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POTENTIAL DAIRY INDUSTRY IN VIETNAM

Case study: Vinamilk Ltd

Thesis

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Vietnamese dairy industry is evaluated around 4.1 billion US dollars with the increasing growth rate of 16 % during the period 2011-2015 (EVBN, 2016). The dairy market in Vietnam has advantages of the young demographics, raising concerns of health and fitness, and increasing basic income level. Currently, the dairy sector in Vietnam is featured with ten big players and highly consolidated entrance. However, the upstream dairy market still stands a high chance of development, due to the under-developed raw milk producers. Especially, these products: powdered milk, cheese, and fresh cream in Vietnam are heavily dominated by the foreign suppliers, who fulfils more than 70 % of the total volume. To benefit from the trends and current situation in the market, the local companies in the dairy sector have to reshape their strategies of investment and development. That is the reason this research is conducted. The author aims at providing an insight in the potential and difficulties for the Vietnamese dairy product manufacturers. There is deep discussion on Vietnamese dairy market and business environment. This paper work chooses Vinamilk Ltd, one of the biggest dairy products suppliers in Vietnam as a study case. Vinamilk has been analysed in three main focuses: value chain, SWOT analysis, and STEEP analysis by using the secondary data and qualitative method. The research suggests that Vinamilk should focus on three aspects, including: brand recognition, cost efficiency, and social awareness of dairy products.

Key words Customer demands, value chain, STEEP- analysis, SWOT, Economics situation, business orientation

Table of content

Abstract

1	INTRODUCTION	1
1.1	Purpose of the thesis	2
1.2	Methodology	2
2	THEORIES ON STRATEGIC PLANNING	4
2.1	Basic elements of a strategic plan	5
2.1.1	Laying foundation and scanning environment	5
2.1.2	Confirming vision and mission	6
2.1.3	Identifying potentials and threats through STEEP and SWOT analysis	7
2.1.4	Designing and validating tactics	9
2.1.5	Documenting and communicating the plan	10
2.2	Theory on value chain	10
3	OVERVIEW OF THE DAIRY INDUSTRY IN VIETNAM	13
3.1	Brief Overview of the Dairy Market in Vietnam	14
3.2	Potential for the development in dairy industry	14
4	ANALYSIS OF VINAMILK LTD	16
4.1	Company in brief	16
4.2	The target group	18
4.3	Dairy value chain of Vinamilk	18
5	STRATEGIC DEVELOPMENT PLAN FOR VINAMILK	22
5.1	The business environment of Vinamilk	22
5.2	Vision and Mission for Strategic Planning	23
5.3	STEEP and SWOT Analysis	24
5.3.1	STEEP Analysis	24
5.3.2	SWOT Analysis	26
5.4	Designing the actions	27
5.4.1	Brand's recognition	28
5.4.2	Cost efficiency to provide affordable prices to the society	29
5.4.3	Societal awareness of using milk in daily routine	29
5.5	Delivery of Strategic Plan	30
6	CONCLUSION	31
	REFERENCES	33

1 INTRODUCTION

The worldwide dairy area is presently experiencing a time of turbulence. Abating request from China, Russia's exchange ban and the evacuation of EU shares lead to a time of abundant supply and low costs. In spite of this, the long-haul standpoint for the part stays positive. The growth in population and changing eating habits are expanding interest in dairy products. As earnings rise and countries turn out to be progressively urbanized, people have a tendency to get the calories from proteins counting dairy instead of fundamental sugars for the most part grains. International demand for dairy products is relied upon to increment by 2.5 per cent annually till 2020, strongly determined by expanding urbanization and rising salaries in the developing markets (Deloitte, 2017).

A number of trends such as the growth of a healthy snacking culture, higher food consumption outside of the home and the growth of online and mobile shopping are changing the way food is being bought and consumed. Dairy industry is at the forefront of these trends as a convenient and relatively cheap source of protein. Retailers must adapt to these trends through better use of technology and data to target customers with tailored offers and ensure that they can match supply and demand in smaller stores through better inventory management.

The dairy industry involves processing raw milk into products such as consumer milk, butter, cheese, yogurt, condensed milk, dried milk or milk powder, and ice cream, using processes such as chilling, pasteurization, and homogenization. Typical by-products include buttermilk, whey, and their derivatives. (World Bank Group, 1998).

Euro Monitor International (2016) has reported the rising trend of health and wellness in Vietnam with the noticeable increase in the usage of dairy products. The residential higher awareness of wellbeing has led to the positive effect on the consumption of milk. Especially, among the young generations, the habit of drinking milk has come to the regular basis. Besides, thanks to the health and wellness trend, new product developments launched are mostly fortified with vitamins or nutrition ingredients such as calcium. Health claims and nutrition claims such as “immune support”, “bone health support” or “rich in calcium” on products’ packaging or messages delivered via marketing activities have become more familiar to consumers. As a result, the higher volume of milk contributed to the country’s food market. Along with the growing concern for wellbeing, the vitamins and other nutrition are getting more notice

from the Vietnamese. For example, the proportion of calcium in the daily meal are highly acknowledged with its importance for physical development and bones. Vietnamese customers become more interested in the nutritious products which provide multi substances for health's maintenance.

