Further Development for the Domestic Market

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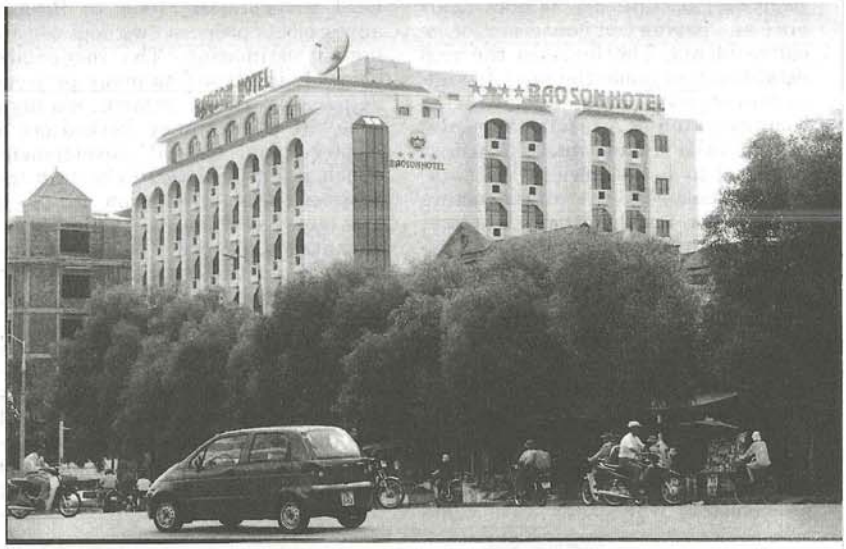
The domestic market plays an important role in the economic development. Fluctuations in markets for goods, especially for the essential ones, will produce great effects on production and public life. Moreover, the Vietnamese domestic market, with its population of over 80 million people, is very attractive in the eyes of trading companies.

In recent years, along with policies to promote trading, the commercial authorities have made great efforts to stabilize and develop the domestic market. The total retail sales increased from VND220,410.6 billion in 2000 to 272,793.0 billion in 2003, that is, by 11.2% a year. Facilities for trading activities have been improved. Many modern trading patterns have been introduced and started producing good effect. Many provincial authorities have worked out plans to build marketplaces. Many hub markets have come into being and become trading centers for zones of several provinces. Local goods become saleable due to their improved quality. Trading authorities have tried their best to limit the amount of contraband and faked goods, thereby helping develop the local production.



Besides such achievements, however, the development of the domestic market revealed many shortcomings. The following are some of them:

- Both central and local governments have paid too much attention to promotion of export with the result that the domestic market couldn't reach its full potential.
- State-owned trading companies couldn't lead the way in the development of local market because they lack necessary managerial skills, capital and business strategies.
- The network of trading cooperatives failed to develop to the fullest in many provinces. Some of them only operate as selling agents or wholesalers in provincial markets.
- Faked and contraband goods of all kinds still flood the domestic market.
- E-Commerce is still strage to many local companies.
- While the distribution network of foreign companies develop well and operate professionally, the networks of state-owned trading companies and cooperatives stay the same.
- Cooperation between provinces, HCMC and Mekong Delta provinces for example, isn't close enough to smooth the flow of raw materialsand finished commodities, and develop the distribution networks.

We suggest here some measures to deal with these shortcomings to develop the domestic market and meet demand from producers.

1. Measures needed for trading authorities

- Keeping on developing a favorable climate and fair competition for all companies.
- Beefing up the role of the trading authorities at all levels, from provincial to district ones.
- Developing the cooperation between four partners – supplier, trader, scientist and authority: In this process, the role of private traders in the distribution networks must be estimated correctly with a view to working out suitable policies for their development.
- The service of commerce at provincial level should play well their role in developing trading activities, including building up marketplaces and distribution networks, controlling flows of goods, disseminating knowledge of trading regulations, and investigating trading concerns when necessary.

The trading authorities should find out solutions to tasks of encouraging investment, zoning and developing the infrastructure for local trading (such as distribution networks, warehouses, shopping centers, etc.). This could be considered as the "modernization of technology" in the trading sector (we tend to think that the modernization of technology will only take place in the manufacturing sector.) In other words, they should work out policies to encourage projects to build the trading infrastructure (supermarkets, trading centers, stores, warehouses, etc.) and projects to develop technical facilities for the trading activities (freezing warehouses, com-

puter networks controlling retail sales, etc.)

- Promoting marketing activities at local markets and companies with a view to encouraging the spending power.

Each company should make more investment in marketing campaigns, developing the sale agent networks and working out marketing strategies for each line of products.

The provincial governments and their subordinates must realize the importance of the marketing activity too. The provincial services of commerce should pay full attention to the following tasks:

+ Developing the information service to provide companies with information and advice, especially predictions of changes in the demand and supply on both foreign and local markets. The information must be concentrated on local staples, such as rice, fish, sugar, rubber, coffee, etc.

+ Helping local companies take part in trading fairs and exhibitions at home and abroad.

+ Making contact with business delegation from foreign countries and introducing them to local companies with a view to building a bridge between two sides.

+ Working out strategies to develop local trading activity based on potentials existing in districts and companies.

+ Carrying out trade promotion campaigns through effective programs to help companies expand their businesses.

+ Cooperating with research centers to working out programs to help local companies enter foreign markets (this task is more urgent when Vietnam is to open its domestic market to foreign companies.)

+ Regularly gathering feedback and opinions from companies about supporting and trade promotion programs in order to make improvements when necessary.

2. Necessary efforts from companies

- Developing modern networks of distribution to meet the demand from customers.

- Developing various forms of cooperation in order to expand the inter-province business networks. A good example is the HCMC Trading Cooperative who opened chain supermarkets in HCMC and other provinces in cooperation with local cooperatives.

- Af for state-owned trading companies, they should reorganize in order to play well their leading role in distributing essential goods in major cities and towns.

- In flood plains, trading centers must be developed in new towns newly built in Long An, Tiền Giang, Đồng Tháp, Vĩnh Long, Cần Thơ, An Giang and Kiên Giang. This will be a good opportunities for companies of provincial level.

- Trading companies should establish close relations with suppliers and they could even invest in production.

- Full attention should be paid to marketing, trade promotion, brand management and protection of intellectual property in preparation for international integration.

- Both trading and manufacturing companies must learn from the ways major companies develop business and marketing strategies in order to build their public image and prestige in the eyes of local and foreign customers. It isn't wise to pay too much attention to foreign markets and ignore the domestic ones while foreign companies are trying their best to enter into the Vietnamese market.

- Leading companies had better start to engage in e-commerce in order to reach foreign buyers.

- Suitable policies are needed for encouraging companies to supply services because this practice is inevitable in the international integration process where all companies are all in need of various services (advertising, market research, legal advice, financial support, etc.)

3. Conclusion

The above-mentioned measures needed to be taken in accordance with specific conditions of each company and province. We don't think that the domestic market will develop independently from other markets. That is why the Government should adopt various policies to help them develop side by side.■