

UNIVERSITY OF TAMPERE

Faculty of Management

The Policy for the development of Vietnamese goods

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ABSTRACT

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This thesis evaluates the orientations and solutions to develop the domestic market for Vietnamese brand goods and helping Vietnamese enterprises and local consumers in the process of participating in the market, through the system of legal documents, organizational apparatus and operating procedures. From there, find the advantages and especially the limitations that need to be improved.

For Vietnamese goods to have a firm foothold in the domestic market, to conquer Vietnamese consumers, the Government should orientate and direct the implementation of tasks and solutions to raise the competitiveness of Vietnamese manufacturers to market products and services of high quality and competitiveness. Therefore, to find out remedial measures to improve the performance of state management agencies.

In addition to studying the government's regulations on promoting the development of domestically produced goods, supporting the development of the domestic market, the thesis also considers the development of domestic trade of some other countries, compare to draw lessons for the development of domestic market in Vietnam.

Besides, the thesis also conducts research on two categories of milk and leather shoes on the development of the domestic market. From that, combine the results to propose solutions suitable to current and future domestic market characteristics in order to promote the development of the domestic market for Vietnamese goods.

The results of this study can be applied to improve the productivity, quality and competitiveness of manufactured goods in Vietnam. However, in the context of the thesis, it is not possible to provide more specific and detailed solutions to the problems found. In order to quickly and easily apply research results to the development of the local market for manufactured goods in Vietnam, further research is needed on a broader scale.

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1. Introduction

1.1 Research background

With a population of over 90 million people and improved per capita income, Vietnam provides a wide and tempting market for both domestic and foreign manufacturers and distributors. Opening of the Vietnamese market has tempted foreign companies to Vietnam, especially in the area distribution sector. As a result, commodity markets have become more diversified in terms of product types, designs and prices as well as their origins. In the consumer markets, a large number of foreign brands from China, Japan, Thailand, Malaysia, the United States, France have found Vietnam.

In recent years, the Vietnamese Government has issued many policies, projects and campaigns to encourage Vietnamese people to use Vietnamese goods. As an example, in 2012 Prime Minister issued a directive of "Vietnamese people give priority to using Vietnamese goods" to promote the development of the domestic market. These activities have raised the use and consumption of domestic goods. High-quality Vietnamese commodities are gaining trust among the domestic consumers, who are increasingly satisfied with the offering. In addition, many enterprises have recognized this, and identified the importance of the domestic market. Thus, they have issued well-organized strategies to support domestic goods in terms of distribution, marketing, promotion and product quality. In many supermarkets, domestically manufactured goods account for 80-95% of items sold. Therefore, many companies have been constantly innovating their technology and techniques to produce more products with high quality and innovative contents to serve domestic consumers.

Despite the aforementioned achievement, the Vietnamese consumer market is still witnessing many shortages. Markets are still dominated by imports from other markets, particularly from China, Japan and Thailand. Consequently, consumers have difficulties in buying Vietnamese goods, which may not only affect rights and interests of Vietnamese consumers but also affect the development of domestic manufacturing industries and affect socio-economic development of Vietnam. The retail market of Vietnam has fully opened under its WTO accession commitments, so the competition of domestic enterprises and Vietnamese goods will become even fiercer in the future. Especially, the ASEAN Economic Community (AEC) and the Trans-Pacific Partnership (TPP) pose challenges for the domestic actors if they are not properly prepared. Therefore, it is timely and extremely important to better understand how and through what kind of policies Vietnamese government can develop the markets for Vietnamese goods, and help Vietnamese enterprises and domestic consumers to better find each others in the domestic markets.

1.2 Purpose and objectives of the study

Consumer goods are very diverse, divided into different categories, depending on the nature of the products as well as the purpose and time of use. This research focuses on two different consumer markets: *powdered milk and footwear*. These were chosen because these are the items currently facing many difficulties in the domestic markets due to several reasons ranging from the manufacturing enterprises to the policy environment and also consumers. The Vietnamese consumer goods market is divided into spatial scope including domestic market and overseas market (export). The domestic market is still limited with fairly modest market share and therefore this study aims to recognize the factors that affect the development of domestic consumer markets and suggest ways to develop this market. The study aims to answer the following research questions:

1. How can central government support the development of domestic markets?
2. How has central government succeeded in supporting Vietnamese powdered milk and footwear markets?

In order to answer the aforementioned research questions the study, used methods include method of summary, statistics method of on-spot document research.

1.3 Research methods

This study summarizes and analyzes data of supply, demand and market for consumer goods in Vietnam in general and for the powdered milk, and footwear in particular. The study analyzes the State policies related to the development of production and consumption of Vietnam's powdered milk and footwear brands in recent years. The study evaluates the market situation of Vietnam's powdered milk and footwear market by comparing market share, production output, and consumption per capital over years as well as of per capita consumption with some other countries. The research aims to study and forecast factors affecting the development of the Vietnam consumer goods market, including those affecting supply and demand. The analysis is based on secondary empirical data and authors own expertise in the given field.

1.4 Structure of the thesis

To address objectives and requirements of the thesis, the thesis is structured with 5 chapters:

Chapter 1: Introduction that shows the competitive landscape and integration of Vietnam domestic market. There are several methods to collect and analysis data of supply, demand of the consumer domestic goods including on-spot document research, comparison, and expert method. The study recognizes the factors that affect the development of domestic consumer markets on powdered milk and footwear industry. The study also investigate government support measures to develop powdered milk and footwear markets. Thereby, the study will answer two questions of how central government

supporting the development of domestic markets and how central government succeeded in supporting Vietnamese powdered milk and footwear markets.

Chapter 2: Literature review refers to the relevant theories and researches. Concerning to brand aware, Kotler 'study and McKinsey Research are used. In order to analysis industry, the structure Conduct Performance (SCP) model dated back to Edward Mason (1930s) and Joseph Bain (1950s) and Porter's five-force framework basing on SCP in industrial organizational economics are used. Besides, The researches on development of retail market of consumer goods in rural Vietnam and organizing retail marketing activities of commercial companies in the big urban market commodity distribution system, on organization of distribution channels are done by domestic institutions, university also use to recognize domestic distribution channels. State policies concerning to criteria of production, trade, Market developing and developing demand in order to push up goods domestic market are the material to analysis how central government supporting the development of domestic markets.

Chapter 3: Vietnamese context refer to Vietnamese branded goods market and the development of this market. Base on model SCP that mention on chapter 2, the study analysis supply, production capacity, demand, competition, business linkage, product development, quality of products, consumption habits, product protection of Vietnam domestic market in general. Model SCP also is used to understand organization of market systems including urban market, chain stores, rural market, Vietnamese goods advertising as well as public policies. By the way, the effectiveness of public policy is determined.

Chapter 4: The central government supporting and succeeded in supporting Vietnamese branded goods is clarified through two case study of powdered milk and footwear markets. The condition of two industry is describe to show the development for periods thanks to the support from central government policy. The famous domestic branded name in two industry assert position and branded name such as Vinamilk, Nutifood, Biti's and Biti's. Through SCP model, analysis on market structure of industry, market systems Organization, public policy are clarified. Central government policies on Vietnamese branded powdered milk market development and footwear market development are evaluated via the improvement on production and allocative efficiency, improvement on competitiveness, improvement on product distribution and improvement on business activities of two industry.

Chapter 5: The role of provided State policies is to contribute to the promotion of markets in the economy in general and market in particular. State policies have supported businesses and enterprises to develop their domestic markets, to produce domestic goods as well as to position Vietnam branded domestic goods. The research find supporting and effective government policies on specific industry such as solutions for supply development, solutions for demand development and solutions on market organization. Thereby, several recommendations for the Government and MOIT are suggested to better develop Vietnamese consumer goods market.

2. Literature review

2.1. Research on analysis and develop goods market

High brand is built on the basic of brand awareness. Well - known brand positively impacts consumers in the selection of familiar products and services. The long experience of using the product can lead to brand loyalty and these are factors that add value to the brand (Kotler et al., 2008). The brand value increases from the goods acceptance of consumers. Brands are intangible and at the same time reveal brand awareness and consumers' purchasing behavior. People are more trustworthy with well-known brands (Tara & Brian, 2007). Brands often play a key role in creating these values. According to a recent study by McKinsey Research, intangible assets make up the bulk of the merger and acquisition agreements, and brand occupies a significant share of the form of intangible assets. The author pointed out four basic branding strategies for banks: (1) Black hole; (2) Utilization; (3) cohabitation; (4) Fresh start. Each strategy has its own advantages.

These studies¹²³ have proposed criteria for evaluating the dynamic capacity of enterprises in terms of risk taking in business, business innovation, proactiveness, pioneering and the criteria for assessing the competitiveness of products and services such as quality of products and services, market share of products and services, prices of key products in relation to competitors in the sector.

The structure Conduct Performance (SCP) model dated back to Edward Mason (1930s) and Joseph Bain (1950s). According to the SCP framework, an industry's performance depends on the conduct of its firm, which then depends on the structure. The structure of the industry then depends on basic conditions, such as technology and demand for a product. SCP includes structure, conduct, and performance. The structure refers to market structure including seller concentration, degree of product differentiation, number and size of competitors and barriers of entry. The conduct refers to a firm's behavior including pricing strategies, collusion, advertising, research and development and capacity investment. Performance refers to outcome or equilibrium assessed in terms of allocative efficiency including profitability and price-cost margin. Porter's five-force framework⁴ is based on SCP in industrial organizational economics. It has been applied to try to address a diverse range of problems, from helping businesses become more profitable to helping governments stabilize industries. 5 forces includes threat of new entrants, competitive intensity, bargaining power of

¹ Keh et al (2007), The dynamic capacity of the business.

² Luo (2010), The competitiveness of the product

³ Vu M. Khuong & Haughton (2004), Market orientation

⁴ Potter, M (1980), Competitive Strategy

suppliers, bargaining power of buyers and threat of substitute products. Combining two above-mentioned theory, SCP model to analysis industry could be conducts as follow:

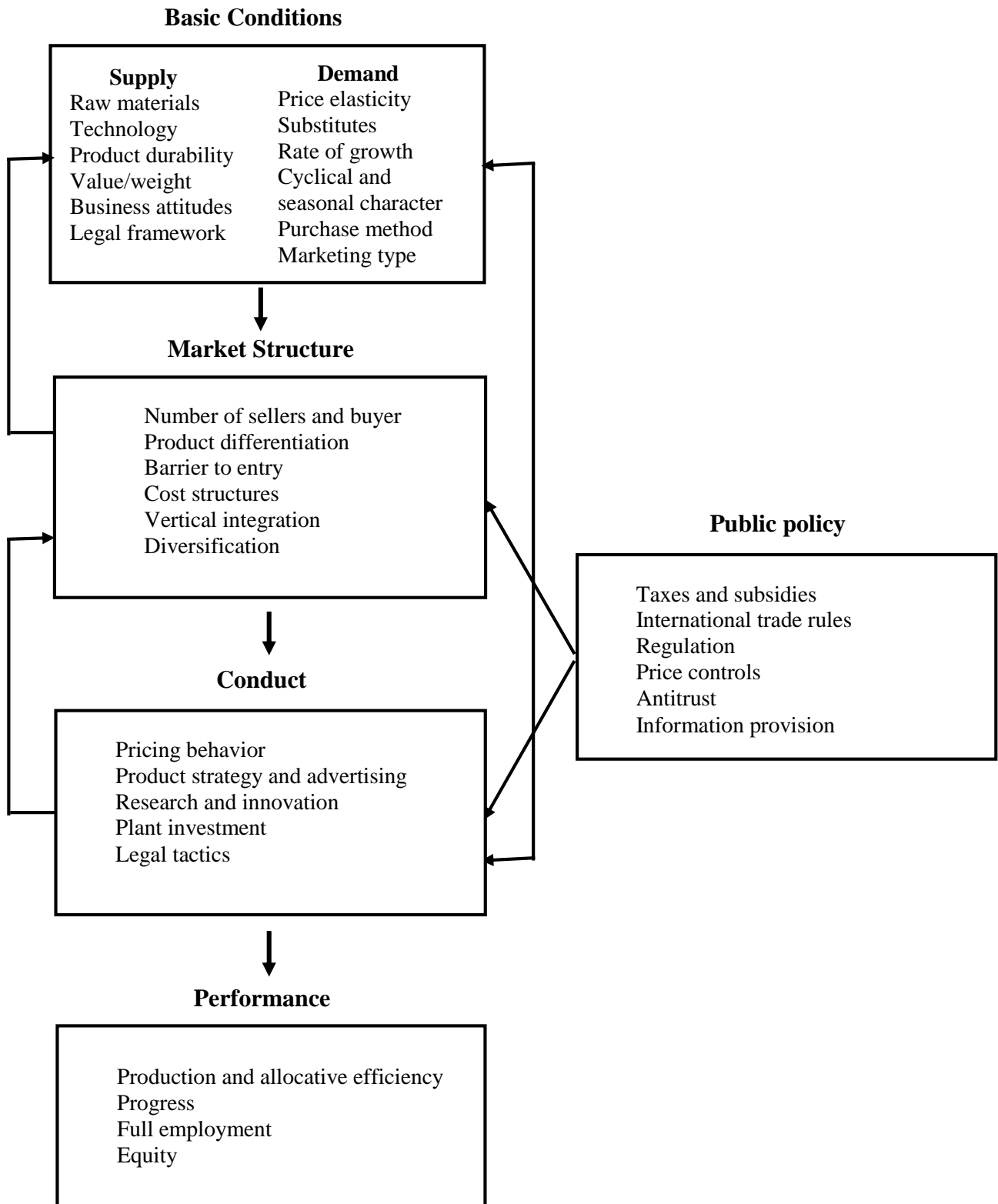


Figure 2.1. SCP model to analysis industry⁵

⁵ Carlton/Perloff (2000), SCP-Paradigm

In Korea, the government only allows imports of the most essential stuffs that are not available within the country and cannot be produced. The policy of investing in infrastructure for farmers to stand on their own, to produce on the spot. Farmers are the real owners of their land and freely sell their produce. The government has exempted and reduced taxes on farmers and businesses, stimulated production and consumption in rural areas; encouraged and supported the construction of many factories at rural for processing and marketing agricultural products; executed rural credit policies, provided loans to boost production, created jobs and improved farmer incomes. From 1972 to 1977, the average income of farm households has tripled.

In China, starting from 2005 to the end of 2008, by implementing a policy of stimulating consumption in rural areas, about 250,000 stores, retailers of technology products have been opened and expanded to nearly 50% of China's rural areas. In particular, the support program for domestic "high-tech" approach among farmers has been implemented by the government since mid-2008. Accordingly, Chinese farmers will receive a subsidy of 13% when purchasing high-tech items such as computers, mobile phones, televisions, etc. This level of 13% support is divided by the ratio 80 - 20 that the government will bear 80% and the remaining 20% will be paid by local administration. Each farm household can purchase up to two products in each category and bring purchase invoices to local financial departments to receive back 13% of the money spent within 15 business days. Supporting farmers to buy televisions also offers them the opportunity to learn production experience, scientific and technical information on the mass media, and interact with TV commercials, thereby contributing to the purchasing demand then domestic products, goods are introduced, promoted, etc. In 2009, the Chinese government has also spent CNY 20 billion (USD 2.9 billion) to help farmers purchase electronic appliances. This is part of the domestic stimulus plan that aims to reach CNY 150 billion (USD 22 billion) in sales of electronic appliances in rural areas.

These documents and research have shown the issues of branding and branding development. Most of the studies focused on foreign brands and markets, which may apply some of the above findings to the Vietnamese brands. However, for the Vietnamese market, as well as the Vietnamese brands, there are specific characteristics that need further research and development.

The research on development of retail market of consumer goods in rural Vietnam⁶ shows strengths, weaknesses, opportunities, and challenges in the development of retail market for consumer goods in rural areas in the coming years. The work has also proposed opinions, orientations, and groups of solutions to boost the retail market for consumer goods in rural areas, including increasing incomes

⁶ Pham Hong Tu (2013), *Development of Retail Market of Consumer Goods in Rural Vietnam in 2011-2020 period*

via incomes of local residents; Developing demand of rural people; Developing retail participants in rural markets; Developing business infrastructure in general and retail infrastructure in particular in rural areas; Strengthening management of the retail market development of consumer goods in rural areas. Based on analysis of the position and roles of the rural consumer retail market, as well as analysis of the domestic economic context by 2020.

The work ⁷ assessed the situation of organizing retail marketing activities of commercial companies in the big urban market in Vietnam. Accordingly, the author suggested some main ideas and solutions to improve these activities.

Other studies were done by National Economics University. The work⁸ evaluates the situation of consumption of consumer goods in state-owned enterprises in Hai Phong, then proposed the main directions and solutions to renovate organization of consumer goods consumption in the enterprises. The work ⁹ provided insight into basic theories of business environment, consumer goods production, the real situation of the business environment of enterprises, accordingly proposed measures to improve the business environment of state-owned consumer goods enterprises. The work¹⁰ collected articles related to shopping behaviors of Vietnamese for domestic and foreign goods in the age of globalization such as theoretical issues, new approaches to purchasing and consumption behaviors for domestic goods and foreign goods; Internal and external factors affecting purchasing behaviors of consumers; Evaluation of the current situation of consumption for domestic goods compared to foreign goods in Vietnam market, especially in the urban population for certain items; A system of perspectives, strategies and solutions for local businesses to influence consumer behaviors; State management policies to orient the consumption of goods for Vietnamese people

The role of Vietnamese consumer goods enterprises and the current situation of their competitiveness in the context of international economic integration have been analyzed and evaluated via the research. The study¹¹ also examines financial policies of some countries in the region for consumer goods manufacturers, thereby pointing out lessons and conditions to apply in Vietnam.

Other studies were done by Vietnam Institute for Trade on development of commodity distribution

⁷ University of Commerce (2005), *Organizing retail marketing activities of consumer goods of commercial companies in the big urban market of Vietnam*.

⁸ National Economics University (1996), *Orientations and major solutions to renovate the consumption of consumer products from state industrial enterprises in Hai Phong*.

⁹ National Economics University (2001), *Main measures to improve the business environment of state-owned enterprises producing consumer goods in Vietnam*.

¹⁰ National Economics University, Proceedings of the National Scientific Conference (2015): *Shopping behavior of Vietnamese for domestic and foreign goods in the era of globalization*

¹¹ Academy of Finance (2010), *Completion of financial policies for improvement of competitiveness of Vietnam's consumer goods enterprises in the context of international economic integration*.

system, on organization of distribution channels, and on wholesale and retail services. The study¹² provided issues related to the development of the distribution system, clarifying the scientific basis and solutions for the development of vertical and horizontal linkages in the distribution systems. The research¹³ focused on the distribution channels for essential commodities such as vegetables, meat, garments, steel, fertilizers, cement ... Based on that, it proposed the orientation of distribution channels for some of these items. The study¹⁴ has studied wholesale and retail services as sub-sectors of distribution services, focusing on the conditions, development trends and management policies of these services in a number of countries in order to study its applicability in Vietnam. The study¹⁵ evaluated the current situation of domestic demand stimulus policies in Vietnam during 1999-2010 period. In particular, it assessed the situation of domestic consumption in Vietnam during 2002-2010 period; situation of domestic consumption stimulating policies during 1999-2010 period; Evaluation on domestic consumption stimulating policies. Pursuant to the evaluation, it proposed a number of measures to improve domestic demand stimulus policies in Vietnam for 2011-2015 period, including: short-term stimulus policies; Long-term stimulus policies.

