. in the coming years, the Company plans to develop its trade-mark by:

- Giving it a new image and position.
- Building a new trade-mark for foreign markets by purchasing or hiring a trade-mark that best suitable to the target market.
- Enhancing its trade-mark by developing its own distribution network.

In short, the Garment Company 28, a concern that serves mainly the national defense and armed forces, has carried out successfully its competition strategy and become a typical company of the clothing industry with firm footholds in both local and foreign markets■