During the research period in 2016, the survey indicated the significant amount of imported milk consumed in Vietnam. Because of the internationalization, the legislation is easier on trading milk, which also promotes the consumption of foreign brands, and creates more rivalries in the domestic dairy market. For example, the import tax for imported dairy products from Australia and New Zealand to Vietnam is reduced from 7 % to 5 % in January 2016. In 2017, this levy is suggested to diminish to tax-free. In the later part, the thesis will explain the buying behaviors in Vietnam to clarify how this trend strongly influences the competition in the national market. (Euro Monitor International, 2016)

1.1 Purpose of the thesis

Regarding the growing potential of dairy products in Vietnam, and the intensive competition within this market, the thesis aims at analysing the opportunities for the Vietnam's domestic brands. Using the study case of one of the biggest Vietnamese milk's producer and contributor- Vinamilk Ltd, the report focuses on the strategic development plan for this company in the next three years, from 2018 to 2020. The core subjects of the thesis are attributed to three parts: the analysis of business environment (which mainly focuses on STEEP and SWOT analysis); designing the courses of actions to gain the competitive advantages (which focuses on the modification of the value chain and allocation of current resources; finally, the assessment method of implementation.

In order to support the empirical study, the theoretical framework provide the detailed explanations of the basic structure of the strategic planning. To benefit from the strategic planning, it is inevitable for the companies to understand the necessary tools when designing the plan.

1.2 Methodology

In this thesis, the author uses a qualitative research as the key methodology. Qualitative research requires the understanding and explanation of different perspective. The type of research is suitable with the complex events, where no quantitative measurement is available. Qualitative research typically

aims at understanding some aspect of social life, and the main data used in the qualitative analysis is text-form instead of number-form (Patton & Cochran, 2002).

Social work research has involved the significant amount of secondary data sets. This type of information is usually gathered by the government, typical institutions, or functional agencies. Those data sets are highly valuable for the researchers in examining the characteristics of certain populations or particular hypotheses. (Vartanian, 2011). Based on the features of the topic, this thesis covers mostly the secondary data collected by the governmental departments. There are two main reasons the author chooses the secondary data for our main analysis: it is more reliable, and inexpensive to obtain.

In this thesis, the author collects the data related to the dairy industry in Vietnam from several sources, such as: euromonitor, and Vinamilk's annual reports. In order to make a strategic development plan, the sustainable development plan publicized by Vinamilk is utilized. Based on the gathered FIGURES and the historical records of the case company, a suitable plan will be suggested for the upcoming three years.

2 THEORIES ON STRATEGIC PLANNING

Disregarding the size of the business, the owners always aim at gaining more profit as well as raising the market shares. This growing process requires the serious investment of time and considerations, or so called "strategy". The definition of strategy is not simply as an action to expand the scope or productivity of the business, but more technically, the suitable allocation of the scarce resources to gain the sustainable competitive advantages (Evans, 2013). These resources can be divided into several groups, such as: employees, physical assets, or intangible assets (technology, procedures, or other available competitive advantages and opportunities).

A strategic plan can be defined as the ground-level for the direction and development of a company. It presents the starting point and the detailed stages needed to go through to achieve the settled goals. The strategic plan is used to communicate the resources, actions, vision, and mission of a company. Therefore, the strategic plan should include:

- The basic information of company's business operation
- Internal and external environment
- Statement of goals and mission
- The systematic activities to achieve the goals
- Evaluation of performance (CDC, 2008)

Barksdale and Lund (2006) have proposed the consequent 6 steps to build a successful strategic plan:

- Laying the foundation
- Scanning the business environment
- Stating Vision and Mission
- Prioritizing opportunities and identifying risks
- Designing and Validating Tactics
- Documenting and communicating the plan

Today's dairy industry is presenting producers, processors and retailers with their own set of challenges and opportunities. Nevertheless, a number of common themes emerge. One of the key drivers of many of the opportunities and challenges is changing consumer demand patterns. These emerging consumer trends are impacting the way food is being produced and consumed at all stages of the value chains. Therefore, it is very important to understand all the processes in the value chain as well as the major elements in the chain.

Another key to understand the big picture of the dairy industry is through the strategic analysis. In this report, there are two types of measurements implemented to study the features and influencers of the case company, including SWOT and STEEP analysis

2.1 Basic elements of a strategic plan

Under this heading, the components of the strategic plan are discussed in detail. The purpose is to explain the meaning and function of each element in the plan.

2.1.1 Laying foundation and scanning environment

Firstly, a solid foundation is essential before deciding on the viable strategic plan. This step requires careful consideration of the political environment, as well as micro and macro issues around the business operating environment. Because any business opening under the legal environment must comply with the domestic legislation, the first step helps the managers recognize the baseline conditions, policy direction, and boundaries for their businesses. The reason for a decent environmental scan is to build a new, compact, yet complete insight on the organization's business operation, both inside and outside - that is seen and approved at the same time by all the involved parties of the business. (AWWA Research Foundation, 2003). Gagnan (2012) has proposed three key factors as the foundation to consider a strategic plan, including:

- Industry condition. This alludes to the most noteworthy developing patterns in the organization's industry that may become significant to it.
- Competitive condition. This section of the environmental analysis should outline the organization's "focused area" by characterizing key competitors, surveying their strengths and weaknesses, stay-

ing aware toward their performance. Furthermore, managers have to notice their rivals' conceivable moves over the period of their strategic plan.

- Internal condition. The final element is the recognition of the organization's financial position and performance in the market. Managers need to realize the strengths of their businesses and evaluate the risks and chances for growth in the future.