The research were issued by Ministry of Industry and Trade on development of domestic market, and competitiveness in powdered milk market. The project¹⁶ was approved by the Prime Minister in Decision No. 634 / QĐ - TTg issued on 29/4/2014. The projects aims to develop the domestic market in association with the campaign "Vietnamese people prioritize using Vietnamese goods", contributing to boosting production, trading and consumption of Vietnamese goods through concentration of resource to promote market development activities. Accordingly, it is expected to increase the market share of Vietnam goods by 80% and 100% in provinces and centrally-run cities, implement a program to build fixed and sustainable selling points called "Proud of Vietnamese Goods". To accomplish these goals, a range of implementation options have been proposed, including: Solutions to change the awareness and behavior of the community for Vietnamese goods; Solutions to support the development of a fixed and stable distribution system; Solutions to improve competitiveness for enterprises, cooperatives, business households in the field of distribution of Vietnamese goods; Solutions to

¹² Vietnam Institute for Trade - Ministry of Industry and Trade (2002), *Development of commodity distribution system in Vietnam in the context of international economic integration*.

¹³ Vietnam Institute for Trade - Ministry of Industry and Trade (2006), *Evaluation of situation and orientations on organization of distribution channels for some main commodities in Vietnam*.

¹⁴ Vietnam Institute for Trade - Ministry of Industry and Trade (2007), *Research on wholesale and retail services of some countries and their applicability to Vietnam*.

¹⁵ Vietnam Institute for Trade - Ministry of Industry and Trade (2011), *Study on completion of domestic demand stimulus policies in Vietnam*.

¹⁶ Ministry of Industry and Trade (2014), *Development of domestic market in association with the campaign "Vietnamese people give priority to using Vietnamese goods"*.

improve the effectiveness of inspection, market control and consumer protection. The report¹⁷ provided assessment on the current development of the dairy market in Vietnam; management of the dairy business, the situation of production, import and export. Specifically, the report analyzed in detail the market of powdered milk products and structure of Vietnamese powdered milk market, as well as the participants of this market, barriers when entering, the concentration of the market and the identification of some enterprises with large market share ...From the aforementioned analysis, the report presented some conclusions and

Obviously, there exist considerable studies related to the development of consumer goods market in Vietnam. However, these studies have not yet given a general view on developing the Vietnamese consumer goods market, but only focus on developing the retail market for consumer goods in rural areas in Vietnam; Organizing retail marketing activities for consumer goods of commercial companies in the big urban market in Vietnam; Researching main directions and solutions to renovate the consumption of consumer goods produced by State enterprises in some localities; studying solutions to improve the business environment for state-owned enterprises producing consumer goods; Studying and perfecting financial policies in order to raise the competitiveness of Vietnamese brands in the context of international economic integration.

2.2 State policies

State policies focus on criteria of production, trade, Market developing and developing demand in order to push up goods domestic market. The Ministry of Industry and Trade concludes the policy of the government via National Industry Promotion Program. Via the program, The Ministry of Industry and Trade has guided localities to develop and implement industrial promotion projects, supported enterprises in producing import substitutes, and other activities to improve quality of domestically manufactured goods such as with emphasis on vocational training, support to rural industrial establishments to develop technical demonstration models to develop new products in rural areas.

Concerning to policies on production, the Decree No.61/2010 on June 4, 2010 and the Decree No. 210/2013 / ND-CP issued by of the Government encourages enterprises to invest in agriculture and rural areas. Accordingly, to encourage economic sectors to participate in investment in agriculture and rural area. Land is allocated to an investor having an agricultural project eligible for special investment incentives by the State, the investor will be exempted from land use fee for the investment project. In addition, investors renting land from the State will be given the lowest price in accordance with the framework of land rent as stipulated in legal document, if the investor has agricultural investment

¹⁷ Ministry of Industry and Trade (2010), *Evaluation report on Competitiveness in powdered milk market in Vietnam*.

incentive projects, agricultural encouraging investment projects. Along with the policy of land rental exemption and reduction, investors are also assisted in human resources training, market development support, services consultancy, science, technology, and transport. Decree No.210 provides some additional incentives and investment support of the State for enterprises investing in agriculture and rural areas. Via the decree, the state has helped to exempt or reduce land use fees for investors having agricultural projects eligible for special investment incentives; investors having investment incentive agricultural projects will be entitled to a 70% reduction of the land use levy payable to the State budget for such investment project if the land is allocated by the State; investors having investment encouraging agricultural projects will be entitled to a 50% reduction of the land use levy payable to the State budget for such investment project if the land is allocated by the State. In addition, the decree has provisions on support of land and water surface rent from households and individuals to investors having investment incentive agricultural projects.

Concerning to policies on trade, the policy on domestic trade development is concretized by the Prime Minister's Decision No. 27/2007 / QD-TTg on February 15, approving "Scheme on domestic trade development up to 2010 and orientations to 2020", which defines objectives, requirements and targets for domestic trade development in general, retail distribution system of goods in particular, specifically encourages enterprises to set up wholesale, retail, supermarket and supermarket associations. This policy contributes to expand the distribution network, promote consumption of Vietnamese goods.

Archive no. 2600 / TTg-KTTH issued by the Prime Minister on boosting export and controlling deficit, which assigning to the Ministry of Industry and Trade to preside, to submit to the Prime Minister for the issuance of "*Regulations on formulation and implementation of the national trade promotion program*" in the second quarter of 2010. The Prime Minister issued Decision No. 72/2010 / QD-TTg promulgating the new Regulation on the establishment, management and implementation of the National Trade Promotion Program Applied from 2011 (replacing Decision No. 279/2005 / QD-TTg on 3 November 2005 and Decision 80/2009 / QD-TTg on 21 May 2009 which expired in 2010). On June 17, 2011, the Ministry of Finance issued Circular No. 88/2011 / TT-BTC guiding financial mechanism support from the state budget to implement the National Trade Promotion Program.

From the end of 2009 to the end of 2013, the Ministry of Industry and Trade has approved a total of 618 national trade promotion projects with a total budget of 375.75 billion Vietnam dong. Of all the aforementioned projects, there are 356 trade promotion projects focusing on domestic, mountainous, border and island markets with a total state subsidy of VND167.78 billion. These projects are mainly regional trade fairs (103 projects with a total cost of 138.59 billion) and Vietnamese goods distribution to the mountainous, border, and remote areas, organizing the delivery of Vietnamese goods to rural

areas (253 projects with the total cost of 29.2 billion VND).

The enterprise management and development policies have been concretized through the decrees guiding the implementation of the Enterprise Law 2000 and the amended Enterprise Law in 2005. According to the Decree No. 88/2006 / ND-CP on business registration, then replaced by Decree No. 43/2010 / ND-CP, the business registration process has been more favorable to investors. For the cooperative, the Government has issued Decree no. 88/2005 / ND-CP on some policies to support and encourage the development of cooperatives, Decree no. 87/2005 / ND-CP on business registration of cooperatives. For business households, the Government issued Decree No. 39/2007 / ND-CP on March 16, 2007 which stipulates that individuals conducting business independently and regularly will not have to register for business, but comply with the regulations on taxes, prices, fees and charges related to goods and business services of the law and under the direct management of the ward and commune committees in the locality of business. On the one hand, it facilitates the business of small traders and, on the other hand it provides a legal basis for managing these activities, ensuring order and security and commercial civilization.

The domestic market development plan is associated with “*Vietnamese give priority to using Vietnamese goods*” campaign for period 2014 – 2020. On April 29, 2014, the Prime Minister issued Decision No. 634 / QD-TTg approving the aforementioned scheme. The overall objective of the project is to develop the domestic market in the period 2014 to 2020 in association with “*Vietnamese give priority to using Vietnamese goods*” campaign to promote the production, business and consumption of Vietnamese goods by concentrating resources on promoting the group of market development activities with the name of "proud of Vietnamese goods". At the same time, it is integrated into the action plan of ministries, branches, localities and units in response to the campaign to create a powerful effect on the whole country, implementing the policy of the Politburo stated in the Concluding Notice 264/TB-TW on 31/7/2009 on the organization of the Campaign and Prime Minister's Direction, in Directive No.24/CT-TTg dated 17/9/2012 on strengthening the implementation of the campaign. The project focuses on the following issues: (i) Promoting and communication valuing Vietnamese goods and enterprises in association with the campaign; (ii) Developing distribution system of Vietnamese goods, especially the distribution system of small and medium enterprises; (iii) Technical assistance to improve the competitiveness of enterprises, Vietnamese goods in the domestic market; (iv) State management of the domestic market associated with the Campaign.

Over the last periods, the Ministry of Industry and Trade has also presided over several signing ceremonies for coordination between the provincial Departments of Industry and Trade and Associations and Enterprises to deliver Vietnamese goods to localities, with the aim of helping Local

consumers with the opportunity to use Vietnamese goods with guaranteed quality and reasonable prices; The enterprises have researched, enhanced the retail distribution system by organizing mobile sales and gradually establishing Vietnamese goods supply points in localities. By these signing activities, the Ministry has been able to connect 40 Departments of Industry and Trade with 03 associations, 15 enterprises. This phenomenon has spread and become regular activities of a number of local Departments of Industry and Trade. This activity is described in Figure 2.2.

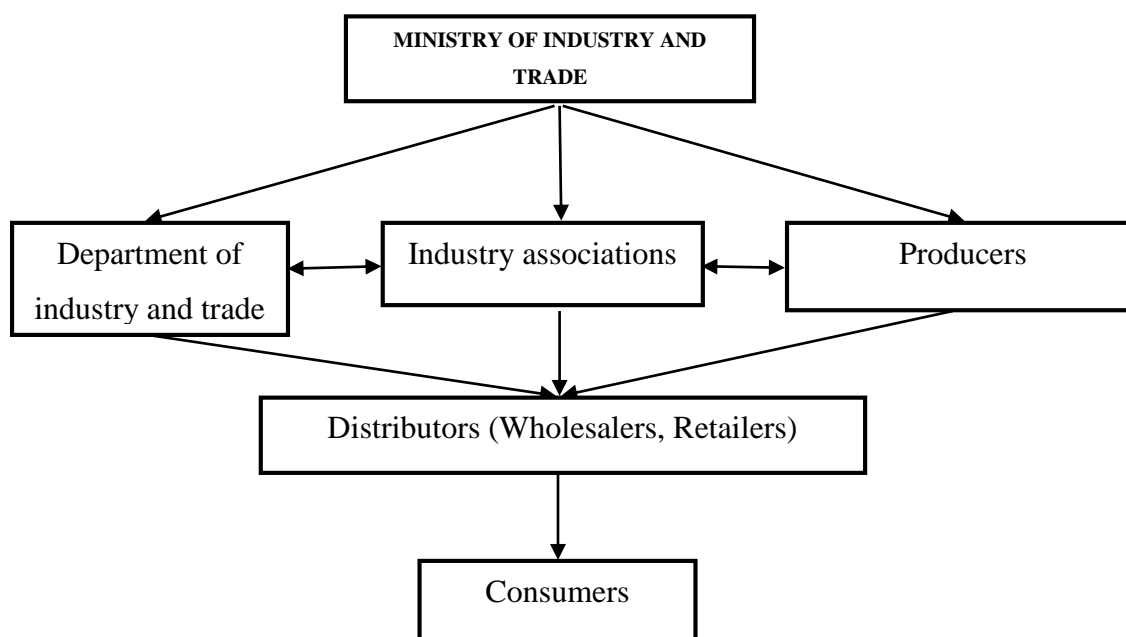


Figure 2.2. The organization of Ministry of industry and trade to manage and promote distribution system of Vietnamese goods

Concerning to policies on market developing, The Decree No.114/2009/NĐ-CP issued on 23/12/2009, on changes and amendments to a number of articles, of Decree No. 02/2003/NĐ-CP. Through studies on the preliminary report by the Ministry of Industry and Trade, the implementation of Decree No. 114/2009/NĐ-CP on market development has brought about a number of positive results, such as (i) Many markets have been built, renovated, upgraded; (ii) The development of the market system has helped promote agricultural production, handicraft, goods consumption, contributing to the implementation of the movement “Vietnamese people use Vietnamese goods”, bringing Vietnamese goods to the rural area and traditional markets, to meet the everyday needs of the people; (iii) In addition to the help from the government, many provinces have been able to mobilize the resources from the business entities and from the local people to develop market networks; (iv) The quality and effectiveness of the market management boards and management teams have been improved; (v) The number of enterprises and market cooperatives has been increasing in many localities; (vi) More

attention has been paid to the training works for managers and business households in the market than before; (vii) The construction of market models to ensure food hygiene and safety, although in the pilot phase, has achieved initial results, bringing about practical benefits to the consumers, the businessmen and managing agencies; (viii) The number of communes achieving Criteria No.7 (rural market) in the New Rural Construction Program has increased more and more.

Besides the achievements in market development, there are still a number of shortcomings such as: (i) The zoning quality of a number of markets remain low, due to lack of thorough investigation and survey, not paying attention to market capacity, the habits of consumers and local people when planning construction site; (ii) The markets develop vastly in number, but not evenly distributed, mainly concentrating and developing strongly in cities, towns; while in the rural areas, the market network is sparse; (iii) Market system is mainly retail market. In rural areas, most of the markets are small, the market infrastructure is still poor and outdated. There are few wholesale markets, large-scale general markets with the function of wholesaling, collecting and distributing goods. Thus, the market system is not commensurate with the position and role of the markets and not sufficient to meet the needs of production and business and everyday needs of the people; (iv) Poor or inefficient marketplaces (representing about 3%) have occurred in some localities, including markets funded by the 135 program; (v) Trading methods and forms of trading in the market are mainly traditional; Business support services and customer service have not been developed; (vi) The business of low-quality goods, counterfeit, smuggling in the market is still quite popular; (vii) Many management boards and management teams have failed to properly guide, inspect and urge market traders to implement the State's regulations on commercial and service business as well as in statistics and reports according to regulations and in organizing services to support traders trading in the market. The work of ensuring food hygiene and safety, environmental hygiene, fire protection in the market, despite many advances, still remain limited and weak; (viii) the qualification of market management staff is generally low. Most of market managers from other sectors have not yet been trained in management and business operation in a professional and timely manner; (ix) the pace of transition of market management boards to enterprises or cooperatives is slow. A number of enterprises and market cooperatives have not yet brought into full play their advantages and their role in business and market management.

Concerning to policies on developing demands in the market, in the context of global economic recession, the Government issued Resolution No. 30/2008 / NQ-CP, dated December 11, 2008 on urgent solutions to prevent economic recession, maintain economic growth and ensure social security. The Decision No. 16/2009 / QD-TTg, dated 21 January 2009, which promulgated a number of tax

measures to implement the policy of stimulating investment and consumption, preventing economic recession and removing difficulties for enterprises; Decision No. 131 / QD-TTg dated 23 January 2009 on incentive interest rate for organizations and individuals borrowing capital from banks for production and business.

Among the stimulus packages that the Government has implemented, package 1 (VND17,000 billion - USD1 billion) is allocated to support 4% interest rate subsidy for enterprises to supplement production and business capital, which is actually a direct stimulus. The second stimulus package, although having mentioned supporting poor households and ensuring social security, mainly focused on interest rate support, tax reduction and extension for the enterprise sector. Meanwhile, attention has not been paid enough to the demand stimulus (which is the driving force for production development), especially the demand stimulation in rural areas.

3. Vietnamese context

3.1. Developing Vietnamese branded goods market

Philip Kotler argues that the market is a collection of individuals and organizations that currently have purchasing power and have demand for exchange that needs to be satisfied.¹⁸ David Begg stated that market is a compact expression of the processes through which decisions by families about the consumption of commodities, the decisions of companies about what to produce, how to produce, decisions of workers on how long for whom, can all be reconciled by price adjustment¹⁹.

According to neo-classical economists, the market is an institution that allocates resources, regulates the production and distribution of products and services through a competitive pricing system. However, modern economists argue that markets are an economic institution for economic transactions²⁰. Thus, most of these concepts approach the market from the perspective of analyzing the nature of trading activities, recognizing the market in socio-political-social relations.

From a microeconomics perspective, “Market is a set of arrangements through which sellers and buyers interact with one another to exchange goods and services.”²¹ From the perspective of marketing, Market is a collection of existing and potential customers who have a specific need or desire, willingness and ability to engage in exchange to satisfy that need or desire.²²

¹⁸Philip Kotler (2007), *Marketing Management*, Education Publisher.

¹⁹ David Begg (2007), *Economics*, Statistics Publisher

²⁰*History of economic theories*(2003), Statistics Publisher

²¹*Microeconomics* (1997) National Economics University, Education Publisher

²²Trade Marketing Textbook(1999), Statistics Publisher

The term “Vietnamese branded goods” is defined as the goods manufactured and distributed in Vietnam’s territory and branded by Vietnam enterprises and registered protection of the intellectual property rights in Vietnam. Developing Vietnamese branded goods market become important role for developing economy, increasing domestic production capacity, and enhancing the competitive capacity and position of goods.

Vietnamese branded goods market has great social significance, helping to create jobs, increase the quality of people's life and ensure social security. Vietnamese population now has nearly 90 million people, of which the labor force accounts for nearly 60%, and the percentage of rural laborers accounts for 70%. The labor force is abundant but the opportunities for working in factories and workshops are still limited. The annual unemployment rate in our country is still high with 3.4% of the total population in 2014. Developing Vietnamese branded consumer goods will help develop local producers, increase employment opportunities, increase incomes and improve living conditions for Vietnamese workers, especially those working in rural areas, including those directly engaged in enterprises, factories and indirect workers. For example, developing the Vietnamese brand milk powder market, not only boosting the domestic dairy industry but also promoting dairy farming. The dairy industry will create jobs for farmers through the development of cow farms, input areas for cattle, grass, beans, corn, etc., thereby creating more jobs for people.

Developing Vietnamese consumer goods will help increase the rights and interests of domestic consumers as they have the opportunity to interact with a wide range of goods of various types, designs and competitive prices, but the quality is not less than that of import / export, in accordance with consumer tastes and the interests of users in the aftermath. Besides, consumption of Vietnamese brand names helps people raise their national consciousness, patriotism, pride and self-respect.

Developing the Vietnamese consumer goods market also contributes to the growth of domestic production in the direction of modernity and sustainability. As Vietnamese enterprises strive to improve the quality of products to meet market demands and towards international standards, production capacity and business efficiency of enterprises also increase, catching up regional and global levels. Corporate responsibility with consumers, the environment and society will also increase as branding is associated with image, brand value grows as businesses build and maintain positive images in perception of consumers. Thus, the development of Vietnam consumer goods market is not only of economic significance, contributing to sustainable economic growth and development but also of social significance through maintaining social security and stabilizing macro economy.

It contributes to enhance the competitive capacity and position of goods and Vietnam enterprises as

well as self- control capacity of economy. The economic growth of a country is identified by many factors in which the position and the popularity level of brand of that country cannot be without. Developing Vietnam branded goods market will help enhance the identification of distributors and both domestic and international consumers to Vietnamese branded products. When Vietnamese goods assert the brand in both domestic and international market, not only enterprises but also consumers and economic position of country reap benefit. The enterprises have larger and more stable market share, profit increases thanks to brand value; consumers can use high quality goods, consumers' rights are guaranteed; country become more well- known in regional and international market.

