



## THE NEW COMPETITION IN SOFT DRINK MARKET

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**A**fter lifting US trade embargo, almost immediately, two world's biggest soft drink companies, Coca Cola and Pepsi, have entered into Vietnam market.

Those two US-based companies have carried out advertising campaigns to promote their products. The slogan of Coca Cola is "It's good to see you again", then Pepsi says "We are eager to come back to Vietnam".

### Way through joint-venturing

Coca Cola came to Chinese market for the first time in 1927, and had to withdraw in 1949 because of political unrest there. Thirty years after, it returned there with a project of investment till 1996 estimated at US\$ 500 million.

Similarly, coming back to Vietnam, Coca Cola has a large scaled program of joint-venturing with Chương Dương soft drink factory (it is former bottler of Coca Cola before 1975) in order to produce the first lot of Coca Cola and Coke in Vietnam. Coca Cola through its branch in Asia-Coca Cola Indochina Ltd Pte. will co-operate with Vinalimex (General Company of Processed Food Export and Import) in building a Coca Cola factory in Hà Tây (Northern Vietnam) with an investment capital of US\$ 20.4 million (Vinalimex contributes 30%). In the South, Coca Cola's project has investment capital of US\$ 26 million (Viet-

nam party contributes 40%).

As with Pepsi, in the first days after embargo lifting, its Asian representative has flown to HCMC in order to discuss granting a franchise to IBC and help the first lots of Pepsi flood HCMC market. In order to realize big investment projects and stay here for long, Pepsi has intended to buy some IBC shares (the producing capacity of IBC is around 4 million liters per year).

The advertising campaigns and publicity of these two giants are overall: from sponsoring sport and cultural events (Coca Cola spent US\$ 50,000 on "Revisiting Điện Biên" bike race; Pepsi spent 50,000 US\$ on Tiên Phong beauty contest and US\$ 50,000 on Vietnam-america exhibition in Hà Nội...) to putting commercials on TV, radio or advertisement in newspapers and magazines ... On HCMC roads only, there are at least 3,000 billboards for each of these two companies. All of these showed that both of them have paid full attention to Vietnam market.

Both of them have tried to offer competitive prices. Pepsi and 7up (bottled or canned) are sold at Đ1,500 to 2,000 per bottle and Đ4,000 per can. Similarly, Coca Cola has a big lot of its products imported to Vietnam and sold at Đ100,000 per carton in order to kill the illegally imported Coca Cola and Coke which were sold at Đ120,000 to 140,000 per carton.

### The new competition

Before Coca Cola and Pepsi, a lot

of soft drink companies (such as Schweppes, BGI, Festi...) have made their appearance in Vietnam, not to mention local soft drink companies. Have they been in a new competition?

Talking to us, directors of SP-Cola and Festi joint-venture were anxious about the presence of two giants - Pepsi and Coca Cola. Nguyễn Vũ Bảo, director of SP-Cola said:

- The advertising campaigns of Coca Cola and Pepsi had bad effects on the other companies, especially the local ones. But we couldn't lower our morale. I think that one way of keeping our market share intact is to maintain product quality and an acceptable selling price. Besides that, we have to ensure our distribution channels, from wholesalers to retailers, a reasonable commission.

- We have staked our claim to local market for a long time - said Phạm Hồng Chương, director of Tribeco - so we don't think that we will lose our market share to them (Coca Cola and Pepsi). However, according to the law of competition, good product will drive out bad one, so we have been paying full attention to our product quality, considering it as a precondition for winning consumers' trust. In the near future, Tribeco will market new lines of product which, we hope, will be more appropriate to liking of consumers of every ages.

Forecasting what situation after embargo lifting would be, according to Mr. Chương, Tribeco planned for increasing production. It will install 3 production lines in Hà Nội, Đà Nẵng and Hố Môn (HCMC). In a similar way, BGI planned to set up a joint venture with Đà Nẵng; whereas Youki, Festi will have their new factories built in Central Vietnam.

According to Ministry of Agriculture and Food Industry, up to the end of 1993, total output of soft drink in Vietnam was 200 million liters, and it showed no sign of standstill. However, it's not a big number. The soft drink consumption per capita in Vietnam is only 3 liters per year compared with 5 liters per year or more in many Southeast Asian countries. Naturally, our economy should be developed and personal income should be increased before we can raise the soft drink consumption per capita.

Anyway, the appearance of these two giants in soft drink business isn't a coincidental event. It resulted from the calculation of their representatives. This is, perhaps, a serious problem which both local producers and minor joint ventures must try hard to solve by a keen, but fair, way of competition ♣