2.1.2 Confirming vision and mission

Once all the necessary data for analysis is completely collected, the next step concerns vision, mission, and goal of the strategic plan. Vision statement is described as the 'north star' in the strategic plan, providing the focus and long-term commitment. The vision statement should have the positive inspiration and meaningful value at the same time. HR Portal has proposed three elements to build a successful vision statement:

- Time horizon: A vision statement has to be defined in a specific time zone with date and deadline. The time horizon helps trace the performance and set the activities of the business. Usually, a time zone for a vision horizon from three to five years.
- Measurability: A vision statement must have the measurable goal, which can be used as benchmark for achievement.
- Unique approach: a brief explanation on the delivery method of the services to the customers and accomplishment of the vision. (HR Portal)

An organization's mission statement identifies what the company is going to do and why it is going to do that. In other words, the mission statement focuses on the company's reason for existence and company's overall intention. The statement of purpose is an explanation for the vision. Although both the mission statement and vision statement concern the big picture of the business, a mission is more action-oriented. Based on the pre-defined vision, the mission statement produces the correspondent activity to achieve the mission. (SHMR, 2012)

2.1.3 Identifying potentials and threats through STEEP and SWOT analysis

SWOT analysis is an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival. Originally designed for use in other industries, it is gaining increased use in healthcare.

The primary aim of strategic planning is to bring an organization into balance with the external environment and to maintain that balance over time (Sackett, Jones, & Erdley 2005). Organizations accomplish this balance by evaluating new programs and services with the intent of maximizing organizational performance. SWOT analysis is a preliminary decision-making tool that sets the stage for this work. Step 1 of SWOT analysis involves the collection and evaluation of key data. Depending on the organization, these data might include population demographics, community health status, sources of healthcare funding, and/or the current status of medical technology. Once the data have been collected and analysed, the organization's capabilities in these areas are assessed. In Step 2 of SWOT analysis, data on the organization are collected and sorted into four categories: strengths, weaknesses, opportunities, and threats. Strengths and weaknesses generally stem from factors within the organization, whereas opportunities and threats usually arise from external factors. Organizational surveys are an effective means of gathering some of this information, such as data on an organization's finances, operations, and processes. Step 3 involves the development of a SWOT matrix for each business alternative under consideration. Step 4 involves incorporating the SWOT analysis into the decision-making process to determine which business alternative best meets the organization's overall strategic plan.

Strengths: Traditional SWOT analysis views strengths as current factors that have prompted outstanding organizational performance. Some strengths might include highly competent personnel, a clear understanding among employees of the organization's goals, and a focus on quality improvement.

Weaknesses: Weaknesses are organizational factors that will increase healthcare costs or reduce healthcare quality. Examples include aging healthcare facilities and a lack of continuity in clinical processes, which can lead to duplication of efforts. Weaknesses can be broken down further to identify underlying causes.

Opportunities: Traditional SWOT analysis views opportunities as significant new business initiatives available to a healthcare organization.

Threats: Threats are factors that could negatively affect organizational performance. Examples include political or economic instability; increasing demand for expensive products that is not cost-effective; increasing state and federal budget deficits; a growing uninsured population; and increasing pressure to reduce costs.

The STEEP analysis is often conducted by firms to get a detailed overview on what external factors determine the trends. It also helps to predict what might happen in the future. STEEP is basically an acronym which stands for Social, Technological, Economical, Environmental, and Political. It is also known around the world as STEEP, STEEPEL, STEEPLE, STEPJE, STEP, STEEPLD, and LES-TEEP. (PESTEL analysis, 2015).

STEEP analysis is a scan of the external macro-environment in which an organisation exists. It is a useful tool for understanding the political, economic, socio-cultural and technological environment that an organization operates in. It can be used for evaluating market growth or decline, and as such the position, potential and direction for a business. (PESTLE analysis, 2015).

Social factors: These impact on the consumer's need and the potential market size for the organizational goods and services. Social factors include population growth, age demographics and attitudes towards health.

Technological factors: These influence barriers to entry, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change. STEEP factors can be classified as opportunities or threats in a SWOT analysis. It is often useful to complete a STEEP analysis before completing a SWOT analysis.

Economic factors: These affect the cost of capital and purchasing power of an organisation. Economic factors include economic growth, interest rates, inflation and currency exchange rates.

Environmental: Environmental developments involve ecosystem factors such as water, wind, food, soil, energy, pollution and environmental regulations.

Political factors: These include government regulations such as employment laws, environmental regulations and tax policy. Other political factors are trade restrictions and political stability. (PESTLE

Analysis, 2015)

2.1.4 Designing and validating tactics

Barksdale and Lund (2006) mentioned the importance of designing and validating process as the risk management for the strategic plan. The proper implementing steps should be pictured in detail with the measurable tracking. While the design plays roles of navigator for the strategic plan, validation process helps minimize and avoid the unnecessary risks and wastes. It is wise to utilize the risk register to identify the major risk processes within the plan. These top risks can easily be justified for validating. Also, because they are major risks, it can be safely assumed these processes affect a majority of other steps within the plan. By validating their process, a domino effect is implemented, which conceivably could reduce the known risks in other processes within the plan. Since the validation process does require a number of resources and time by its leadership and others, it is wise that each evaluation be justified, and the following developmental tactics should be identified when developing each evaluation strategy:

Its objective – what is its purpose and what information will be provided; who will benefit from said information; how will this information be used; the timeframe involved to tabulate the evaluation results.

Timing – ensure the timing of this validation is in harmony with the overall strategic plan process and the validation tactics. To ensure this, leadership should ask if there is a prior process that has been identified that needs to be validated too. If so, will the validation of that step have an impact on the remaining steps in the process? If the answer is yes, then the preceding step should be evaluated first.

Resources – who will be needed to test the tactics for evaluation; who will be the evaluators; how much time will be needed to accurately validate the process; what materials or departments are needed for this test; what other resources will be needed; what is the cost.

Process future – is this a temporary process that is vital for the overall strategic plan or is this a recurring area where validation could be recurring, meaning some of the resources utilized for the validation might need to be assigned to that process on a permanent basis.

Foreseen problems – yes, validating a process does eliminate problems, but if previous issues within that area or process are identified prior to the testing and validation, then a fresh perspective and new viewpoint can be given possibly creating an ideal solution to existing issues.