Besides, although Vietnamese goods have high quality, competitive price and are exported to many countries, domestic goods market is still dominated by imported goods from China, Japan, Thailand etc and domestically processed goods under the foreign brands. Therefore, developing the Vietnamese branded goods will help promote internal capacity of manufacturing domestic goods, boost the production, raise the prestige of Vietnam enterprises in today's new context, as well as reduce the dependence of economy on foreign goods, increase the autonomy of economy.

In the period of 2008-2009, when the global economy went down due to global financial crisis, the total retail sale and service revenue in our country significantly increased due to domestically stimulus and trade increasing measures of state. This is the important factor that helps Vietnam reach the growth rate of more than 5% while the growth rate for the other countries in region and the world is just 0-2%.

Finally, developing Vietnamese branded goods market contributes to building a strong domestic market, laying the foundation for the sustainable development of economy due to the decrease of dependence on global economy, which is very important in the period of regional and global economic crisis. Developing Vietnamese branded goods market in the domestic market also helps create stable market resources for consumer goods manufacturing enterprises, support export when enterprises have difficulties in consumption market. Vietnamese retail market is always evaluated as a very potential market, attracting many big consumer goods manufacturers in the world. Therefore, when Vietnam enterprises can develop and dominate the market by Vietnamese branded goods, domestic market will be stable consumption resources for enterprises and the foundation for exporting goods as well as the rear for maintaining and restoring production if export market suffers adverse fluctuations. Vietnamese goods not only satisfy domestic market, stand strong in domestic market but also easily export to regional and global markets.

Vietnamese goods make up an increasingly large proportion in permanent consumption of individuals

and households. Currently, Vietnamese goods account for 80-90% of products in goods distribution system in most of the provinces, the number of consumers favoring textile and footwear products accounts for 80%, the number for vegetable is 58%, which make a great contribution to domestic trade growth.

3.2. Public policies to support domestic markets

Base on SCP model to analysis industry in Figure 2.1, the criteria effect on industry in particularly and whole market in general. The public policies are issued to develop domestic market and then the role and impact of policy is defined.

3.2.1. Basic condition of SCP model

Concerning to development on supply, it includes increase number of enterprises, increase production and product supply capacity, increase the market share, band value improvement, business linkages, product diversification, increase product quality, diversification of the price policy, and Increase in products' value.

Firstly, the number of firms involved in supply is a fundamental factor in assessing market development. In principle, all enterprises, manufacturers and traders in the territory of Vietnam can participate in production and supply of Vietnamese consumer goods, regardless of their nationalities. The State encourages Vietnamese enterprises to participate in producing and supplying Vietnamese consumer goods in the direction of diversifying their economic sectors and increasing the number of enterprises.

Secondly, in order to increase production capacity, it is necessary to increase the scale and efficiency of the use of enterprise resources such as capital, technology, human resources, material. Vietnamese consumer goods firms can mobilize capital from banks or financial supporting programs from the State. With Vietnamese consumer goods, the State has issued supporting programs such as the Small and Medium Enterprise Development Fund, The National Trade Promotion Program, The National Brand Promotion Program, The Program on raising productivity and quality of goods by the year 2020, The Program of Bringing Vietnamese Goods to rural areas, mountainous areas, borders and islands... In order to participate in the State's loan supporting programs, enterprises should fully understand information on the conditions and scope of the assistance, provide specific business plans, meet the necessary administrative paperwork, comply with the approval process.

Human resources development in Vietnamese consumer goods supply companies includes the development of management, production and business labor resources. In the field of consumer goods

brand name, in addition to the requirements of skills and expertises, enterprises need to focus on increasing awareness and pride of employees with products and brands, manufacturing and business employees should be fully aware of this issue, contributing to building and promoting the image of the enterprises. On the national side, the development of human resources for Vietnamese consumer goods is reflected in the policies on vocational training and staff training programs for enterprises such as the Vocational Training Program for rural laborers up to 2020, human resources training for small and medium enterprises ...In addition, the activities of honoring, commending, popularizing the typical business development of the State also help to improve the capacity of the business management team.

Promoting the technological and technical factors in the production of Vietnamese consumer goods is not only about modernizing the technology or increasing the efficiency of the production line, but also make use of the difference in technology to create advantage for businesses. With the diversity and popularity of consumer goods, products of the same type show little differences and is easily replaced. Therefore, every element of difference in technology and production techniques can become competitive advantages even business secrets that businesses need to take advantage of. The State has many policies to promote technological innovation in production related to the field of domestic consumption such as the National Technology Innovation Program up to 2020; Intellectual Property Development Assistance Program 2011-2015; National high-tech development program until 2020.

At present, domestic production in general and consumer goods production in Viet Nam in particular are still limited due to difficulties in input materials and low localization rate. Full ownership of raw materials input production is a very difficult problem for businesses due to limited capital and technology. Therefore, enterprises need to develop in the direction of diversifying their supply in order to take the initiative in production and business activities and reduce production costs.

Thirdly, Vietnamese enterprises advantages over foreign firms in some respects. They understand the domestic market, supported by consumers, capable of attracting local labor and diversifying the supply of raw materials. These factors help to save production costs, promotion expenses, creating conditions for enterprises to diversify their designs and types of products according to consumers' tastes. So far, thank to numerous efforts of the State and enterprises, Vietnamese enterprises have achieved a certain position in the Vietnamese consumer goods market, especially the markets for food and beverage, but still vacant many segments such as household goods, electronics and refrigeration devices. Hence, the increase in the market share of the business will include increased market share in strong sub-sectors and further participation in vacant sub-sectors.

Fourthly, the trend in the regional and world markets is that branded products cost more than the same

product, brand value is one of the factors that significantly increase sales and profits for the business. In Vietnam, Vietnamese consumer goods do not follow this trend, because Vietnam's production is based on labor and raw materials to make products more competitive than other countries, "Cheap" has become a feature of Vietnamese goods in the regional and world markets, which is an advantage for goods to enter new markets but at the same time it is also a barrier to the development of Vietnamese brands. On the other hand, Vietnamese enterprises have not yet concentrated on branding, so current brands fail to create enough value to influence consumers' decisions. Increasing brand value is a long and costly process. Many major brands in the world spend 10% of their total sales on promotional activities to enhance brand value. Therefore, businesses need to build proper strategies and protect their brands in the long run.

Fifthly, the role of business linkages in Vietnam has been affirmed and launched by the State in many areas of consumer goods production such as textiles, footwear and cosmetics...But in fact, our enterprises still operate spontaneously and uncooperatively. Business linking is not only about gathering businesses under a new name, but also by coordinating production, sharing of market and work, implementing vertical and horizontal specialization in each field of consumer goods sector. Business linkages can be done vertically or horizontally. The vertical linking is a collaboration among sectors in the same industry to create a highly competitive complex, being capable of meeting large orders and become the driving force for the development of the industry.

Sixthly, product development in modern economy attaches great importance to the suitability of products to the market, manifesting in how the products match tastes and habits of consumers, with the development level and geographical features. Each Vietnamese consumer product is suitable only in some markets, and the level of consumption of the product is proportional to the suitability of the product in that market. Therefore, enterprises need to implement product diversification policy because a small change can also lead to either favored products or loss of market position.

Seventhly, in the context of increasingly deep integration and trade liberalization, the competition in the market in general and the consumer goods market in particular in our country is getting fiercer. As a result, increasing the quality of products to improve competitiveness becomes even more essential, especially as quality is the leading element of a branded product.

Eighthly, Vietnamese goods are often labeled "cheap" so it is difficult to gain market share in high-end markets, the brand cannot play a significant role to help businesses increase product prices, increase profits from trademark value. Follow the traditional way of using the price as a competitive tool, businesses will have to use many measures to reduce product prices while maintaining quality,

such as changing production methods, refining the business apparatus, cooperating to take advantage of economies by scale and specialization. However, in the long run, in order to promote the superiority of branded products and to produce goods in line with the market characteristics and average income of consumers, Vietnamese consumer goods should have flexible pricing strategy, pricing high or low depending on many factors such as business purpose (market share, revenue or profit), income of consumers in each market area (urban, rural, mountainous, remote and difficult areas), the product life cycle (new, emerging or receding), level of competition in the market.

Finally, in order to ensure that the products can achieve the greatest added value, Vietnamese consumer goods need to not only register for the protection of intellectual property rights but more importantly, increase the recognition of products, deepen the image of the product in the consumers via the brand honor promotion activities on massive scales.

Regarding to develop the growth of demands, it includes consumption stimulation, change consumer's perception, goods brand identification, and changes in tastes of Vietnamese consumer goods.

Firstly, as a feature of a developing country, people's expenditure on basic necessities (expenditure on consumer goods) always accounts for a large proportion of income. Increasing incomes and expenditure on consumer goods. In order to increase the demand for consumer goods, it is necessary to implement policies that help increase income and improve the living standard of the population.

Secondly, the shift in consumers' perception of Vietnamese brand merchandise requires the effort and cooperation between the government, enterprises and consumers. Specifically, the government needs to showcase its focal role via the guiding and constructing mechanism and policy as well as organizing and motivating the involvement of enterprises and people.

Previously, consumers regarded domestically manufactured products as either shoddy, cheap products or faulty goods of exported merchandise. Nonetheless, thanks to the success of Vietnamese products developing policy in domestic market achieved by the government, typically the Vietnamese prioritize made-in-Vietnam goods campaign and programs and activities included in the campaign, namely "Vietnamese Goods Day", "Vietnamese Goods Week", "Vietnamese Goods Month", "Bringing Vietnamese Goods to Rural Areas", "Vietnamese High-Quality Goods", "Pride in Vietnamese Goods", "Outstanding Vietnamese services and goods", etc., the perception of consumers towards the made-in-Vietnam products have changed recently. The greatest success of these programs is to make fundamental changes and shift in the perceptions and behavior of both producers and consumers. The programs have brought about changes in business mindset of Vietnamese enterprises. To be more specific, enterprises focus more on producing quality and reliable products that meet the domestic

demands as well as proactively put products into the wholesale and retailing distribution channels wholesale and retail, establishing initial steps towards developing their trademark in the market. Consumers are increasingly fond of Vietnamese goods and better aware of the benefits of using Vietnamese goods and of their responsibilities and rights to locally made products, which gradually eradicate the preference for foreign brands among Vietnamese people²³. This is a significant premise for the Vietnamese consumer goods enterprises to take over the local market.

Thirdly, once consumers hold certain perception of Vietnamese branded consumer goods, they begin to have the need to identify the products, the need to use reputed products that has brand value. This stage helps to shape and develop the brand of Vietnamese consumer goods brand and requires the coordination of social organizations and enterprises whose roles are respectively to form and develop the brand and evaluate, judge, promote and honor the enterprises thus creating the value of the brand.

Table 3.1. Some key sales promotion tools which are successfully applied by many brands.

Consumption Promotion tools	Consumption Promotion tools	Consumption Promotion tools
Samples, discount coupons Cash refund Discount, Gift Frequency of Implementation Rewards (contests, Lucky Draw, games) Awards sponsored Free testers Warranty for products Cross selling promotion Point of sale Sales presentation and sales methods	Discount (by price on invoice or receipt or item list) Surcharge Enclosed free products	Introduction and Promotion shows Product Sales contests Particular commercials

Source: *Marketing management 12th edition by Philip Kotler and Keller*

Fourthly, consumer tastes are formed from consumer habits and its change reflect the trust of consumers in Vietnamese consumer goods. Better awareness of the advantages of made-in-Vietnam goods over imports and products of joint ventures brought about by experiences of changes in Vietnamese consumer goods and their enterprises together with state's programs for promoting and broadcasting made-in-Vietnam products will step by step eradicate the mentality of boycotting domestic goods and appreciating imports as well as forming consumption habits of Vietnamese

²³ According to the outcome of Vietnamese prioritize made-in-Vietnam goods campaign, by 2015, there have been 522 enterprises whose goods are certified as Vietnamese high-quality ones. Vietnamese goods account for 80-90% of products in distribution systems in most provinces, textile and footwear items are favored by up to 80% of people; groceries, vegetables, and fruits are favored by over 58% of consumers.

consumer goods.

Organizing trade promotion events for Vietnamese consumer goods via national and local trade promotion programs such as trade fairs and expos on made-in-Vietnam goods, organizing Vietnamese consumer goods sale day and sale week, organizing the spread of Vietnamese consumer goods to difficult market, etc.; publishing promotional printings introducing Vietnamese consumer goods to the majority of consumers; establishing a national branding program for Vietnamese consumer goods based on convergence and collection of success and features of credible products and enterprises.

3.2.2. Market structure of SCP model

Development domestic focus on market systems organization, in which urban market, chain stores, rural market are the base. Wholesale and retailing distribution system via traditional markets, independent business shops of business households as well as via types of modern organizations such as general supermarkets, specialized supermarkets, trade centers, shopping centers, convenience stores.

Firstly, the characteristics of the urban market are high population density, high purchasing and paying capability, multilayer goods demand in terms of quality, type, mode of delivery and payment. Thus, the urban market organization needs an interlace of traditional and modern forms of distribution in both wholesale and retailing aspects.

Wholesale and retailing distribution system via traditional markets, independent business shops of business households. This is still the main form of distribution of consumer goods in Vietnam. In some of the most developed cities in Vietnam such as Hanoi, Hai Phong, Da Nang, Ho Chi Minh City, etc. the proportion of procurement through this system still accounts for 70-80%. Goods distributed via this system often are difficult to control their origin and volume of sales, except for food which are mainly domestic commodity, household goods and personal items derived from China or Thailand still make up a significant proportion. Besides efforts to improve the quality, packaging and price of the products of the enterprises, the management agencies should control the origin of products more strictly as well as enhance awareness and change habits of consumption among consumers in order to help Vietnamese consumer goods enter this system.

Wholesale or retailing distribution system via types of modern organizations such as general supermarkets, specialized supermarkets, trade centers, shopping centers, convenience stores. This model has more advantages over the traditional distribution system in terms of business locations, payment methods, delivery, supplier responsibility, etc. This is the best distribution system for Vietnamese consumer goods in the urban market at present because market characteristics are

compatible to Vietnamese consumer goods.

Secondly, chain stores are a modern business that is well-developed regionally and internationally. Chain stores can be established by either the Vietnamese consumer goods manufacturers or distributors. Currently, some Vietnamese consumer goods manufacturers such as Vinamilk, TH Milk, Bitis, Vissan, Kinh Do, Saigon beer, etc. have built their own distribution system with hundreds of thousands of wholesalers and retailers nationwide; retailing chains such as T-Mart, Mother and Baby, B's Mart, etc. also begin to appear in major cities. This system, besides its function to distribute products, can be used by Vietnamese consumer goods manufacturers to develop their images through the design and display of the store, shape the sale manners among staff, etc. in order to enhance the image and raise awareness in the community.

Finally, rural market in our country features characteristics of scale, purchasing capacity, tastes, needs as well as procurement methods. This is a market with a large population yet sparsely populated and per capita income is lower than in urban areas. In 2014, the population of rural areas in our country reached nearly 60.9 million people, accounting for more than two thirds of the national population. The population density and average income in this area are less than half of that in urban areas. The average income ranges from over 5 million VND/person/year (poor households) to over 40 million VND/person/year (wealthy households). Large population and diversified incomes make rural market appealing, but the sparsely spread population and high percentage of low average income households have partly restricted the market's purchasing capacity.

Demand for consumer goods focused on essential necessities, decision to buy goods mainly depends on price and packaging with minor regard to brands. This consumption habit is derived from a number of major reasons such as (i) Simple living and economizing habits in rural areas of Vietnam; (ii) Regular income of labors is low and unstable due to unskilled or seasonal work; (iii) Consumption mentality is limited due to low labor skills and lack of market information. These factors make the rural market less attractive for domestic manufacturers and make it dominated by cheap Chinese goods and other goods without transparent origin.

The market is not focused due to the difficulties caused geographical distances for both buyers and sellers. Unlike urban areas (usually delta areas with a concentrated population), rural market are often distributed over a large area, around agricultural, forestry land and aqua cultural land etc. and a section around industrial zones situated on the outskirts. The dispersed population in rural areas affects the market organization of the state and enterprises and increases the cost because of the wide market space yet low business performance at each distribution site. According to a survey by AC Nielsen, on

average, each Vietnamese enterprise has only exploited 14% of its sales in the rural market²⁴. The traditional mode of immediate payment or barter, trading activities mainly take place at the market and small spontaneous retailing stores. Modern forms of shopping are not yet developed in this market segment.

Rural areas, though difficult to organize the distribution of Vietnamese consumer goods, its potential is considerable and should be efficiently evaluated and exploited by manufacturing and trading enterprises. Distribution organizations of Vietnamese consumer goods in this market can be implemented through the following channels of (i) Distribution via the markets, grocery stores, specialized stores, agents systems; (ii) Opening retail stalls at fixed markets; (iii) Opening agent or specialized stores; (iv) Selling goods at grocery stores, specialized stores; (v) Distribution according to the national product development program in the rural market; and (vi) Markets in the mountainous areas, borders and islands.

This is a unique market for made-in-Vietnam goods because the development of product markets is not only economically but also political and socially meaningful, boosting patriotism and national pride and contributing to the protection of sovereignty of the country. Though playing a crucial role, border and islands remain a market that is difficult for Vietnamese consumer goods to develop due to the wide market space, stretching through various complex terrains, sparse population density, low demand and purchasing capacity. The fundamental advantage facilitating the growth of Vietnamese consumer goods in this market is supportive policies from the state.

With the aforementioned features, the development of the market of consumer goods in Vietnam in the border and islands is fundamentally implemented through trade promotion programs, product development in the form of public-private combination or humanitarian assistance programs. In these programs, the state is in charge of collecting businesses, financially supporting products broadcasting and sale organization while enterprises design booths prepare suppliers, and promotional activities. Via the activities of the program, enterprises look for distribution agents, wholesale and retailing distribution contracts with local trading agencies. However, the state's assistance policies are truly "supportive", periodically implemented and not long-term development support policy to boost Vietnamese consumer goods in this market.

In recent years, the State has invested heavily in infrastructure and commercial infrastructure development in mountainous areas, border and island. Thanks to the commune road system, market system, and upgraded or rebuilt general stores, Vietnamese consumer goods can reach more residential

²⁴ Rural Market – The gap of Vietnamese goods, Ministry of Industry and Trade 2010

areas. Moreover, the problem of wide, stretching and sparsely populated area can be addressed by a general store system along major routes. The built-in convenience store system at petrol stations though not yet popular in Vietnam is an effective distribution channel for less populated areas in many other countries that we can learn from.

3.2.3. Conduct process of SCP model

Developing the Vietnamese consumer goods market concentrates on advertising because consumer are not familiar with domestic goods. The mass media has published thousands of specialized pages, categories, reportage; tens of thousands of propaganda, promotion of Vietnamese goods, Vietnamese enterprises in response to the campaign. Many contents, forms of propaganda and promotion of radio, newspapers, magazines, and websites have attracted the attention of crowds of audiences as well as consumers nationwide such as: investigative reportage, dialogue between producers and consumers.

The Ministry of Industry and Trade has set up a website named “tuhaoviet.vn” to introduce and advertise Vietnamese products and Vietnamese enterprises to a large number of domestic and foreign consumers. By the end of June 2013, more than 700 articles on Vietnamese products and more than 200 articles on Vietnamese enterprises and 10,000 hits a month on the website. At the same time, the media units under the Ministry of Industry and Trade published over 1,200 news articles about the campaign.

The mass organizations at the central and local level also actively participate. Many practical activities respond to the movement associated with the development of the domestic market. Specifically, the Farmer Association at all levels has integrated propaganda campaign for more than 9 million participant farmers. Unions and professional organizations such as the Vietnam War Veterans' Association, the Ho Chi Minh Communist Youth Union, the Vietnam Cooperative Alliance, the Vietnam Chamber of Commerce and Industry, the Small and Medium Enterprise Association Viet Nam, Association of Standards and Consumer Protection Vietnam organize propaganda, deployment of many content and forms appropriate to respond to the campaign.

In order to honor organizations, individuals and enterprises have actively responded to the campaign in 2009 to 2012, the Central Steering Committee award certificates of merit to 76 units, organizations and 8 individuals. In 2012, the Ministry of Industry and Trade awarded certificates of merit to 58 collectives, 57 individuals who have actively contributed to the campaign in 3 years and 21 enterprises have made excellent achievements who participate in the program "Vietnamese goods to the countryside". From 2008 up to now, the Ministry of Industry and Trade has carried out many activities to honor Vietnamese businessmen and enterprises such as the National Brand Program, Entrepreneurs,

and excellent enterprises nationwide, The Golden Brand Award.

3.2.4. Public policy of SCP model

Public policy concentrate on legal regulation of business condition and subsidies, stimulate consumer demand, customer's right protection, and information provision. State policies form the business framework, development orientation and provide support for Vietnamese manufacturing and distributing enterprises. Policies only have the effects on creating the environment, directing and supporting the enterprises, but they cannot directly intervene in business activities of enterprises under normal conditions.

Firstly, State policies can have effects on every aspect of Vietnam consumer goods market. Before 2009, the State's policies were towards export promotion Vietnamese consumer goods, thus, were hardly developed in the domestic market, although some of their products were well-known in foreign markets such as textiles, footwear, fish, shrimp, rice, tea and pepper. Since 2009, policies of developing Vietnamese goods in domestic market have been deployed vigorously across the country, Vietnam consumer goods market has started to grow rapidly and gain remarkable results.

State policies form the business framework, development orientation and provide support for Vietnamese manufacturing and distributing enterprises. State policies allow all businesses to participate in the development of Vietnam consumer goods market, offer direct and indirect support in finance, land, human resources, technology, market information, business linkage, trade promotion, etc, assisting Vietnamese consumer goods companies to access and build their position in urban, rural, mountainous, border, island and international markets.

Secondly, government policies directly stimulate consumer demand for Vietnamese consumer goods. Various policies are applied both individually and simultaneously such as financial policies (Consumer lending - Priority is given to buying Vietnamese brands; support expenditure for beneficiaries); communication policies (encouraging Vietnamese people to use Vietnamese goods via media, raising awareness of people about Vietnamese consumer goods, "smart consumption" ways, having programs to promote promotion and brands of consumer goods.); trade promotion policy (fairs, exhibitions, trade fairs for Vietnamese brands in rural markets, industrial zones ...).

In addition, state policies also increase or limit the development of distribution systems in the market through national and local development plans and programs; directly or indirectly impact prices in the market by the ceiling price - floor price solutions, adjust the level of competition in the market by measures to balance supply - demand.

State policies only have the effects on creating the environment, directing and supporting the enterprises, but they cannot directly intervene in business activities of enterprises under normal conditions. The choice of what market to develop, what sector to invest, whether the purpose of business is the short-term or long-term profit is the decision of each enterprise based on the thoughts of the leadership. Awareness of businesses about value and business goals will affect branding strategies and product quality, Awareness of the potential of Vietnam consumer goods markets will affect the level of resources invested in that market.

Thirdly, state policy increase customer' right protection. The State or Vietnamese consumer goods business associations set up units where receive and settle complaints about Vietnamese consumer goods. The rational losses of consumers are compensated efficiently, promptly and reasonably. Vietnamese consumer goods also protect against counterfeit goods, fakes and inferior quality goods. Setting standards for Vietnamese consumer goods so that users can easily distinguish and compare: The standards may include brand and commodity recognition standards, characteristic technical specifications of products, safety standards for users, etc.

Finally, awareness of Vietnam consumer goods market comes from information sources that the enterprises receive. The more accurate market information is, the more realistic and effective business strategy will become. Therefore, in order for enterprises to follow the orientation of developing the Vietnamese consumer goods market in the coming time, State not only informs dissemination of policies but also provides market information to enterprises and consumers.

3.2.5 The effectiveness of public policy base on SCP model

According to a survey by the Gray Group (USA) on 2009, 77% of Vietnamese consumers preferred foreign brands, 23% believed in using local products. In September 2010, the Institute of Public Opinion Research, the Central Commission for Propaganda and Education conducted a survey showing that 59% of consumers' self-determination give priority to use Vietnamese goods, 38% of consumers "Recommend friends in the family, friends, and acquaintances should buy Vietnam." 36% of consumers said that previous habit of buying foreign originated goods, now stopped buying or buying less instead of buying Vietnam. Currently, 71% of consumers believe in high quality Vietnamese goods.

Domestic production is expanded. The list of products, machinery, equipment, materials and raw materials domestically produced has 208 products, groups of products. There are 1,893 enterprises in the country are able to produce the products on the list. The awareness of investors, enterprises on the use of machinery, equipment, materials and raw materials in the country have been increasingly raised,

especially in the units using state capital.

Distribution channel of Vietnam is widening quickly. By the end of 2012, the country has about 659 supermarkets in 61 provinces. There are 115 trade centers in 35 of 63 provinces. Some companies such as Saigon Coop, Vinatex, Hapro and Visan is organized to sell Vietnamese goods in the form of "chain". Some Vietnamese products account for 80-90% of the total in supermarket system now. Particularly, Vietnamese goods is accounted for 90% in Big C, nearly 95% in Coopmart and Vinatex Mart. As reported in Official Letter No. 5661/ BCT-TTTN dated June 27, 2013 of the Ministry of Industry and Trade, Vietnamese goods are distributed in the traditional market system more than 60%. In convenience stores, grocery is 70 - 80%. Vietnamese goods occupy a significant share in the system of supermarkets, commercial centers nationwide, convenience stores and specialized stores are important factors to support the rapid development of the current distribution.

Vietnamese products also meet the needs and tastes of the market. According to the preliminary assessment of the Ministry of Industry and Trade, the quantity of Vietnamese goods is abundant, the quality has been improved, the price is relatively stable that meet consumption demand in the country as well as export. Domestic production, satisfying 73% of the demand for animal feed, 70% of fertilizer, of which 100% of demand for nitrogenous fertilizer (100% NPK, 100%); 35% of demand for petroleum products, 50% of LPG demand; 30% of the demand for steel scrap, of which 60 - 70% of the demand for steel; 100% of the demand for construction materials such as cement, construction stone, baked brick; 50% of the basic chemical needs; 30% of the demand for fabrics, 60% of the demand for vegetables; 100% of the demand for vegetable oil; 59% of demand for paper, 50.3% of demand for pulp, 48.4% of demand for medicines and 40% of mechanical demand.

Many Vietnamese brands are selected by consumers including Vinamilk, Moc Chau; Hoa sen, Viglacera, Dong Tam, Thach Ban; Reetech, Viettronic Tan Binh, FPT, CMC; Pharmaceutical products include Hau Giang, Traphaco, OPC, Detech Bio; Confectionery, Friendship, Bien Hoa, Kinh Do, Trang An; beer and beverages with beer Hanoi, Saigon, Halida, Chuong Duong, textiles with Viet Tien, Nha Be, May 10, Thang Long; Stationery has Hong Ha, Vinh Tien; There are Rang Dong, Tien Phong, Song Long.

Ecommerce activities are also thriving. In 2012, more than 1.5 million online transactions are done on e-commerce sites with totaling 4,130 billion VND. The number of members joining the floor is individuals and businesses account for over 3.1 million accounts. 99 percent of enterprises participate in survey on e-commerce application have Internet connection. The proportion of enterprises deploying research and application of e-commerce is up to 51%, more than doubling that of 2011 by

23%. The number of e-commerce orders in 2012 increased significantly compared to previous years of 33% compared to 10% in 2011. The behavior of Vietnamese consumers also shows the trend of e-commerce development with the rate of choosing the priority channel to search information on the product is the Internet search sites (73 %) and manufacturers' websites (55%). In addition to television, the media, 21% of consumers know the campaign through the website.

4. Analysis of two areas powdered milk and footwear

As one of the nations with the youngest population structure in Asia, about 68% of the population is under the age of 40, along with the development of a market economy in nearly 30 years during innovative period which enables Vietnam to become one of the fastest growing economies in the region with high annual GDP growth that stimulates and drives consumers to spend more. Supported by the State through policies to develop consumer goods production, together with the efforts of businesses, Vietnamese goods have recently gained remarkable achievements. Some major commodities such as food, foodstuffs, textiles, groceries, household appliances, etc of Vietnam have been sold in most of the domestic market, product's quality has been improved, package is also modified and varied, some products have been exported to foreign markets. At trade centers, supermarkets, Vietnamese goods now account for 80-90%. Some Vietnamese consumer goods have been used by local consumers despite their low market share however the trend tends to increase. Specifically, the market of some Vietnamese consumer goods is as below:

4.1. Vietnamese branded powdered milk market development

4.1.1. The basic condition of the industry powdered milk market

Concerning to supply, there are several character of raw material, production technology, product capacity, and Business linkage to develop powdered milk industry. The domestic companies among industry take advances good condition to restructure business linkage, to improve quantity and quality of products and to position brand in consumer's perception.

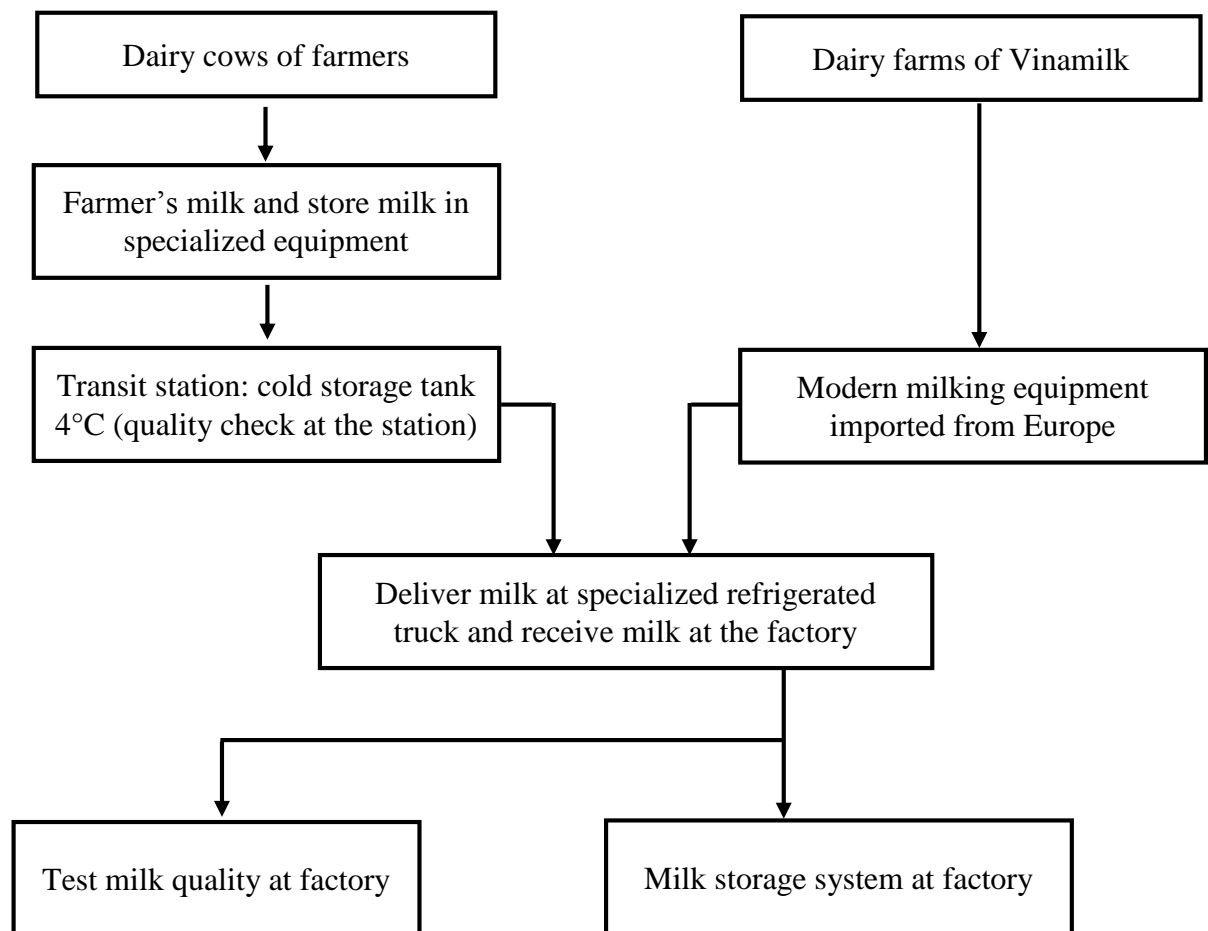
Firstly, with conditions of location and nature as well as climate and hilly terrain, cool weather have created favorable conditions for farming and dairy cow farming in Vietnam. Thanks to the favorability in land and grassland, along with breeding tradition (Central Highlands, South Central region), close to the big consumption market, these areas owns the largest number of dairy farms. According to the General Statistics Office, the country's total dairy cow reached 186.3 thousand, increased 11.6% by 2013. Up to now, the enlargement of big grassland has enabled to feed an abundant food for dairy cows, particularly in Ha Noi, Nghe An, Son La, Lam Dong, Ha Noi, Nghe An, Son La, Lam Dong ,

Ho Chi Minh City and Long An.

The main raw materials for powdered milk production in Vietnam are fresh milk and raw milk. The fresh milk is purchased from farmer households and farms of businesses while raw milk is imported mainly from New Zealand, USA and Australia. Raw materials for Vietnam's powdered milk producers are heavily dependent on imports (about 70%). Therefore, in order to meet the input materials used for powdered milk production, domestic powdered milk producers have increasingly increased the import of raw milk, including whole milk powder and skimmed milk powder. The import of raw milk in the last time has tended to increase from USD 355.632 million in 2010 to USD 543.86 million in 2014. In 2014, the import of raw milk reached 543.86 million, up 26.59% over 2013. The import value of whole milk powder is high and tends to decrease (from 98.22% in 2010 to 95.93% in 2014). The skimmed milk powder on the other hand is low but tends to increase (from 1.78% in 2010 to 4.07% in 2014).

In order to have a stable and sustainable source of raw materials for powdered milk production, besides imported raw materials, Vietnam's powdered milk companies now also focus on developing fresh milk raw materials through the development of dairy farms. Vinamilk is one of the largest Vietnamese brands producing powdered milk also focuses on developing dairy farms. Vinamilk has started direct investment in dairy farming through the construction of industrial dairy farms with a total investment of over 500 billion VND (from 2006). So far, Vinamilk has invested more than VND2,000 billion into industrial dairy farms (2014), with seven dairy farms in Tuyen Quang, Thanh Hoa, Nghe An, Ha Tinh, Binh Dinh, Lam Dong. The size of the dairy farms of Vinamilk now reaches 10,930 heads. At the same time, Vinamilk is also investing two more large farms in Tay Ninh (8,000 heads) and Thanh Hoa (25,000 heads).

In addition to the company's dairy farms, Vinamilk's milk supplies are also provided by cattle farmers through sales contracts signed between the company and farmer households. By the end of 2014, Vinamilk signed 6618 contracts for buying fresh milk from farmers; Increasing the total herd of farmers to provide milk for the company up about 76,400 heads. Thus, the total number of dairy cows supply milk to Vinamilk reaches 87,330 heads, providing about 650 tons of raw milk for the company's production. In 2014, Vinamilk's fresh raw milk purchasing reached 183,912 tons. The raw milk production from the company's farms reached 29,458 tons.



Source: Viet Nam Dairy Products Joint Stock Company - Vinamilk

Figure 4.1. Model of raw materials purchased and delivered by Vinamilk

Secondly, Vietnamese branded powdered milk companies have constantly invested and innovated production technology in order to produce powdered milk products with the lowest cost to meet the needs of consumers, as well as compete with foreign branded powdered milk and protect the environment. At present, most companies producing Vietnamese branded powdered milk have implemented food safety management systems according to ISO 9001:2000; ISO 22000; ISO 2000:2005, GMP and HACCP. These standards demonstrate the ability to produce and provide the highest quality products ensuring food safety and hygiene to users. Manufacturing plants are designed to meet international standards for quality control, food hygiene and safety and environmental protection.

Vinamilk not only attaches importance to the application of modern technology to the production process, but also focuses on the raw materials inputs. For raw materials, in order to ensure the quality of raw materials for production, the company has invested and built a model of purchasing and transferring fresh milk raw materials with modern technology. Accordingly, the company's milk transfer stations have been upgraded to international standards in a professional, modern, automated

and safe way. By the end of 2014, the company had 45 transfer stations upgraded to international standards.

All dairy systems are built with the most modern technology in the world. Roof systems are applied hot-resistant technology with cold rolled layers of insulation materials. Automatic septic system cleaner, automatic trough system, cooling system in ranch and stalls for cows are lined with rubber latex imported from Sweden to ensure that their feet are clean and free from infection. The shelters and stalls of the herd are equipped with an automatic itching system. Dairy cattle feed is mixed by method total mixing rotation (TMR). Each cow carries an electronic chip under its neck for identification through the modern Alpro system provided by Delaval - Sweden. These electronic chips help to check the exact milk content of each individual and detect those sick thus the veterinarian can treat in time. The wastewater treatment system in dairy farms has been upgraded, ensuring that the living environment inside and outside the farm is always well ventilated and safe.

With the investment and application of such modern technology, up to now, 5 dairy farms of Vinamilk have reached the Global G.A.P standard (the world's leading certification for farm quality assurance program, global good agricultural practice). These are the only five farms in Southeast Asia and five out of seven farms in Asia meet this international standard. Not only applying modern technology to raw material development, based on research on specific nutrition of Vietnamese children, Vinamilk has cooperated with leading European partners such as DSM, Lonza - Switzerland, Chris Hansen - Denmark to apply advanced scientific achievements in the world to meet the nutritional needs of Vietnamese children. Vinamilk continuously modernizes equipment and technology to improve product quality. In particular, the company has invested to build Vietnam's most modern powdered milk factory in Asia with the scale of VND 2,000 billion, applying the most advanced technology in the world (using technology of GEA and John Rickard Groups of Germany). The factory is equipped with a closed system, fully automated from processing to canning, packaging, ensuring absolute safety food and hygiene.