Ensure goal alignment – the validation evaluation should ensure the process aligns with the mission, vision, and value statements identified within the strategic plan. Furthermore, the steps should ultimately lead to the organization obtaining its ultimate goal. If this is not the case, then the step or process needs to be re-evaluated for its necessity within the overall plan.

Lessons learned – with any process there are lessons learned. These should be documented for reference in future validating processes to possibly save the organization time and money. (Universal Class)

2.1.5 Documenting and communicating the plan

The last step before implementing the activities is to outline the strategic plan. The documenting and communicating require the arrangement of activities in the annual basis and all the components which will be mentioned in the actual plan. The purpose of documenting is to keep the readers (customers, stakeholders, and investors) understand the company's strategy. Besides, the communication of the strategic plan is very important inside the organization. To make sure all the activities can be carried out in the right manner and targeted direction, all the employees and managers should be acknowledged of the company's vision and business strategy in the near future. The communication of strategic plan can be done via the coaching, training, meeting, or any kind of social activities among the company's staff. (Barksdale & Lund 2006).

2.2 Theory on value chain

Value chain analysis is an effective approach in the strategic planning, which supports the decision-making process based on the values created for the customers. The elements in the value chain include the course of activities happened in the business operation. Porter (1985) has proposed the theory of value chain as a strategic thinking to evaluate the relative costs and roles of different activities in the business. According to Porter, the difference between values and costs is essential in deciding the profits of a firm.

This activity-based analysis method also plays an important role in determining the competitive advantages on a business. FIGURE 1 refers to the framework of value chain, which divides activities that generate value into two categories – primary activities and support activities. Primary activities comprise a set of activities that contribute to the creation of value in a direct manner. Support activities consist of functions and tasks that are intended to support primary activities.

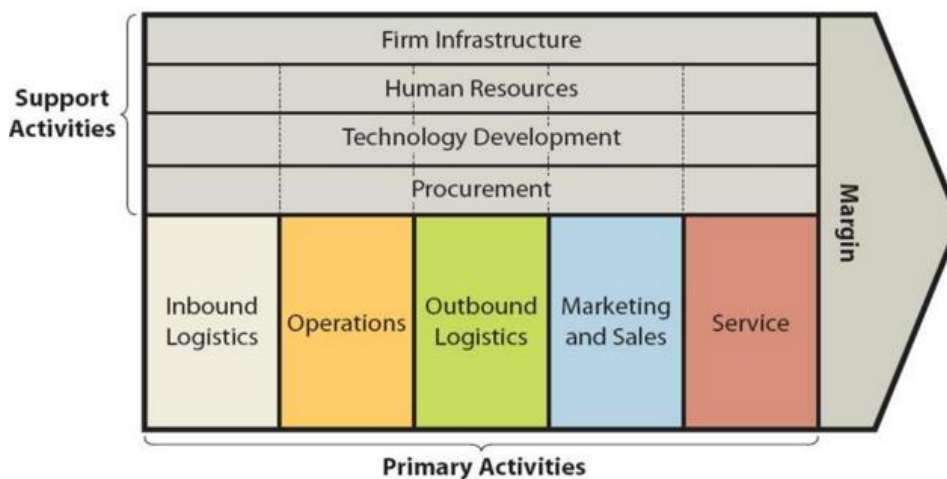


FIGURE 1. Activities in Value Chain (Research Methodology, 2017)

In the primary activities, Inbound Logistics refer to the process of receiving, storing, and utilizing raw materials for the necessary manufacturing in the company. The value can be added in this activity by improving the quality of raw materials as well as reducing the costs of storing and manufacturing. In contrast, the Outbound Logistics involve the delivery of finished products from warehouse to the retailers or wholesalers. The value in Outbound Logistic is determined by the time of distribution, the products' maintenance during the distribution, and the cost of the distributing method. (Harrison, 2017)

Operations relate to the processes of converting the raw materials into the final products. Value of the operating activity depends on the quality of the finished goods and the production's manner. The positive effects of operating activity are met when the final products are produced in the right and ethical manner and satisfy the promised standard. Marketing and sales provide the strategies to communicate the marketing message to the target customer segment. The suitable marketing approaches can help the company avoid costs and attract more potential customers. However, the values of marketing and sales activities heavily rely on the commitments. Those activities have to make sure the right manner of ap-

proaching and informing customers about products to build brand loyalty and trustworthy. Finally, service requires the after-sales support and follow up with customers. The post-sale services are highly important in the Porter's value chain since they directly affect the customers' relationship and brand name of the company. (Harrison, 2017)

The secondary or support activities happen outside the production circle. The infrastructure of a company comprises of the organizational finance, management, legislation, and culture. Without the proper infrastructure, it is difficult to monitor the main activities inside the company. Human Resource Management plays a vital role in creating the committed workforce to run the business. Technology development encourages the use of advanced technology in production and value creation. The advantage of modern technology in manufacturing enables the company to eliminate costs while enhancing the productivity. Procurement involves the purchasing process of raw materials, tools and equipment for production. The secondary activities are aimed at improving and complementing the primary activities, producing more value in the primary activities. (Ensign, 2001).

The value creation can be achieved through two channels. Firstly, cost advantage allows the company to reduce the possible costs of activities. As a consequence, the prices of final products can be lower than other competitors while the quality remains stable. Secondly, the differentiation in products' features can boost the sales and gain more market shares. The company can concentrate on the core activities where most of the values are produced. By investing on those specific activities, company can increase the quality and set higher prices for the finished goods. (Research Methodology, 2017)

In this research, the value chain analysis of Vinamilk mainly focuses on the Inbound and Outbound Logistics. These are two major activities contributing to the production costs of the company.