Nutifood, other powdered milk producer, produce high quality products that are competitive. The company also pays much attention to investing in production technology. The plant is invested in machinery and equipment to meet EU/USA and Vietnam standards on Quality Control, Food Safety and Hygiene and Environmental Protection (HACCP, CODEX, ISO 22000) provided by the world's leading groups in EU, Germany. Closed production line system and complete automation, Tracing by bar code to strictly control the quality of raw materials and finished products is closed chain from the input to the consumer. With the investment in this modern production technology, the company's products have gradually dominated the domestic consumers, raising the company's milk powder

market share to 4% in the domestic market, only after the market share of domestic and foreign brands such as Vinamilk, Abbott, Nestle, Mead Johnson, Dutch Lady.

Thirdly, In order to increase production output, create supply to meet the demand of the market, in the past time, enterprises producing powdered milk products of Vietnamese brand such as Vinamilk and Nutifood have actively invested to expand the manufacturing scale through investment in the construction of more powdered milk factories. For Vinamilk Company, from the end of 2012, the company has invested in the construction of the Vietnam Powdered Milk Factory in Binh Duong with total investment of nearly VND 2000 billion. Up to now, the plant has been completed and put into operation. This is the largest and most modern powdered milk factory in Asia with a capacity of 54,000 tons/year, which is four times higher than the company's current capacity. The factory is equipped with the most modern technology in the world with closed equipment and automation completely from processing to packaging, ensuring absolute safety and food hygiene. The factory is also certified by the Food and Drug Administration (FDA) and other certifications like HACCP, ISO, HALAL. To meet the domestic demand for powdered milk, up to now the company has two factories producing powdered milk, including: Dielac Powdered Milk Factory with capacity of 39,000 tons/year and Vietnam powered milk factory with capacity 54,000 tons/year. The total capacity of Vinamilk's powdered milk factories is 93,000 tons/year.

Nutifood Company also constantly invests to expand production to increase quantity, and meet the demand for Vietnamese powdered milk products. In particular, from 2013, the company has invested to build a large-scale powdered milk factory in Binh Duong province, with a capacity of 50,000 tons per year. The factory is invested with modern production lines, ensuring the quality of milk up to international standards. By now, the factory has come into operation, contributing to improve the powdered milk production of the company to meet market demand. For further output increase, in early 2015, the company invested to build more NutiFood Vietnam dairy plant in Ha Nam province, with an annual processing capacity of 200 million liters of liquid milk and 31,000 tonnes of powdered milk.

Table 4.1. Capacity of some powdered milk factories in Viet Nam

No	Factory	Capacity (ton/year)
1	Dielac Powdered Milk Factory - Vinamilk	39,000
2	Vietnam powered milk factory - Vinamilk	54,000
3	Nutifood Milk Powder plant in Binh Duong	50,000
4	Nutifood Milk Powder plant in Ha Nam	31,000
	Total	174,000

Source: Vinamilk and Nutifood

Thanks to the investment in the development of raw material areas, as well as the expansion of production plants and the application of modern production technology, the powdered milk production output of enterprises throughout the country (including Vietnamese brand name and foreign brand name enterprises) have been increasing rapidly from 58.9 thousand tons in 2010 to 90.3 thousand tons in 2014. In which, Vinamilk and Nutifood are the largest scale producers of powdered milk in Vietnam, accounting for 23% of total powdered milk consumption in the country. The average growth rate of domestic powdered milk production in the period 2010-2014 approached 8.93% per year.

Table 4.2. Production quantity of powdered milk in our country during period 2010 - 2014

Year	2010	2011	2012	2013	2014	Average in period 2010 - 2014
Production (1000 tons)	58.9	76.1	81.2	87.0	90.3	
Growth (%)	29.20	6.70	7.14	3.79	29.20	8.93

Source: Statistical abstracts in 2010, 2014 of the General Statistics Office.

Fourthly, Vietnam's powdered milk manufacturers also pay close attention to business linkage, especially in the input material supply for production. This linkage will contribute to increase the production of input materials for production for the milk manufacturers branded Vietnam. Business linkage is done by Vinamilk not only proceeded with domestic companies, but also foreign companies to improve the production technology, raw materials and product quality. Affiliate activity with foreign investors has been executed with Miraka - NewZealand Co., Ltd (Construction of a factory for processing whole milk powder, capacity of 32.000 tons/year). Within the country, Vinamilk not only cooperates with farmers in purchasing fresh cow's milk but also hands with the Asian Saigon Food Ingredients Joint Stock Company to supply raw materials. Most recently, Vinamilk linked with Duc Long Gia Lai Group to develop dairy herds. Accordingly, Duc Long Gia Lai Group will invest in a dairy farm with a size of 80,000 heads; Vinamilk will cover all milk production in this dairy farm.

Business linkage is done by Nutifood to increase input materials for production. Besides contracting with farmers, the company also cooperates with Hoang Anh Gia Lai Group to develop dairy herds. Accordingly, Hoang Anh Gia Lai Group invests in dairy farms at scale of 116,000 dairy cows imported from Australia. Nutifood will cover the whole milk production from this herd.

Concerning to demand, along with the development of the economy, people's incomes and living standards are more improved. Increasing population size and the change structure of the young population contributes to increase in the demand for dairy products of the population recently. Sales of the dairy industry increased rapidly, from VND 42,000 billion in 2010 to VND 75,000 billion in 2014, respectively up 1.8 times. The upward trend in dairy sales increases from 12% in 2010 to 20% in 2014 in the past period. That shows the demand for dairy products in Vietnam in general and

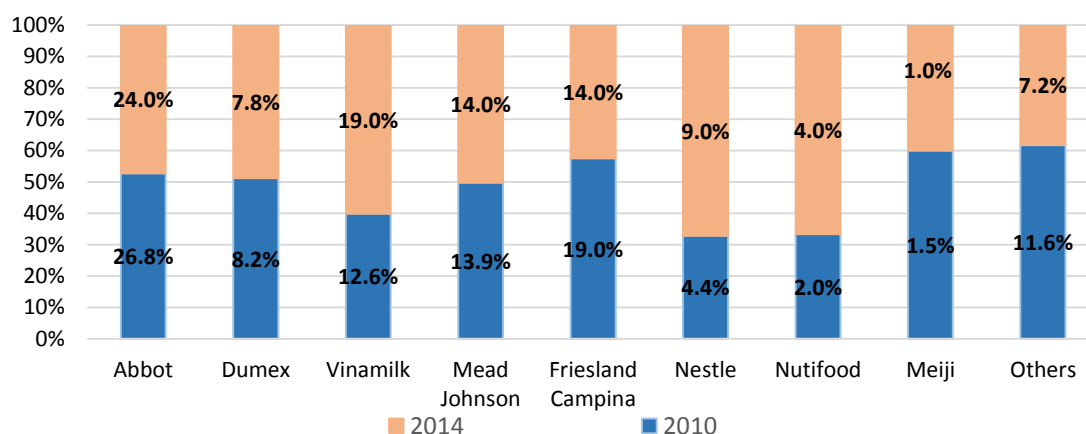
powdered milk in particular tend to increase quickly. Vietnam's dairy sector is dominated by fresh milk and powdered milk, accounting for 74% of the total diet due to its higher nutritional content than other dairy products. Along with the increase in consumption of dairy products of all kinds, the demand for powdered milk of our country in recent years also increased rapidly. In particular, the consumption of powdered milk of the country increased from 65,000 tons in 2010 to about 90,000 tons in 2014, respectively increased by 1.4 times.

Table 4.3. Consumption of powdered milk in Vietnam during period 2010 - 2014

Year	2010	2011	2012	2013	2014
Quantity (1000 tons)	65.0	68.3	75.1	86.1	90.0
Growth (%)	5.1	10.0	14.6	4.5	5.1

Source: Ministry of Industry and Trade

Although the powdered milk consumption of our country is now quite large, the output consumption of Vietnamese powdered milk in our country is still modest. The market share of foreign-branded powdered milk is about 75%, the market share of Vietnamese powdered milk only accounts for about 25%. The market share of powdered milk produced by Vinamilk and Nutifood account for about 19% and 4% respectively. The market share of powdered milk produced by other Vietnamese branded powdered milk producers account for about 2%.



Source: Vinamilk, Euromonitor International, 2014

Figure 4.2. Market share of milk powder brands in Vietnam in 2010 and in 2014 (Unit :%)

However, the market share of Vietnamese branded powdered milk tended to increase from 14.6% in 2010 to 25% in 2014. In which, Vinamilk's market share increased from 12.6% in 2010 to 19% in 2014. Nutifood's market share increased from 2% in 2010 to 4% in 2014. The market share of other Vietnamese brands accounted for 2%. Thus, with the proportion of powdered milk market in our country today, consumer demand for foreign branded milk powder is still high (75%) and consumer demand for Vietnamese branded powdered milk is still low (25%).

4.1.2. The market structure of the industry

Concerning to number of producer in the powdered milk, powdered milk also witnesses a ferocious competitive market, with more than 300 domestic and foreign dairy brands, of which foreign milk accounts for 75% of the market (Abbott alone with more than 120 dairy brands in circulation accounting for about 24% of market share). Vinamilk ranks second with 19% of market share. Some typical enterprises involved in the production of powdered milk including Vinamilk, Nutifood Nutrition Food Joint Stock Company, Nutricare Nutrition Company Limited, Vinacali manufacturing and trading limited company, Vietnam Vitality Milk Joint Stock Company – Vitadairy, DFB Hanco Vietnam - DFB Hanco Nutrition, Tan Uc Viet Joint Stock Company²⁵, etc.

Thus, the number of enterprises involved in the production of Vietnamese branded powdered milk today is a few, which impacts significantly on the supply of powdered milk products in the domestic market. Among the enterprises involved in the production of powdered milk in our country recently, only Vinamilk and Nutifood invest powdered milk production line from fresh milk. Most of the other enterprises only carry out the final stages of the powdered milk production process such as mixing, packaging, etc, import of milk and micronutrients (DHA, ARA, etc.) and blend according to the formula. These are also the two companies producing Vietnamese branded powdered milk at largest scale in our country, continuously ranked in the top 100 Golden Star for Vietnamese Brand and Top 500 biggest brands of Vietnam. Therefore, within the research scope of this topic, we will focus on studying these two companies' market development for powdered milk.

Table 4.4. Some Vietnamese manufactures of powdered milk in Viet Nam

No	Manufacturer	Brand
1	Vietnam Dairy Products Joint Stock Company - Vinamilk	Vinamilk
2	Nutifood Nutrition Food Joint Stock Company	Nuti IQ, Nuvita , Growplus+, DiabetCare, Dr.Luxia,
3	Nutricare Nutrition Company Limited	NutriCare, Metacare, LeanMax, Hanie kid
4	DFB Hanco Vietnam	Dollac, Dolsure, Dolnut, Oldlac,
5	Tan Uc Viet Joint Stock Company	Arti
6	Wellcare Nutrition Joint Stock Company	Wellcare
7	Hoang Khang Food Processing Company Limited	Fullac, Bobolac

Source: Board of topic in charge

²⁵In the production of powdered milk in our country curenly, Friesland Campina Viet Nam Ltd is one of the large-scale dairy companies, accounting for about 14% of the powdered milk market in our country. However, this is the type of foreign invested enterprise; the products including Dutch Lady; Friso, etc are branded Dutch, not Vietnamese brand. Therefore, this company is not under research scope of this topic.

Concerning to product diversification, in order to increase the market share of powdered milk in the domestic market, powdered milk companies are constantly researching and developing products, producing new products in order to diversify products to meet the demands of different types of customers. The products are diverse and rich in types, meeting the nutritional needs of many consumers such as pregnant mothers, the elderly, children, adolescents, anorexia, dietic persons, and diabetic patients. At the same time, product design and packaging are also invested in research and often changed for diversification, eye-catching, stimulating the curiosity of consumers.

In recent years, Vinamilk has focused on developing products based on researching products that meet the needs of all consumers. The company's powdered milk products are now divided into three main product lines, which include (i) Powdered milk for pregnant and breastfeeding mothers; (ii) Nutrition products for babies and young children; (iii) Nutrition products for adults. Powdered milk for pregnant and breastfeeding mothers has 02 brand name of Dielac Mama; Dielac Optimum Mama. The powered milk for babies and young children has 08 brand name of Dielac Anpha; Dielac Anpha Gold; Dielac Grow; Dielac Grow Plus; Dielac Optimum; Optimum Gold; Dielac Star care and Dielac Pedia. The powdered milk and nutrition products for adults has five brand name of Vinamilk Sure Prevent (nutrition products for adults, person on poor diet, patients on recovering), Vinamilk Calcium Pro (low-fat nutritional products, calcium supplement), Vinamilk Diecema (special nutrition for diabetics), Vinamilk weight loss (special nutrition for overweight person, obesity) and Vinamilk Nutrition (nutrition for the whole family).

Nutifood constantly researches and develops products in order to provide diversified products to meet market demand of different types of customers. Currently, Nutifood's powdered milk groups consist of 6 product types, including (i) Nutritional powdered milk for pregnant and breastfeeding mothers with brand name of Nutimum; (ii) Nutritional powdered milk for babies and young children with brand name of Nuti IQ3 for babies from 1 - 3 years old; Nuti IQ4 for children from 4 - 6 years old; Nutivita for children from 4 or above; (iii) Calcium-fortified non fat powdered milk for the elderly, overweight, obese, person abaited from fat with brand name of Obilac; and (iv) Instant powdered milk for the whole family with brand name of Nuti. In particular, Nutifood has focused on the production of specialized nutritional products such as special milk for patients feeding through gastrostomy tube, specific products for diabetics, children with anorexia and for obese people, diabetics.

Concerning to development of enterprise systems, demand for dairy products has also increased, then attracting higher participation of domestic and foreign manufacturing, trading businesses to meet the needs of the population. At present, the number of enterprises involved in producing dairy products (liquid milk, yogurt, powdered milk, condensed milk, etc.) in our country tends to increase. However,

compared to other manufacturing sectors, powdered milk production has not attracted many domestic enterprises due to limit in investment capital, production technology, raw material region.

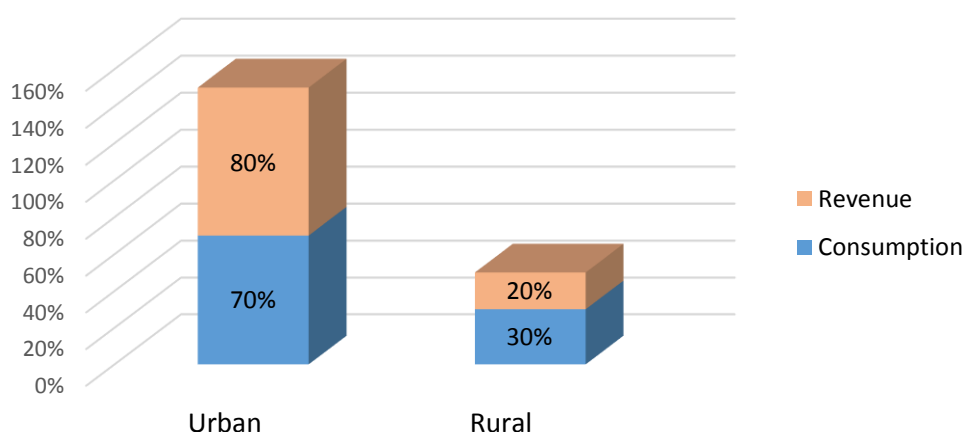
Table 4.5. Vietnam’s import turnover for raw milk materials in the period 2010 - 2014

Year	2010	2011	2012	2013	2014
1. Import					
Turnover: 1000 USD	355632	414130	396390	429612	543860
Growth: %		16.45	-4.28	8.38	26.59
2. Import structure					
Whole milk powder: 1000 USD	349310	406840	388032	417527	521750
Percentage (%)	98.22	98.24	97.89	97.19	95.93
Skimmed milk powder: 1000 USD	6322	7290	8358	12085	22110
Percentage (%)	1.78	1.76	2.11	2.81	4.07

Source: Trade map 2015

4.1.3. The conduct of powdered milk

Development of Vietnamese branded powdered milk concentrates on Organization of market systems, setting up traditional and modern distribution channel. Concerning to Organization of market systems, Vietnamese branded powdered milk products are now distributed through a diversified market system, including the domestic market (urban market, rural market) and overseas markets.



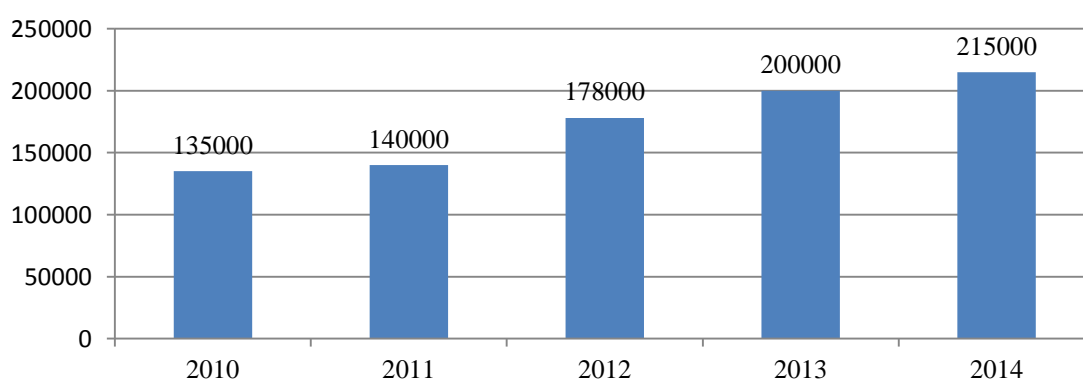
Source: Report on competitive assessment of powdered milk market in Vietnam - Vietnam Competition Administration Department, Ministry of Industry and Trade

Figure 4.3. Revenue and consumption from powdered milk distribution in urban and rural areas

In the domestic market, the market organization of Vietnamese branded powdered milk producers is distributed mainly in urban areas, whose population density is high, income and living standards of the population are also higher than other regions, etc. Therefore, urban areas are the main consumption

market for powdered milk products, especially in big cities like Hanoi and Ho Chi Minh City. Ho Chi Minh. Meanwhile, in the rural areas, due to the income and living standard of the population is low, the amount of powdered milk produced by domestic enterprises is modest.

Concerning to setting up traditional and modern distribution channel, Vietnamese powdered milk manufacturers have developed a diversified distribution system, including traditional distribution channel (department stores, markets, pharmacies, specialty stores) and modern channel (supermarkets, convenience stores). For traditional distribution channel, Vietnamese branded powdered milk products are now distributed through exclusive distributors, retail outlets, and showrooms. By the end of 2014, Vinamilk has built around 268 exclusive distributors; 215,000 retail outlets; Nearly 100 showrooms launching products. At the same time, Nutifood also built 96 distributors; 60,000 retail outlets nationwide.



Source: Viet Nam Dairy Products Joint Stock Company

Figure 4.4. Retail outlets of Vinamilk during 2010 – 2014 (Unit: Retail outlet)

The traditional distribution channel is currently the main distribution channel for Vietnamese branded powdered milk products, distributed in most of the domestic market segments, including urban and rural areas. The output of Vietnamese branded powdered milk consumed through this distribution channel is quite high, accounting for about 90% of the total domestic sales of the manufacturers.

For modern distribution channel such as supermarket, convenience store, show room, powdered milk products of Vietnam's powdered milk manufacturers are also distributed through supermarkets and convenience stores (Vinamilk's powdered milk products are available in 650 supermarkets nationwide). However, these modern distribution channels are mostly concentrated in urban areas, large provinces and cities. Meanwhile, Companies have not focused on the rural market areas, the output of Vietnamese branded powdered milk sold through the modern distribution channel is modest, accounting for only 9% of total domestic revenue of powdered milk manufacturers.

Particularly, Vietnamese branded powdered milk is sold through distribution channels, especially schools and hospitals. At these points, companies have nutrition consultants (doctors, pharmacists). In which, Nutifood's powdered milk products now have the largest customer base in the school and hospital sectors, with more than 2,748 schools and more than 450 hospitals and clinics.

4.1.3. Policy applied for powdered milk products

Recently, Vietnam has issued many relevant policies to promote the development of powdered milk production in the country. These policies focus not only focus on developing raw materials for production but also on improving the state management of the dairy market in Vietnam and contributing to facilitating the development of Vietnamese branded powdered milk manufacturers such as tax policy, regulation, information provision.

Concerning to tax policy, this is one of the policies affecting the business environment of enterprises in general, thus affecting the number of enterprises involved in manufacturing and supplying products. Currently, the tax policy for powdered milk products imported into the Vietnamese market is generally concretized in many legal documents, such as import tax law, customs law as well as in the international commitment which Vietnam has joined.

In order to attract enterprises involved in producing and trading powdered milk, as well as in line with the implementation of our country's commitments in the context of integration, state recently has made changes in tax policy for production and business of powdered milk. Circular No. 39/2009/TT-BTC dated 03 March, 2009 of the Ministry of Finance increases import tax rate on fresh milk to 20%, remain unchanged the import tax rate on powdered milk (at 10% - 15%). Circular No. 162/2009/TT-BTC dated 12 August, 2009 of the Ministry of Finance amending the preferential import tax rate for dairy products in the preferential import tariff. Accordingly, as of 28 September, 2009, all types of milk and cream, condensed added/not added sugar or other canned sweetened products, with a total weight of 20 kg or beyond shall be subject to a tax rate of 3%. Milk of the same group is applied a tax rate of 5% and other types of milk are subject to increased taxes 20%.

Circular No. 216/2009/TT-BTC dated 12 November, 2009 of the Ministry of Finance regulates the tax rates of the export tariff and preferential import tariff according to the list of taxable commodities. Accordingly, milk products and dairy products are subject to import tariffs of 3 - 20%. Official Dispatch No. 1380/TCHQ - TXNK dated 22 March, 2012 of the General Department of Customs on enhancing the management of imported milk, requesting the provincial Customs Department to add imported milk products to the list of risk management upon import goods for inspection at the customs clearance stage. Circular No. 164/2013/TT-BTC dated November 15, 2013 of the Ministry of Finance

promulgating the export tariff and preferential import tariff according to the list of taxable commodities.

In addition to the import tax, a 10% VAT is also applicable to powdered milk products in general. The provisions on tariffs on imports of milk in general and powdered milk in particular, has contributed to the promotion of domestic milk production. However, in line with the schedule of tariff reduction under common effectiveness CEPT/AFTA, milk products with a tariff rate of 20% in 2003 fell to 5% in 2006 up to now. At the same time, based on commitments with WTO, the import tax upon will be 18% for raw milk and 25% for finished milk, but compared with the committed tax rate, the current import tax rate of milk in our country is low, usually at 3-5%, the highest rate of 20%.

Compared with other countries in the region, raw milk and powdered milk imported into Vietnam are currently subject to higher tariffs than some other countries in the region, facilitating the domestic dairy industry to develop.

Table 4.6. Comparison of Vietnamese import tax on milk with some countries

Country	HS code	ASEAN tax	MFN tax	VAT
Vietnam	1901.10.20	5%	10%	10%
Malaysia	1901.10.20	0%	0%	0%
Philippines	1901.10.20	0%	7%	12%
Singapore	1901.10.20	0%	0%	7%
Thailand	1901.10.20	2.5%	5%	7%
Indonesia	1901.10.20	5%	5%	10%
Hong Kong	1901.10.20			0%

Source: Assessment report on Competition of Vietnam's Powdered Milk market - MOIT

Besides, Policy to develop raw materials for production is also supported. The development of raw materials for production is one of the important factors affecting the production and business activities of enterprises, directly affecting the output and quality of products supplied to the market. Therefore, the policy to develop raw materials for the dairy industry of Vietnam in general, including the Vietnamese branded powdered milk, has an important impact on the development of the supply of Vietnamese branded powdered milk.

In recent time, domestic powdered milk producers still rely heavily on imported raw materials. The ratio of imported raw materials for production and processing of milk of enterprises is quite high. The main reason is that the dairy industry in the country still fails to meet the demand of raw materials for production. Therefore, in order to develop the domestic dairy industry in order to supply input materials to meet the development of the dairy sector, government has recently issued many policies

to support the dairy sector. Accordingly, the development of the dairy industry is determined not only to meet domestic demand for milk but also to gradually replace imported milk, create jobs, increase farmers' incomes, contribute to the shift of rural economic structure. Some typical policies of the state to develop our dairy industry in recent years to create input materials for the dairy industry such as: Resolution No. 03/2000/NQ-CP dated 02 February, 2000 on the development of farm economy; Decree No. 56/2005/ND-CP dated 26 April, 2005 of the Prime Minister regulating agricultural and fishery promotion; Decision No. 167/2001/QĐ-TTg on 26 October, 2001 of the Prime Minister on a number of measures and policies to develop dairy cow farming in the period 2001-2010; Decision No. 36/2002/QĐ-TTg of 13 March, 2002 of the Prime Minister on the supplementation of Decision No. 167/2001/QĐ-TTg on 26 October, 2001 about a number of measures and policies to develop dairy farming in the period 2001-2010; Decision No. 10/2008/QĐ-TTg dated 16 January, 2008 of the Prime Minister approving the livestock development strategy up to 2020; Decision No. 2194/QĐ-TTg dated 25 December, 2009 approving the scheme on development of agricultural, forestry and animal stocks and aquatic breeds up to 2020, etc.

Especially, in the Prime Minister's Decision No. 167/2001/QĐ-TTg of 26 October, 2001 on a number of measures and policies for developing dairy cows for the 2001-2010 period, a number of policies aiming to develop dairy cow farming in our country by 2010 such as credit policy, loan interest rate support, supply semen and vaccines for dangerous diseases, transfer technology for free and spare suitable land for ranching construction and offer tax incentives for collection facilities, etc which have created favorable conditions for dairy farmers to contribute to the development of dairy farming in our country over time. Hence, along with these decisions are the specific policies and solutions to develop our dairy industry. On that basis, the number of dairy cows in our country in recent years tends to increase rapidly, along with the increase in fresh milk production have contributed to the development of powdered milk production of domestic enterprises.

Concerning to regulation control quality, to promote some domestic manufacturing industries, the Ministry of Industry and Trade has issued this Decision No. 1380/QĐ-BCT dated 25 March, 2011 of the Ministry of Industry and Trade - 29 March, 2011 promulgating the list of import restriction. In particular, some milk products and dairy products are also on the list of import restrictions, contributing to the development of our dairy industry.

Policy is to control the quality of dairy products, Milk is one of the foods that supplements the vital nutrients for body, especially for the development of young children. Therefore, in order to ensure the quality of dairy products, our country has also issued specific policies for this product. These regulations also have a direct impact on the supply market of powdered milk on the basis of promoting

the production activities of dairy enterprises in the direction of increasingly improving the quality of products. These policies are described in detail in the following documents:

Food Safety Law No. 55/2010/QH12 was promulgated by the National Assembly on 17 June, 2010, effective from 01 July, 2011. The law stipulates the rights and obligations of organizations and individuals in ensuring food safety; conditions for ensuring food safety, food production and trading as well as import and export of foodstuffs; advertising, labeling food; food testing; risk analysis for food safety; Prevention, deference and overcoming of food safety incidents; information, education, communication on food safety; State's management responsibility for food safety. Accordingly, milk is one of the foods that have an important impact on human health, so dairy products must comply with these regulations.

Standards and regulations related to powdered milk products is managed by many relevant standards of TCVN 7979:2013 - powdered milk and powdered cream; TCVN 7108:2002- Powdered milk for babies up to 12 months old. Technical regulations; TCVN 7081 - 1:2002 - Skimmed milk powder - Determination of vitamin A content; TCVN 6400: Milk products and dairy products - Sampling guidelines; TCVN 7084:2002 Powdered milk and powdered milk products - Determination of fat content; TCVN 7729:2007 powdered milk - Determination of moisture content; TCVN 7774:2007 - Milk - Determination of protein content; TCVN 8099 - 1:2009 - Milk - Determination of nitrogen content; TCVN 7933:2008 - Milk and milk products - Determination of lead content; TCVN 6685: 2009 - Milk and powdered milk - Determination of content of aflatoxin M1; TCVN 8106:2009 - Milk and dairy products - Determination of content of antibiotic residues; TCVN 7082:2002 - Milk and milk products - Determination of residues of organic chlorine compounds (pesticides); TCVN 8101: 2009 - Milk and milk products - Determination of organ chlorine pesticides and polychlorinated biphenyl, etc.

These regulations have important implications upon the production of milk manufacturers, encouraging enterprises to improve production technology and ensure product quality in accordance with regulations.

Beside the foregoing criteria, in order to manage powdered milk production in Vietnam, the Government has issued the national standard QCVN 5 - 2: 2010/BYT. This is the national standard for dairy products in powder form. This standard specifies food safety standards and management requirements for dairy products in powder form, including powdered milk, powdered cream, powdered whey and skimmed milk powder added with vegetable fat, applicable to organizations and individuals that import, produce and trade dairy products in powder form in Vietnam and other organizations and

individuals concerned..

Decree No. 89/2006/ND-CP dated 30 September 2006 of the Government on labeling goods regulates the content on the label of dairy products must including Quantification, Date of manufacture, Expiry date, Component or quantitative component, Information, hygiene and safety warnings, Direction for use, storage instructions. Circular No. 47/2010/TT-BCT dated 31 December, 2010 of the Ministry of Industry and Trade stipulating the inspection of food quality, hygiene and food safety in the production process under the management of Ministry of Industry and Trade. This Circular prescribes the inspection of food quality, hygiene and safety of food products subject to State management of the Ministry of Industry and Trade before being marketed, including beer - liquor - beverages; processed dairy products; Vegetable oil products; processed flour products and starch. Thus, this regulation has a positive impact on the production and business activities of dairy enterprises in our country.

Concerning to information provision, Decision No. 3399/QD-BCT on 28 June, 2010, of the Ministry of Industry and Trade approving the planning on development of dairy industry in Vietnam up to 2020 with a vision toward 2025. The overall objective of developing Vietnamese dairy industry step by step to become modern and synchronous from raw materials to finished products, capable of competitiveness to actively integrate into region and the world, meeting the increasing demand of the society and partly of export. Accordingly, powdered milk production will reach 80,000 tons by 2020 and 170,000 tons in 2025.

In order to reach the development objectives of this master plan, the system of solutions and policies for implementation of the master plan has been proposed such as market solutions, brand building, investment and solutions on sector management, solutions on scientific research and technology transfer, solutions on development of material production for the sector, solutions on training human resources, solutions on finance and credit, etc. These policies and solutions have contributed to boosting the development of our dairy industry in general, including powdered milk production.

Decision No. 1611/QD-BNV of the Ministry of Home Affairs dated 25 November, 2009 on the permission to establish Vietnam Dairy Association (VDA). Vietnam Dairy Association will be a bridge to help members strengthen trade, scientific and technical exchanges with domestic and foreign partners. Gradually increase the production and trading capacity of members in order to produce high quality dairy products for domestic consumption and export. The formation of Vietnam Dairy Association has contributed to promoting the development of Vietnam's dairy industry in recent years, especially after our country joined and fulfilled its commitments with WTO.

Decision No. 1336/QD-BNV dated 22 November, 2010 by the Ministry of Home Affairs authorizing

the establishment of VietNam Association of Consumer Goods Development (VACOD). Establishment of Vietnam Association of Consumer Goods Development has contributed to the production and business activities of Vietnamese consumer goods enterprises in general and to consumer goods manufacturing and trading enterprises branded Vietnam such as powdered milk, footwear in recent time.

4.2. Vietnamese branded footwear market development

4.2.1 The basic condition of footwear market

Concerning to supply, there are several character of raw material, production technology, product capacity to develop footwear market. The domestic companies among industry also have effort to restructure business linkage, to improve quantity and quality of products and to position brand in consumer's perception.

Firstly, the footwear industry in our country is not active in the source of raw materials, with about 60% of raw materials imported in each final product. Cost of raw materials usually accounts for about 80% of the cost of footwear production. Production of necessary inputs to serve the footwear production in our country is limited.

For leather footwear production, capacity in leather production is limited, most leather in the country is only suitable for producing low value products. As a result, most leather products are imported, mainly pre-treated leather. Materials for fabric shoes production are also limited because domestic manufacture cannot provide dyeing materials of suitable quality.

For plastic footwear products, grained plastic and plastic panel products must be imported because the capacity and quality of domestic production fail to meet the demand and quality. Therefore, these products are usually imported from countries in the region.

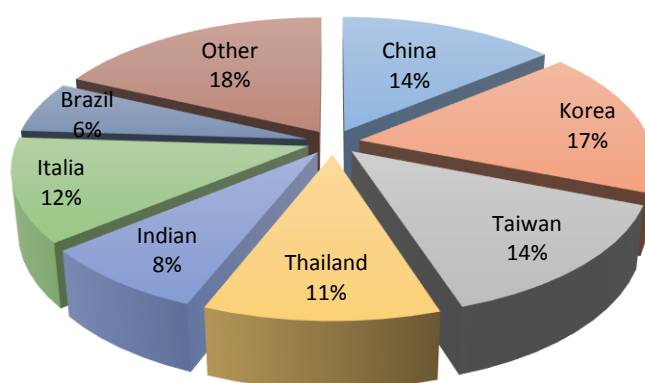
Table 4.7. Vietnam's import turnover of footwear materials during 2010 - 2014

Year	2010	2011	2012	2013	2014
Turnover (million USD)	997.9	1292	1298	1658.3	1465.6
Growth (%)	32.17	29.47	0.46	27.76	-11.62
Ratio of import turnover compared with export turnover of footwear in the country (%)	19.48	19.73	17.87	19.74	14.19

Source: 2014 statistical abstract; Vietnam Leather, footwear and Handbag Association and calculation of Board of topic in charge

As a result, imports of footwear materials in Vietnam have been increasing steadily over the years from USD 997.9 million in 2010 to USD 1465.6 million in 2014. The growth rate of import turnover of footwear materials in our country in the period 2010-2014 reached an average of 14.2%/year, lower than the growth of the country's footwear export turnover in the same period (20.5%/year).

Footwear materials of Vietnam in recent years are mainly imported from the Asian market, with the proportion of import turnover accounting for nearly 70%. Specifically, in 2014, the share of imports of raw materials for footwear from the Korean market accounted for about 17%; Taiwan about 14%; China 14%, etc.

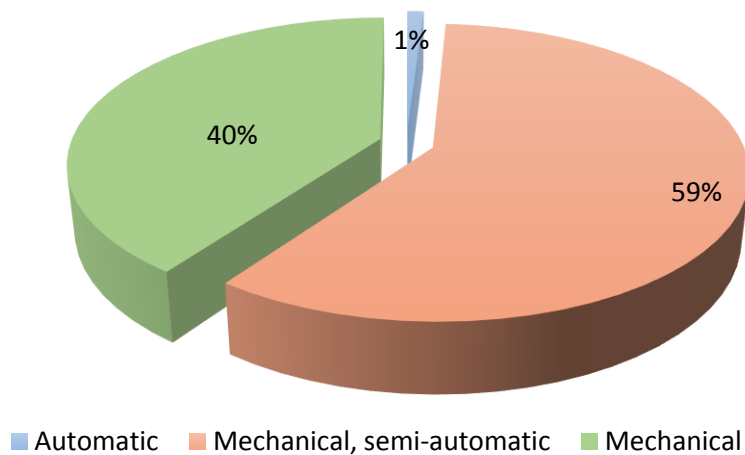


Source: Vietnam Leather, footwear and Handbag Association

Figure 4.5. Structure of Vietnam's leather import market in 2014

Secondly, Due to the diversity of enterprises involved in footwear production in Vietnam at present, there is a difference in the level of production technology among these types of enterprises. For group of joint venture enterprises and enterprises with 100% foreign capital, Technology and production equipment are mainly imported to create the products required by import partners. Therefore, these enterprises have average high technology equipment system, capable of carrying out all steps of shoe production. For the group of domestic producers, the level of production technology is popular at medium and medium level. The new production process is being mechanized but not yet automated. The rate of manual work is still high, typically the stages of spreading, glueing, perforating eyelets, grinding, shearing, tallying and transporting raw materials and semi-finished products. This is one of the reasons limiting the labor productivity of the industry.

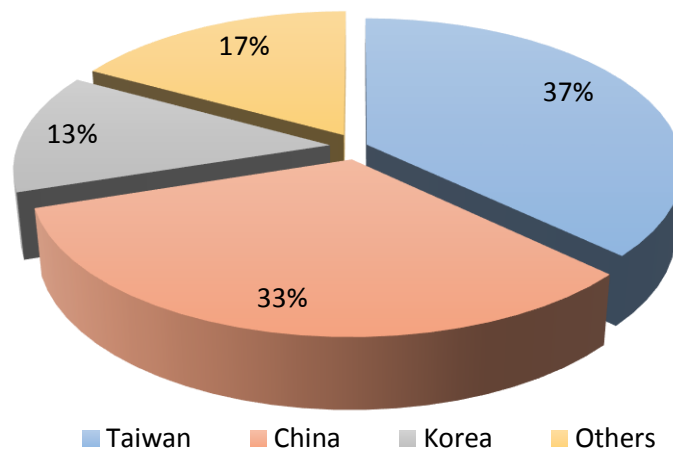
According to the Vietnam Leather and Footwear Association, 59% of the footwear enterprises in Vietnam now own mechanical and semi-automatic production technological level; 40% own mechanical level and only 1% owns automatic production technological level.



Source: Vietnam Leather, footwear and Handbag Association

Figure 4.6. The technological level of footwear manufacturers in Vietnam

The origin and equipment of footwear production in our country mainly from China, Korea, Taiwan, etc. have reached the level of mechanization but have not reached the level of automation, thus many laborers of low productivity are used. Particularly in 2014, the proportion of imports of machinery and equipment for the leather and footwear industry of our country from Taiwan accounted for about 37%; from the Chinese market accounted for 33%; from the Korean market 13%; from other markets accounted for about 17%.