3 OVERVIEW OF THE DAIRY INDUSTRY IN VIETNAM

The Vietnamese dairy market is valued at 4.1 billion US dollars in 2016. With the advantages of golden demographic FIGURE and the gradual growth in the income of consumers, the Vietnamese dairy market is forecasted to increase rapidly over the next five years (EVBN Report, 2017). The vast of dairy market share in Vietnam is dominated by the main suppliers with less than ten organizations occupies over 85 % of the total product supply. However, the majority of raw materials, about 70 % in total amount, comes from importing activities. Because Vietnam does not have enough qualified raw milk providers to meet the market demand, the costs of the final dairy products are added up. The best-selling domestic dairy products in Vietnam are milk powder and liquid milk, which together made up to 66 % of the total dairy sales. (EVBN Report, 2017)

In the viewpoint of international investors, Vietnam has three attractive product lines in dairy market, including powdered milk, cheese, and fresh cream. Currently, the foreign manufacturers take over 65 % of the market share for powdered milk, compromising 50 % total sales value of this category. Especially for the cheese products, the import contributes to almost 90 % of the supply in the domestic market. Meanwhile, the local producers are only able to satisfy less than 15 % of the market demand for the fresh cream in the Vietnamese market. (EVBN Report, 2017)

EVBN Report (2017) estimated the Vietnamese dairy market to be doubled by 2020 since the Vietnamese population and GDP are forecasted to increase by five million and 15 %, respectively. Also, the consumers' buying behaviour can be shifted towards the preferences from traditional drinking milk to yogurt and cheese. Especially, the yogurt sector is project to have the fastest growth pace of 24 % over the next five years. This opportunity opens a new gate for the local manufacturers and encourage them to escape the heavy reliance on the imported raw milk and develop a closed business circle.

Businesses are constantly investing in the renovation of equipment to improve productivity and enhance quality to meet domestic demand. Many large enterprises like Vinamilk, TH True Milk and Nutrifood have set up large-scale milk processing plants. (Vietnamnews, 2017)

Coming to the social outcomes, the socio-economic situation of Vietnam has improved dramatically. There has been a tremendous fall in the proportion of people living in extreme poverty from more than 50 per cent in the early 1990s to 3 per cent today. With higher incomes, the Vietnamese population

also has now access to better education and health care services, leading to a higher life expectancy than most countries with a similar per capita income. The maternal mortality ratio and under five mortality rate has also dropped, close to the upper-middle-income country average. Access to basic infrastructure has also improved substantially. (World Bank, 2017)

3.1 Brief Overview of the Dairy Market in Vietnam

In Vietnam, the dairy industry is one of the fast growing and dynamic industries. Especially, according to the index from EVBN Report (2017), this business sector has faced the consistent and sustainable development over the recent decade. However, while Vietnam is an agricultural country originally, the milk cow raising is not the strong career, neither the familiar business. Most of the milk cow farming is happening in the small and medium scale. As the result, the productivity of domestic dairy production is low compared to the high cost of final goods. (Ken, 2016)

The reforms in Vietnamese economy with the privatization in the industry have boosted the development of the dairy sector (Ken, 2016). The government has implemented the National Dairy Development Plan to support the production of milk's products in the country. As a result, the production of milk from the dairy cattle herds increased from 12000 tonnes in 1990 to 215900 tonnes in 2006. Despite the dramatic growth in the domestic production capacity, the domestic demand cannot be met. It is estimated that only 22 % of the dairy market consumption is satisfied by the local farms. Especially, skim milk and milk powder are mainly imported from the foreign partners.

3.2 Potential for the development in dairy industry

The consumption of milk in Vietnam experienced the significant increase from 2004. In 2013, the total amount of milk supplied to the domestic market reached roughly two billion liters, almost quadruple compared to the amount used in 2004. Currently, Vietnamese drink on average 14.8 liters of milk annually while the amount in Thailand is around 23 liters. Although the dairy consumption in Vietnam is relatively lower than the international standard, the sales grow steadily of 15 % every year. (Dairy-vietnam, 2014).

The report Studying Vietnam's Dairy Sector 2015 highlights key dynamics of Vietnam's dairy sector. The growing opportunity in the sector has been investigated along with current market scenario has

also been examined. The report has profiles of key players in the market including Vinamilk, Nestle, Danone, Groupe Bel, Friesland Campina, Fonterra Co-operative Group Limited. The report contains latest industry leader's opinions. (BusinessWire, 2016).

Vietnam's dairy sector has immense potential for development and is currently being eyed by both local and foreign investors. Factors such as rising domestic demand, increasing affinity for Western cuisine, heavy investments and one of the lowest per capita milk consumption in the region are boosting the sector. The domestic milk production in Vietnam is not being able to keep up with the rising local demand. The milk production of 456.400 tonnes in 2013 was able to meet only 28 % of the domestic demand.

With low cattle numbers and domestic production, Vietnam is heavily reliant on milk imports. In 2013, milk and milk products imports were valued at USD 1.1 billion, a rise of 130 % compared to the previous year. This FIGURE is expected to reach USD 3.6 billion by 2045. Vietnam currently exports dairy products to more than 29 foreign markets. The sector is stepping up modernization of the dairy farms at a rapid rate and is planning to increase the number of milk cows to 240,000 by 2015. (Wood, 2015).

4 ANALYSIS OF VINAMILK LTD

There are many challenges of quality, foreign competitors, governmental policies, and cost issues, which affect the capability of growing in the dairy industry in Vietnam. This chapter will introduce the company' business in brief and the target customers of Vinamilk in this period.

There are two main issues mentioned in the empirical study, including: the analysis of Vinamilk's operating environment and the strategic development plan for Vinamilk in the next three years. The thesis firstly focusses on the overview and evaluation of Vietnamese dairy market. Based on the economic situation, culture, and buying trend, the research highlights the opportunities to develop for the dairy section in Vietnam. In the empirical study, the company's operating environment is analyzed based on the proposed theoretical framework. Under this heading, the main issues mentioned in the case company is the value chain of Vinamilk.

4.1 Company in brief

Vinamilk Ltd is the pioneer and leader in the organic market in Vietnam with USDA (U.S. Department of Agriculture) certified Vinamilk Organic Fresh Milk. The company overtakes the largest automated powdered milk factory in Vietnam with a capacity of 54,000 tons/year. Regarding the yogurt sector, Vinamilk is the biggest player, followed by Friesland Campina, and TH True Milk. Also in the market of drinking milk, Vinamilk holds almost half of the market shares. The company has plan to expand the production between 2010 and 2020 with the huge investment in the factory and manufacturing. Two of the most well-known brands from Vinamilk are “Longevity” condensed milk and Northern Star. (EVBN Report, 2017).

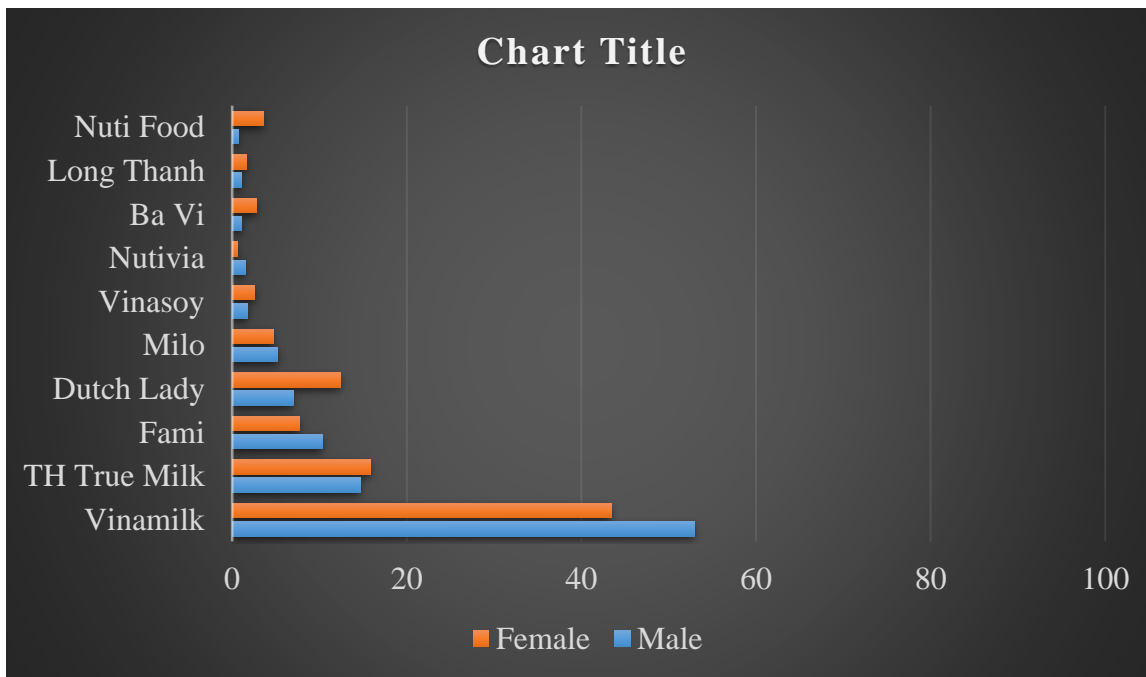


FIGURE 2. Top 10 dairy brands nominated by consumers in percentage (Q&Me Market Research, 2014)

According to the FIGURE 2 above, Vinamilk is the most preferred brand in Vietnam, followed by TH True Milk and Fami, all of which are local brands. Dutch Lady is the most popular foreign brand. Overall, among the top 10 brands, 8 belongs local companies, namely (Vinamilk, TH True Milk, Fami, Vinasoy, Ba Vi, Long Thanh, Nutifood). (Q&Me Market Research, 2014).

There are three common types of dairy firms in Vietnam, including:

- Dairy firms with their own large-scale farms and the closed production chains. Those firms are owning a well-developed circle from producing their own raw materials, to processing the final products, then market and distribute the finished goods to their end-users. TH True Milk is one of the player in this category.
- Dairy firms with the open production chains. Those firms normally purchase raw materials from other suppliers, for example, Long Thanh is one of the opening-production manufacturer.
- Dairy firms in the process of developing their own farms. This category is on the stage of building a closed production chain. Vinamilk belongs to this category, with investments and efforts, the company can be able to create its closed value chain to obtain higher profit and better Equality control. (EVBN Report, 2017)

4.2 The target group

The Asian continent, from India to Japan, accounts for half of the world's population. Within five years or less, more than half of these Asian households will be able to buy an array of consumer goods. As many as half a billion will become the middle class, representing the size of the US and Europe markets roughly combined. In the context of the region's rapid growth, companies that do not have at least a third of their revenues coming from Asia cannot hope to remain sustainable global players. Companies wanting to sell to Asia should not look at Asia city by city; they should look at Asia as market centers. In approach, they should not differ one from another. But selling to urban and rural within the ten-same country can be very different. (Naisbitt, 1997).

Although Vinamilk offers a wide product range, from for children to the elder generation, the group of under 14-year-old is considered as the target market for the company. At this moment, Vinamilk has strong position and distribution channels in all the big cities and urban areas. However, the brand awareness in the rural is relatively weak, therefore, this is one of the target group for Vinamilk in the future. (Vinamilk, 2016).