Source: Vietnam Leather, footwear and Handbag Association

Figure 4.7. Structure of Vietnam's import market of machinery for leather and footwear industry in 2014

Thirdly, along with the increase of production enterprises in the footwear industry, the number of footwear produced in our country in recent years tended to increase rapidly, from 589.5 million pairs

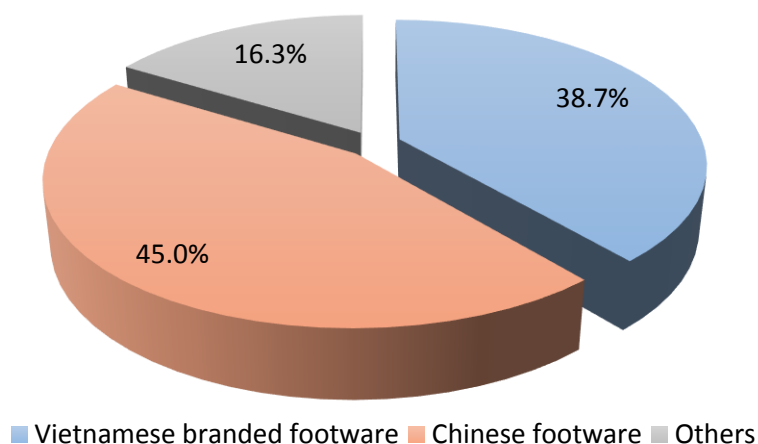
in 2010 to 861.9 million pairs in 2014, respectively, increased nearly 1.5 times. The growth rate of footwear production in the period 2010-2014 reached an average of 10.4% per year.

Table 4.8. Production of footwear manufactured during 2010 – 2014 (Unit: Million pairs)

Year	2010	2011	2012	2013	2014
1. Total	589.5	630.1	674.1	761.6	861.9
2. Classified by product type					
Leather shoes, sandals	192.2	200.4	222.1	227.8	251.2
Fabric shoes	50.3	49.6	51.1	53.1	55.4
Sport shoes	347.0	380.1	400.9	480.7	555.3

Source: 2014 statistical abstract of the General Statistics Office

However, most of the footwear production in our country now serves for export activities. Footwear production consumed in the domestic market is low. Concerning to the demand for Vietnamese branded footwear, the demand in the last time has generally grown but is limited, manifested through the consumption of footwear (value, consumption per capita, consumption growth rate), market share of product, etc.



Source: Vietnam Leather, footwear and Handbag Association, 2015

Figure 4.8. Structure of footwear consumption in Vietnam market in 2014

According to the Vietnam Leather, footwear and Handbag Association (Lefaso), the domestic demand for footwear in Vietnam is about 150 million pairs/year (including Vietnamese branded footwear and other footwear). In which, the market share of Vietnamese branded shoes (mainly brands like Biti's, Bitas, Thuong Dinh, Vinagiay, etc.) account for nearly 40%. The leftover, about 60% of the demand for footwear consumed in the domestic market now comes from overseas, especially from China, Taiwan and Hong Kong.

In 2014, the total volume of footwear consumed nationwide reached about 142 million pairs. Of which, domestic footwear production and domestic consumption is about 50 million pairs, equivalent to 38.7% of total consumption; 45% of the footwear consumed domestically is supplied by Chinese market, imported through the minor quota; About 16.3% of domestic footwear consumption is supplied by other foreign companies such as Italia, USA, Korea, France, Thailand, Malaysia and Singapore (mainly concentrate on medium and high class market segments).

Thus, the production of Vietnamese branded footwear consumed in the domestic market of our country is still limited. Most of the footwear market of our country now belongs to foreign footwear manufacturers, mainly of Chinese manufacturers.

Table 4.9. Footwear consumption in Vietnam market during 2005-2014

Year	2005	2006	2007	2008	2013	2014
1. Total consumption						
Quantity (million pairs)	93	106	120	130	140	142
Percentage (%)	100	100	100	100	100	100
2. Structure of product consumption						
Vietnamese branded footwear (million pairs)	50	55	58	55	55	55
Percentage (%)	53.8	51.9	48.3	42.3	39.3	38.7
Foreign branded footwear (million pairs)	43	51	62	75	85	87
Percentage (%)	46.2	48.1	51.7	57.7	60.7	61.3

Source: Industry and Trade Information Center - Ministry of Industry and Trade

Compared with other countries in the world, Vietnam's footwear demand is still low, with average footwear consumption reaching about 150 million pairs a year. The current footwear consumption of our country is about 1.6 pairs/person/year, much lower than the average consumption of other countries in the region and in the world (Hong Kong's footwear consumption per capita is 10.1 pairs/person/year, the US reaches 7.2 pairs/person/year, England is 7.1 pairs/person/year and Australia reaches 6.7 pairs/person/year. China is 2.7 pairs/person/year, Indonesia reaches 2.3 pairs/person/year, the Philippines is 1.8 pairs/person/year).

4.2.2. The market structure of the footwear industry

Footwear is one of the manufacturing industries of our country, attracting a large number of participating enterprises, with nearly 1,000 enterprises. The footwear industry in our country today mostly consists of four types of enterprises operating mainly as follows:

Group of joint venture enterprises, enterprises with 100% foreign capital is the major manufacturing component, accounting for 60% of total footwear capacity in our country. They are mainly subsidiaries

of international companies (mostly from Taiwan and Korea), etc. For this type of business, the parent company will designate, provide input materials and manage product distribution activities. Therefore, they have access to financial resources of the parent company. This group of businesses are mainly footwear manufactures for Nike, Rebook, Adidas, Clarks and some material suppliers of footwear.

These enterprises have average high technology equipment system, capable of proceeding all kinds of footwear production. These production units have modern production management, capital advantage, equipment, design, marketing and distribution of products from major purchasing partners.

Group of domestic manufacturing enterprises include joint stock companies, state-owned enterprises and private enterprises. In particularly, the enterprises produce footwear with their own designs and brands. The enterprises' products are usually consumed in both domestic and foreign markets through export activities. However, for private enterprises, they mainly process products for major brands and retailers in the world, but at a smaller and less stable level than foreign-invested units.

Equipment systems and technology of this group of enterprises are still semi-automatic and mechanical in general and the level of employment of unskilled workers is still high so labor productivity has not improved much. In particular, technical level, management of this group of enterprises is weak due to lack of qualified human resources, mainly learning through work experience. At the same time, marketing capacity is limited due to dependence on export intermediaries and only focuses on processing export orders. In addition, there is almost no presence of domestic enterprises producing accessories for the footwear industry. With that, group of small and handicraft production establishments with simple production technology, mainly supply domestic market products with monotonous designs, not yet capable of export.

Therefore, Vietnam now has many enterprises involved in footwear production. Most of them are joint venture enterprises, enterprises with 100% foreign capital. Products of these enterprises are often for export. Up to now, the number of domestic manufacturers with products bearing Vietnamese brand name to serve the domestic market demand is low, some typical companies are Vinagiay Coporation; Thuong Dinh Footwear Company Limited; Binh Tien Consumer Goods Production Co., Ltd; Binh Tan Consumer Goods Manufacturing Co., Ltd., etc. According to the Vietnam Leather and Footwear Association (Lefaso), about 90% of the current production of footwear made in Vietnam is for export. Domestic enterprises only meet 40% of domestic consumption demand. Therefore, the scope of this study only focuses on some of these suppliers.

Table 4.10. Some Vietnamese branded footwear manufacturers

	Manufacturer	Brand/Trademark	Main products
1	Binh Tien Consumer Goods Production Co., Ltd	BITI'S	Foam rubber sandals, sandals, sport shoes, wingtips, slippers, wooden clogs
2	Binh Tan Consumer Goods Manufacturing Co., Ltd	BITAS	Fabric shoes, PVC shoes, sandals, leather and leatherette shoes, slipper, children's shoes.
3	Vinagiay Coporation	Vina Giay; Giay Viet; Vu Cham; Vinagico	Men's shoes, women's shoes, sandals, children's shoes, sport shoes, wallets, purses, belts, handbags
4	Thuong Dinh Footwear Company Limited	Thuong Dinh	Fabric shoes, sports shoes, children's shoes, sandals
5	Hanoi Leather and Shoes Investment Import-Export Joint Stock Company	Hanoshoes	Footwear of all kinds
6	Saigon Shoes Joint Stock Company	Sashoco	Female leather shoes, fabric shoes, sportswear
7	Thuy Khue Shoes One Member Co., Ltd		Footwear of all kinds
8	Hai Phong Leather Products and Footwear and Development Joint Stock Company	Sholega	Sports shoes, fabric shoes, leather shoes, leather sandals, football shoes
9	Thien Phu Thanh company limited	KITA'S	Men's shoes, women's shoes, children's sandals, wallets, belts.
10	Dai Viet Shoes Trading Production Co., Ltd	Daiviet	Leather shoes, beach sandals, flip-flops, foam sandals, leather sandals, fashion shoes
11	Dong An EDI Company Ltd	D&A	Fabric shoes of all kinds
12	Hanoi Rubber Joint Stock Company	Harco	Fabric shoes of all kinds
13	Fashion Design consultancy and Viet style design Co., Ltd	Hà Anh shoe	Men's shoes, women's shoes, children's shoes
14	Giavi Company Limited	Giavi	Men's footwear, women's footwear, children's shoes; handbags, wallets, purses, etc.
15	Footwear and Garment Export Joint Stock Company	Legamex	Garment and footwear products (sport shoes, leather shoes, sandals of all kinds)

Source: Board of topic in charge

Concerning to product diversification, Since Vietnam's accession to WTO, footwear enterprises in Vietnam have made great efforts in improving the quality of their product designs, including exporters and domestic enterprises. Businesses determine that product quality improvement and design promotion are those factors creating sustainable competitive advantage for their businesses. Improving

the quality not only helps businesses have the opportunity to increase the product price, but also it is the way of brand building, long-term market dominance.

Footwear products in Vietnam today are quite diverse in product design, divided into many different product segments, including (i) High value products, including: men's leather shoes, women's shoes and international branded sport shoes. These are products that require high quality inputs and good manufacturing process and design. The main customers for this product line are major brand name manufacturers or high-end retailers. The main markets for these products are Europe and North America; (ii) Mid-range items include: men's shoes, women's shoes, children's shoes, sports shoes, special footwear made of fabric, plastic and rubber. Buyers are usually wholesalers and large retail chains; and (iii) Low-value shoes, including simple types of slippers and sandals, are made from synthetic materials. These products use less expensive and often unstable materials; the design is only common standard. The production process is more automated than the other product lines and the orders are usually larger. Buyers are mostly wholesalers who buy to redistribute to lower-level retailers. These products are geared to serving the needs of both domestic and international markets.

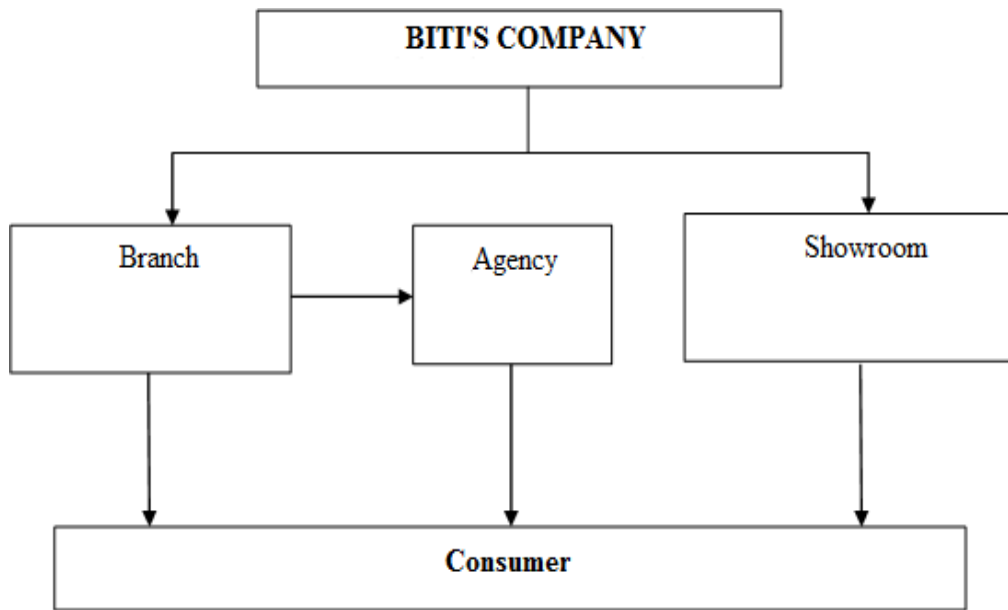
4.2.3. The conduct of the footwear industry

Development of Vietnamese branded footwear concentrates on Organization of market systems, setting up traditional and modern distribution channel. Vietnam footwear manufacturers are quite successful for overseas markets development through export activities but the domestic market encounter many limits.

Concerning to Organization of market systems, Footwear products in our country are currently consumed mainly through domestic and foreign markets. However, the foreign market is the main consumption market, the proportion of footwear products consumed in the domestic market is still modest. According to the Vietnam Leather, Footwear and Handbag Association (Lefaso), about 90% of domestic footwear production currently serves the export sector, with only about 10% of domestic footwear production serving the domestic market. However, the output of footwear produced in the domestic market only meets nearly 40% of the demand of the domestic market, the remaining 60% of the market is dominated by foreign manufacturers, mainly China and Taiwan. The annual domestic sales of local footwear enterprises are about USD 1.5 billion, equaling 14% of the country's footwear export turnover (including domestic and foreign enterprises). and 62% of the footwear export turnover of domestic enterprises.

Concerning to setting up traditional and modern distribution channel, Footwear products produced by Vietnamese branded companies are consumed in the domestic market through traditional and modern

distribution channels.



Source: Binh Tien Consumer Goods Production Co., Ltd and Board of topic in charge.

Figure 4.9. Distribution model of Binh Tien consumer goods production co.,Ltd with brand name of Biti's

Organization of market systems maintains two parallel distribution channels. With traditional distribution channels, the products of manufacturers are consumed at the market network, retail shops, product showrooms. With modern distribution channels, the products of manufacturers are consumed through the system of supermarkets (BigC, Coopmart, Vinatex), trade centers and via online sales channels (through the company's website).

Binh Tien Consumer Goods Production Co., Ltd, with brand Biti's has built up a wide and diverse distribution system to bring products to consumers. The company's products are distributed through 07 branches (Biti's Lao Cai branch, Biti's Northern branch, Biti's Quang Ninh branch, Biti's Central Highland branch, Biti's Da Nang branch, Biti's West eastern branch and Biti's South Branch). 68 product are on showrooms and available on more than 3500 agencies. However, the current distribution system of the company mainly concentrates in cities and towns. Rural areas are not paid much attention.

Binh Tan Consumer Goods Manufacturing Co., Ltd, with brand Biti's currently has a diverse distribution network, including agents, agency outlets, branch outlets, retail outlets and through customer contracts. Agency is now the main distribution channel, with over 3,000 agencies and accounts 85% of sales. Agency stores are invested in capital, equipped with facilities and entitled to discount. Agency stores can perform wholesale and retail.

Branch Store is directly set up and managed by the branch, which is considered as the store introducing the company's products and carrying out the product warranty while Point of sale is set up to exploit small markets or cooperate with partners who are not qualified to act as agencies. Contract customers are customers who order directly, the products can be designed by customers themselves. However, the current distribution system of the company is still concentrated mainly in urban areas, including cities and towns. In rural areas, the distribution system has not been developed so the product is not popular rural areas.

4.2.4. The policy on the footwear products

Vietnam has issued many relevant policies to promote the development of footwear industry. These policies focus on improving on Productivity and Product Quality, develop a number of supporting industries and List footwear in priority industries.

Concerning to Productivity and Product Quality Improvement, Decision No. 712/QD-TTg dated 21 May, 2010 of the Prime Minister approving the National Program on Productivity and Product Quality Improvement of Vietnamese Enterprises. The objective of the program is to develop and apply a system of standards, technical regulations, management systems, models, tools for improving productivity and quality; To develop the important human resources to improve the productivity and quality of other products and goods; To make clear changes in the productivity and quality of key commodity products and the competitiveness of enterprises which contribute positively to the national socio-economic development.

The scope of the program includes 9 project groups, including the project group to improve the productivity and quality of products and goods of the industry led by the Ministry of Industry and Trade. With the content: "Improving the productivity and quality of key products and commodities in the priority industries and spearhead industries on the basis of application of solutions to enhance productivity and quality in line with specialties of industry and enterprises; To renovate technologies and apply advanced technologies in production in order to raise the quality and content of science and technology as well as the value added and domestic value in industrial products. "With the mission assigned in this Decision, in the past time, the Ministry of Industry and Trade has actively developed, promulgated and implemented activities under the project to improve the productivity and quality of commodity products in the industry, including the footwear industry, contributing to the development of footwear enterprises in Vietnam, thereby promoting the development of the supply of Vietnamese consumer goods.

Concerning to develop a number of supporting industries, Decision No. 12/2011/QD-TTg dated 24

February, 2011 of the Prime Minister on policies to develop a number of supporting industries. This Decision prescribes policies to encourage the development of supporting industries in the fields of mechanical engineering, electronics - informatics, manufacture and assembly of automobiles, textiles and garments, leather and footwear and supporting industries for the development of high-tech industry. Thus, the leather and footwear industry is one of the industries that are benefiting from the state's incentive policies to support industry development such as encouraging and facilitating domestic and foreign organizations and individuals to invest in development of supporting industries; Encourage market development; Encourage infrastructure; Encourage science and technology, human resources training; incentives for providing information; finance, etc. Thus, this Decision has also contributed to the development of the footwear industry in Vietnam in the recent time on the basis of the implementation of policies to encourage the development of supporting industries like leather - footwear industry.

Concerning to priority policy for footwear industry, Decision 1483/QD-TTg dated 26 August 2011 on the promulgation of the List of priority industries to be supported. According to this Decision, the list of priority industrial products for the leather and footwear industry including leather, leatherette, shoe sole, tanning chemicals, salted hide, and shoe thread. The priorities for these product development are one of the positive factors that favor the footwear industry in Vietnam in general, including Vietnamese branded footwear.

Concerning to regulation control quality, Decision No. 604/QD-TTg dated 25 May, 2012 of the Prime Minister approving the project "Improving productivity and quality of products and goods of industry". This is a project under the National Program "Improving productivity and quality of products and goods of Vietnamese enterprises up to 2020". The objective of the project is to improve the productivity and quality of key industrial products and commodities based on the application of scientific management and application, technology renovation and investment to create the mechanical shift from low productivity, low quality, low added value, low technology to high productivity, high quality and value added, technology that contains high scientific content, increasing localization value. Thus regulation contribute to total factor productivity (TFP) in the growth rate of domestic products.

Some industrial products and goods can join the global value chain too build and perfect the system of standards and technical regulations and applying management systems, innovating tools for productivity and quality improvement, advanced models, modern production processes to improve productivity and quality of industrial products and goods. In particular, the productivity and quality of leather goods improvement is one of the projects in the list of projects to build and implement in order to improve the productivity and quality of key industrial products and goods. The project has also

contributed to the development of footwear enterprises in Vietnam and the development of Vietnamese branded consumer goods.

Concerning to information provision, Decision No. 6209/QĐ-BCT dated 25 November, 2010 by the Ministry of Industry and Trade master plan for development of Vietnamese footwear industry by 2020, vision to 2025. With the view and development orientation is to mobilize economic sectors, domestic resources and attract foreign investment to build and develop Vietnam leather and footwear sector to actively serve export and domestic consumption, increase foreign exchange for the country, increase employment, income and improve the living standards of laborers; To strongly develop material production and footwear supporting industries in order to reduce hyper import, increase added value and deeply participate in the value chain of the leather and footwear market in the world; To gradually change the mode of production from processing to self-producing and business; Combine the rapid development of production scale with the focus on expanding the export market and domestic market.