4.3 Dairy value chain of Vinamilk

Vinamilk is on the stage of building their own supply chain, from producing raw materials for manufacturing to distributing their products in the domestic market. At this stage, the resources for manufacturing at Vinamilk are partly from the local farmers (raw milk), partly from company's own farm, and the rest (milk powder) is imported from the foreign suppliers.

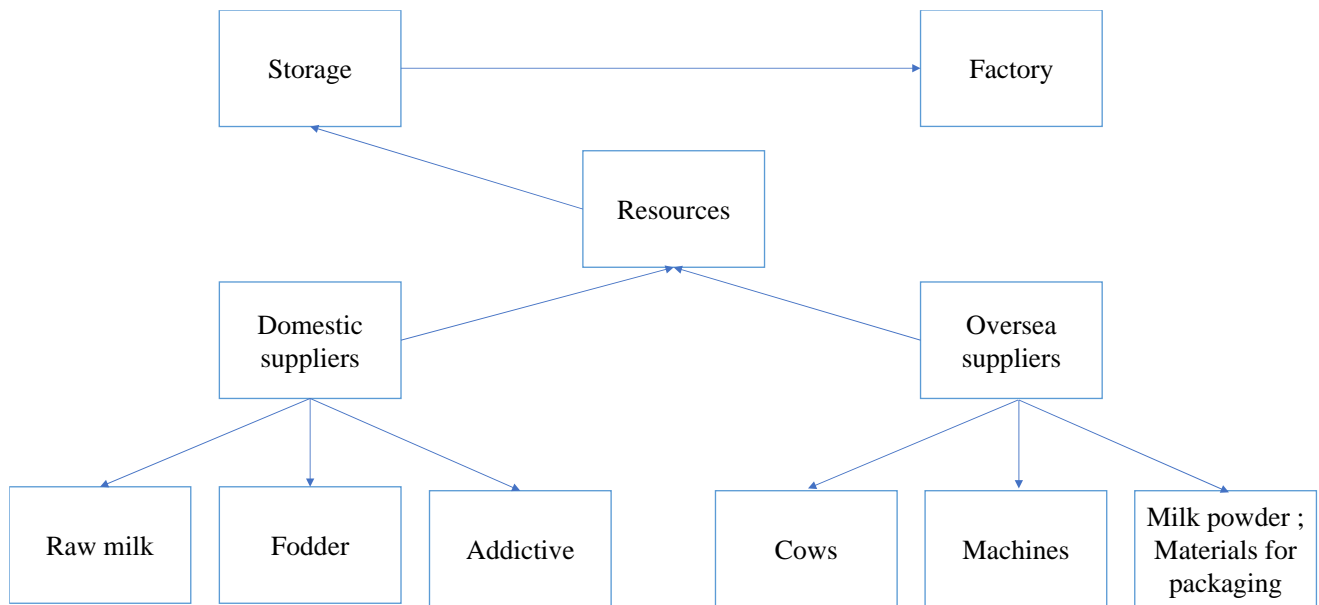


FIGURE 3. Vinamilk's Inbound Logistics

In FIGURE 3, the sources for raw milk comes from the individual farmers and Vinamilk's farms. Currently, Vinamilk owns 10 dairy farms over the country and 13 factories located mainly in the central and South of Vietnam (Vinamilk, 2016).

After collecting raw milk from the own farms and other individual farmers, Vinamilk use the chill tankers to transport milk to the storage with monitored temperature under 6°C . The advanced technology used in the manufacturing process is imported from Germany, Italy, and Switzerland. Besides, the automated packaging stage employs the technologies of Tetrapak, Bencopack, and SIG Combibloc to ensure the products' safety and producing speed. In order to minimize the spoilage loss in the distribution, Vinamilk enables ERP technology in the inventory management and robotic shipping method. It is clear that in the Inbound Logistics, right after the collection of raw milk, Vinamilk digitalizes all other steps to reduce costs and enhance the productivity. Therefore, the author concentrates on the first step in this chain: raw milk collection from individual farmers. According to Vinamilk, more than 50 % of the raw milk was collected from the households in 2015 (Vietnam Investment Review, 2015). However, the small dairy herds in Vietnam, due to the lack of technology and advanced knowledge, have low productivity and milk quality. The outputs are usually inconsistent and they do not have enough facilities to maintain the raw milk before selling to the manufacturers. Furthermore, the small-size farming method heavily depends on the margin costs and the spread of animal diseases (Luc,

2015). In 2016, the price for raw milk collected in Vietnam was around 0,54-0,63 US dollar per kilogram, almost doubled the imported milk from US, Australia, and other European countries. Therefore, the foreign brands have big advantage in case of costs and productivity compared to the local suppliers.