According to this master plan, the growth rate of industrial value of leather and footwear industry in the period 2011 - 2015 will be 9.4% per year; 8.8% per year from 2016 to 2020; The period of 2020-2025 is 8.2% per year; To gradually increase the localization rate of various kinds of products. To strive to achieve the localization rate of 60-65% in 2015, 75-80% in 2020 and 80-85% in 2025; To build a number of leather-footwear manufacturing zones and manufacturing complexes, to produce raw materials and to treat concentratedly environment on the basis of the advantages in infrastructure and labor in order to actively supply raw materials, boost competitiveness for the industry. By 2020, the total output of footwear of all kinds will reach 1698 million pairs.

To achieve those objectives above, the plan has proposed a range of solutions including: investment solutions; solutions for development of materials and supporting industries; market solution; training and human resource development solutions; management solutions, etc. These solutions have been implemented and showed positive impact on the footwear industry of our country, contributing to the development of Vietnamese consumer goods brand.

Decision No. 879/QĐ-TTg of the Prime Minister dated 9 June, 2014 approving the development strategy of Vietnam's industry by 2025, vision to 2035. According to this development strategy, leather shoe is one of the priority industry groups for development. Of which, by the year 2025, priority shall be given to the development of production of raw materials and auxiliary materials for domestic production and export. In the period after 2025, priority is given to the production of high-grade shoes.

In pursuit of the objectives of this development strategy, in addition to general solutions, the strategy also proposed specific solutions for priority industries, including leather shoe such as: diversify

product production and actively develop auxiliary materials; Build a retail distribution system bearing the Vietnamese brand, etc. These solutions have contributed to the development of the leather shoe industry in Vietnam, including the Vietnamese branded footwear manufacturers.

4.3. Evaluation of the current policies on Vietnamese branded powdered milk market development and footwear market development

4.3.1. Improvement on production and allocative efficiency of two industry

Thank to state policy, powdered milk and footwear industry develops quickly and assertive important role on economy development. Vietnamese branded powdered milk and footwear product of Production, processing and supply of powdered milk has attracted many economic sectors to participate. The number of enterprises involved in producing and processing powdered milk and footwear tends to increase. At the same time, the output of Vietnamese branded powdered milk and footwear produce and supply to the market is increasing on the basis of the scale of production of enterprises are constantly expanding. As the result, production capacity and market share of Vietnam branded product increase on both industry.

In powdered milk industry, product consumption increases rapidly from 65,000 tons in 2010 to 90,000 tons in 2014. Consumption of milk of all kinds, including powdered milk per capita of our country also raises from 15 liters/person/year in 2010 to 20 liters/person/year in 2014. In footwear industry, the annual domestic sales of local footwear enterprises are about USD 1.5 billion, equaling 14% of the country's footwear export turnover.

The technology of manufacturing powdered milk and footwear is increasingly invested and improved according to international standards, contributing to improving the quality of Vietnam branded products to the market. Vietnamese branded manufacturers also have invested in the development of raw material areas in order to become proactive in raw materials for production.

In powdered milk industry, Vinamilk has invested more than VND2,000 billion into industrial dairy farms (2014), with seven dairy farms in Tuyen Quang, Thanh Hoa, Nghe An, Ha Tinh, Binh Dinh, Lam Dong. The size of the dairy farms of Vinamilk now reaches 10,930 heads. At the same time, Vinamilk is also investing two more large farms in Tay Ninh (8,000 heads) and Thong Nhat - Thanh Hoa (25,000 heads). VNM also set up business linkage with both Miraka - NewZealand Co., Ltd and domestic company of Duc Long Gia Lai Group. This company will invest in a dairy farm with a size of 80,000 heads and Vinamilk will cover all milk production in this dairy farm.

In footwear industry, imports of footwear materials in Vietnam have been increasing steadily over the

years from USD 997.9 million in 2010 to USD 1465.6 million in 2014. The growth rate of import turnover of footwear materials in our country in the period 2010-2014 reached an average of 14.2%/year. Footwear manufacturers set up supply chain that from the Asian market, with the proportion of import turnover accounting for nearly 70%. Specifically, in 2014, the share of imports of raw materials for footwear from the Korean market accounted for about 17%; Taiwan about 14%; China 14%, etc.

4.3.2. Improvement on competitiveness of two industries

The State needs to have supportive policies, such as tax policy, information provision, technical standard and supporting regulation such as the development of a comprehensive program and synchronized strategic plan in training of cadres and skilled craftsmen. In particular, the training should be carried out under the motto of expanding the width in order to meet the current requirements, while also planning to train specialized staff and leading scientific research staff to Service for future industry development. The competitiveness of Vietnamese goods improve in two industries. Vietnamese branded powdered milk products are increasingly being selected by consumers for their reasonable price, quality assurance.

In powdered milk industry, Vinamilk's market share in powdered milk increased from 12.6% in 2010 to 19% in 2014 while Nutifood's market share increased from 2% in 2010 to 4% in 2014. Vietnam branded product is abundant to satisfy the needs of all consumers.

In footwear industry, these are nearly 150 million pairs that sold in domestic market per year. In which, the market share of Vietnamese branded shoes like Biti's, Bitas, Thuong Dinh, Vinagiay, etc account for nearly 40%.

4.3.3. Improvement on product distribution of two industries

The mass media has published thousands of specialized pages, categories, reportage; tens of thousands of propaganda, promotion of Vietnamese goods, Vietnamese enterprises in response to the campaign. Many contents, forms of propaganda and promotion of radio, newspapers, magazines, and websites have attracted the attention of crowds of audiences. By the end of June 2013, more than 700 articles on Vietnamese products and more than 200 articles on Vietnamese enterprises and 10,000 hits a month on the website. At the same time, the media units under the Ministry of Industry and Trade published over 1,200 news articles about the campaign. During the period of 2010 - 2013, the Ministry of Industry and Trade has implemented a number of activities related to the development of production in rural areas:

Assist in the successful organization of 6 regional expos of rural industrial products, The scale of each

fair will be from 350 to 570 standardized booths on average, with the participation of 175 - 250 rural industrial enterprises; supported 8,367 turns of rural industrial establishments to participate in domestic fairs and exhibitions; support for construction, trademark registration for about 300 rural agricultural establishments with a support cost of 56.468 billion Vietnam dong.

Support of construction of 770 demonstration models for production of new products, new technologies, introduction of models of rural industrial establishments with outstanding manufacturing lines and business activities. Support for 1,611 rural industrial establishments to apply new technologies, modern machinery and equipment for production and environmental pollution treatment. Apart from encouraging organizations and individuals to invest in industrial production in rural areas according to branch and domain planning and national, regional and local plannings... demonstration models also encourage enterprises to invest in new technology, new management methods and modern equipment; helping enterprises advertise their brands and products, contributing to raising the productivity of quality and competitiveness of enterprises and increasing the production value of industries, cottage industries and handicrafts, assisting in creating jobs in rural areas. Funding for this content is 166.827 billion, average support from the State is about 214 million / model.

As the result, the Vietnamese branded products become familiar with consumers. This make favor condition for enterprises setting up distribution system. Vietnamese branded powdered milk and footwear are distributed through a diversified market system, developed in both urban and rural areas with traditional and modern distribution channels, facilitating operations of goods purchasing for people.

In powdered milk industry, Vinamilk has built around 268 exclusive distributors, 215,000 retail outlets and Nearly 100 showrooms launching products by the end of 2014.

The traditional distribution channel is currently the main distribution channel for Vietnamese branded powdered milk products, distributed in most of the domestic market segments, including urban and rural areas. The output of Vietnamese branded powdered milk consumed through this distribution channel is quite high, accounting for about 90% of the total domestic sales of the manufacturers.

Vinamilk's powdered milk products are available in 650 supermarkets nationwide. Companies have not focused on the rural market areas, the output of Vietnamese branded powdered milk sold through the modern distribution channel accounting for 9% of total domestic revenue of powdered milk manufacturers. Vietnamese branded powdered milk is also sold through distribution channels, especially schools and hospitals. At these points, companies have nutrition consultants (doctors, pharmacists). In which, Nutifood's powdered milk products now have the largest customer base in the

school and hospital sectors, with more than 2,748 schools and more than 450 hospitals and clinics.

In footwear industry, Binh Tien Consumer Goods Production Co., Ltd, with brand Biti's has built up a wide and diverse distribution system to bring products to consumers. The company's products are distributed through 07 branches (Biti's Lao Cai branch, Biti's Northern branch, Biti's Quang Ninh branch, Biti's Central Highland branch, Biti's Da Nang branch, Biti's West eastern branch; Biti's South Branch) 68 product showrooms and more than 3500 agencies. However, the current distribution system of the company mainly concentrates in cities and towns; rural areas are not paid much attention.

4.3.4. Improvement on business activities of two industries

Enterprises of two industries enlarge to help improving turnover and profit. In powdered milk industry, Vinamilk's revenue nearly doubled from \$ 1 billion in 2000 to \$ 1.9 billion in 2013. Along with that, profits increased from \$ 220 million to \$ 380 million at the same period. In footwear industry, Biti's sales reached 1,000 billion in 2012, and the growth in the domestic market at that time was determined by the company about 20% per year.

5. Conclusions

Vietnam's consumer goods market has a great potential for growth, not only for domestic manufacturers and distributors, but also for potential foreign manufacturers and distributors. However, Vietnamese consumer goods market has not yet developed in accordance with its actual potential, market share in the domestic market is still limited and fiercely competing with foreign goods. A number of domestic consumer goods have been branded, but enterprises have still encountered many difficulties in expanding their shares in the domestic market. Meanwhile, there exists lack of support policies from the State to develop Vietnamese consumer goods market. Consumers also do not have many opportunities to purchase high-quality Vietnamese goods, which affects not only the rights and interests of Vietnamese consumers, but also the development of domestic industries and the general economy of Vietnam. At present, the retail market of Vietnam has fully opened under the WTO commitments, so the competition of Vietnamese consumer goods will be more and more difficult, especially in the context of the establishment of the ASEAN Economic Community (AEC) and the impact of the Transpacific Partnership Agreement (TPP) in the coming time. Therefore, it is necessary to have orientations and solutions to better develop Vietnamese consumer goods market, helping both manufacturers and consumers to be more productive participating in the market, which the topic has focused on the main contents as follows to achieve:

First, the role of provided State policies is to contribute to the promotion of markets in the economy in

general and market in particular. State policies have supported businesses and enterprises to develop their domestic markets as well as produced domestic goods. The macroeconomic stability and economic growth insurance policies, has created favorable conditions for businesses and enterprises, including distribution enterprises, to stabilize their production. In addition, tax policies, investment policies and credit policies are applied in the Government's Decrees, the Prime Minister's Decision, supporting and encouraging rural areas business and economic sectors which has contributed to create a more favorable business environment for enterprises.

Second, in Chapter 4, the research has evaluated the current situation of developing markets for some consumer goods in Vietnam during the last 5 years (2010 - 2014). Accordingly, the aforementioned parts have evaluated the role of state policies in orientation and assistance for enterprises and people in developing the domestically-produced commodities.

Thirdly, based on analysis of the real situation of the Vietnamese consumer goods market and the role of the state policy, the research has predicted factors influencing the development of the Vietnamese consumer goods market in the coming time. (Factors influencing supply and factors influencing demand), from which the research has defined certain viewpoints, orientations and solutions to help Vietnamese consumer goods market. In particular, the research has suggested comprehensive groups of solutions, including: Solutions for supply development; Solutions for demand development; solutions on market organization. In particular, there are certain recommendations for the Government and MOIT to better develop Vietnamese consumer goods market as follows:

For the Government

The roles and responsibilities of the competent authorities is enhanced. There are strong sanctions to handle the violations, as well as the sense of responsibility of businesses, business people with the community and the sense of using and choosing safe products of the people to the Law on Food Safety. Further promote the effectiveness of consumer protection in the Law on the protection of consumers' interests. There is a policy of support for enterprises producing and trading Vietnamese consumer goods, especially for small and medium enterprises in organizing the market system to more favorable connection between production and consumption

For the Ministry of Industry and Trade

Strengthen and promote the effectiveness of the role of the Competition Administration Department and the Market Management Department in order to limit unfair competition behavior and to manage the goods circulated in the market for protection and developing Vietnamese consumer goods.

Further strengthening the programs of bringing Vietnamese goods to rural areas to continue the effective campaign of Vietnamese people to use Vietnamese products. Accordingly, the programs of bringing Vietnamese goods to rural areas should be held more frequently, the scope of program implementation is wider²⁶.

Proposals for state agencies to support market development for domestically produced goods only work when businesses and enterprises find a right way to follow, have long-term and effective investment in their products to ensure the strength of their market competitiveness. Racing under the price war is only short-term, it is important that the products have to be outstanding and appropriate to consumer tastes, so that business and enterprises can gradually affirming their brand values in the market.

²⁶In recent years, the program of bringing Vietnamese goods to rural areas has been implemented in all districts nationwide. However, the program is mainly carried out in the town centers of districts, with a period of 1 year / time. Meanwhile, in the mountainous and remote areas, where the conditions of travel, shopping of the population are still difficult, people have not had access to this program

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APPENDIX

Appendix 1. Some Vietnamese dairy producing companies in our country

TT	Enterprise	Products	Trademark
1	Vietnam Dairy Products Joint Stock Company- Vinamilk	Milk; Yogurt; Powdered Milk, Condensed milk	Ông Thọ, Star, Ozela, Susu, Dielac, Ngôi sao, Proby, Vinamilk
2	International Dairy Joint Stock Company (IDP)	Milk; Yogurt	Ba Vì, Zdozi
3	Vietnam Soybean Milk company	Soymilk	Fami, Vinasoy
5	Moc Chau Dairy Breed Joint Stock Company	Milk; Yogurt	Mộc Châu
6	Hanoi Milk Joint Stock Company – Ha Noi Milk	Milk; Yogurt	Izzi, Yoha, Hanoimilk, Yo-tuti, Dinomilk
7	Nutrition Food Company – Nutifood	Powered Milk	Nuti IQ, Nuvita , Growplus+, DiabetCare, Dr.Luxia,
8	Lothamilk Joint Stock Company	Fresh milk; Yogurt	Lothamilk, Bifito
9	Ba Vi Milk Joint Stock Company	Milk, Yogurt, Milk cake, Whey	Ba Vì
10	Tan Viet Xuan Joint Stock Company	Milk, condensed milk	Vixumilk
12	Da Lat Milk Joint Stock Company	Milk, Yogurt	DaLatMilk, Yogus
13	Nutricare Nutrition Co., Ltd.	Powdered milk	NutriCare, Metacare, LeanMax, Hanie kid
15	TH food chain joint stock company	Milk, Yogurt	TH True Milk
18	Hanco Foods Vietnam Joint Stock Company	Powdered milk	Dollac, Dolsure, Dolnut, Oldlac,
19	Tân Úc Việt Trading Joint Stock Company	Powdered milk	Arti
20	Wellcare Nutrition Joint Stock Company	Powdered milk, cereal, bean meal	Sữa bột Wellcare; Nước yến Thiên Đình; Yến sào Thiên Đình
21	Hoang Khang Food Processing Co., Ltd	Powdered milk	Fullac, Bobolac

Source: individual

Appendix 2. Some major distribution companies of powdered milk products in Vietnam

TT	Distribution business	Distribution Products	Product brand
1	Hoang Lan Trading Co., Ltd	Tulip Milk- Netherlands	Tulip
2	Viet Y Trading and Construction Company Limited	Grand Noble Milk- Korea	Grand Noble
3	Humana Vietnam Co., Ltd	Humana Milk- Germany	Humana
4	Global Viet Trading and Service Company Limited France	Celia Milk- French	Celia
5	Guildford Vietnam Joint Stock Company - Infansure	Infansure Milk – Australia	Infansure
6	Xuan An Nutrition Food Co., Ltd	Colostrum Milk - New Zealand	Colostrum
7	Tien Tien Distribution Company Limited	Mead Johnson Milk - USA	Enfa
8	Nutrition Co., Ltd. 3A	Abbott Milk - USA	Abbott, Similac, Grow
9	Organic Trade and Development Joint Stock Company Vietnam	Organic Milk - Australia	Organic
10	Hoang Duong pharmaceutical limited company	Wakodo Milk- Japan	Wakodo
11	HP Vietnam Import-Export Joint Stock Company	Celia Milk- France	Celia
12	Bao Quang Production and Trading Co., Ltd	Candia Babylait milk- France	Candia
13	KLF International Investment Joint Stock Company	Royal Ausnz Milk- Australia	Royal Ausnz
14	Thuan Phat Import -Export Joint Stock Company	Nany Milk-Russia	Nany
15	Duc Nam Import - Export and Production Joint Stock Company	Sa Lactana Bio Milk -Germany; Picot Milk-France	Lactana Bio; Picot

16	Hung Phuong Company Limited	Insulac Milk - USA	Insulac
17	Danone Vietnam Company Limited	Dumex milk- France	Dumex
18	Nam Duong Import-Export Corporation	Korea Milk	XO; IAM; Star
19	Khanh Lan Trading and Import - Export Co., Ltd	Aptamil milk- Germany	Aptamil
20	Mesa Trading and Service Co., Ltd	Milex milk- Danish	Milex

Source: Individual survey results

Appendix 3: Comparison of retail prices of some Vietnam brand milk powder products and foreign branded powdered milk products in some supermarkets in Hanoi, 8/2015

Product line	Vietnamese branded milk powder		Foreign brand milk powder	
	Product name/brand name	Price of products (đ)	Product name/brand name	Price of products (đ)
From 0-6 months	Dielac Optimum, 900g (Vinamilk, Vietnam)	385.000	Morinaga, 850g (Japan)	497.000
	Dielac Anpha, 900g (Vinamilk, Vietnam)	175.000	Frisolac Gold, 900g (Netherlands)	479.000
	Dielac Anpha Gold, 900g (Vinamilk, Vietnam)	264.000	Enfamil A+, 900 (Mead Johnson, USA)	530.000
	Dutch baby, 900g	321.000	HiPP Combiotic, 800g (Germany)	544.000
	Nuti IQ Step1, 900g (Nutifood Vietnam)	285.000	Nan Pro, 800g (Nestle, Switzerland)	368.000
	Meta Care 900g (Nuticare Vietnam)	486.000	Celia Expert, 900g (France)	419.000
	Opimum Gold (Vinamilk, Vietnam)	360.000	S26 Gold Newborn, 900g (USD)	564.000

			Similac Newborn 900g (Abbott. USA),	558.000
			Humana Expert, 800g (Germany)	470.000
			MeiJi, 800 g (Japan)	520.000
From 1- 3 ages	Dielac Grow 900g (Vinamilk, Vietnam)	224.000	Similac Gain Plus, 900g (Abbott, USA)	478.000
	Dielac Optimum, 900g (Vinamilk, Vietnam)	353.000	Nan Gro, 900g (Nestle, Switzerland)	364.000
	Dielac Pedia, 900g (Vinamilk, Vietnam)	302.000	Physiolac 900g (France)	375.000
	Dielac Anpha 123, 900g (Vinamilk, Vietnam)	160.000	Enfamil A+, 900g (Mead Johnson, USA)	414.000
	Nuti IQ, 900g(Nutifood, Vietnam)	176.000	Nestle Lactogen Gold (Switzerland)	232.000

Source: Survey results, 8/2015 of BCN subject.