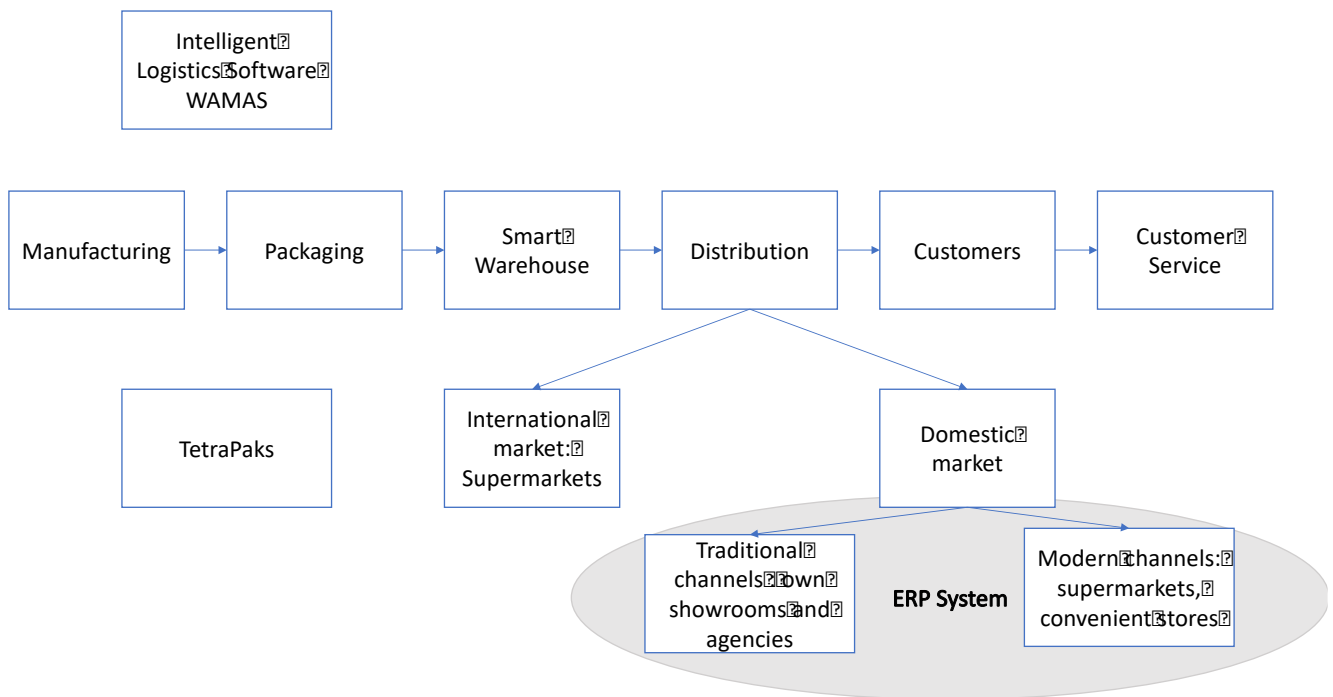


FIGURE 4. Vinamilk's Outbound Logistics (Adapted from SSI-SCHAEFER, 2014)

FIGURE 4 points out the Outbound Logistics chain of Vinamilk, which shows the high technologies used in the supply chain system of this company at this moment. Vinamilk employs the most advanced solution from TetraPak to fully automate the production in its biggest factory in Binh Duong province. By taking advantages of the most efficient machines and equipment, the production planning results in maximum utilisation of raw material, low losses and low utility consumption and, consequently, low environmental impact (TetraPak, 2016).

Regarding the domestic market- the central of this paper work, Vinamilk applies two different distribution channels, including: the traditional showrooms and agencies, and modern selling points through the supermarkets and convenient stores. Vinamilk achieves 80 % of the sales from the traditional channels with the main agencies in every city and about 14 showrooms in the big cities of Vietnam

(Vinamilk, 2016). The main distribution through the agencies allows Vinamilk to be active in apply the advanced technologies in inventory management and data collection. Also, the company rewards the best-selling agencies with high compensation, which promotes the customer services and work commitment from its agencies. This strategy also encourages more retailers to join Vinamilk's distribution channels.

However, the disadvantages in the domestic distribution of Vinamilk also come from the huge traditional channels. The number of small-size retailers and agencies reduce the effectiveness of quality management. Storing dairy products requires the strict comply of temperature, which is hard to be followed by all the individual retailers in Vietnam. Also, the fake products can be easily mixed with the authentic products, causing the brand's distrust. Therefore, one important issue in the strategic plan for Vinamilk in the next three years is to increase the brand's awareness for consumers as well as improving the mutual interaction between the company and its' traditional distributors.

5 STRATEGIC DEVELOPMENT PLAN FOR VINAMILK

The strategic plan is made based on the analysis of the dairy industry in Vietnam as well as the internal competitive advantages of Vinamilk.

5.1 The business environment of Vinamilk

Regarding the industrial condition, Vinamilk Ltd has faced a great opportunity of development and expand. As the thesis has analysed above, the domestic manufacturers in Vietnam cannot reach the increasing demand of the local customers. In the period between 2001 and 2014, although the production of dairy products in Vietnam experienced a rise of 26.6 % annually, this FIGURE only contributed to about 28 % of the domestic demand on average. (InvestVietnam, 2017)

In Vietnam, liquid milk and milk powder are the most common product lines among other dairy products. The revenue from those two categories normally make up to three quarters of the total sales in the domestic market. While the liquid milk from the local brands are familiar with the Vietnamese customers, the foreign brands such as Abbott, Frieslandseems Campia, and Mead Johnson seem to be more preferable by the users. Those foreign suppliers hold more than 50 % of the powdered milk market shares in Vietnam. (InvestVietnam, 2017)

Regarding the internal condition, Vinamilk achieved a benchmark in the production chain. The company has involved an outstanding advance in the dairy cow farming technology. It was the first time Vinamilk successfully operated the organic dairy cow farming method (Annual Report, 2016). The implementation of strict technical standard in farming and breeding according to European and US requirements helps Vinamilk approach closer to both international and domestic customers.

Regarding the competitive condition, as the aforementioned in chapter 4, the domestic production of dairy products is quite modest compared to the local national demand and developing potential of the market in Vietnam. Because of the economic integration to the international market, Vietnam opens gates for the oversea investors and milk producers, which contribute to the competition in the Vietnamese dairy market. Although the accession to World Trade Organization (WTO) in 2006 enables the local dairy suppliers to export their products, the domestic market also increases in the intense of competition. The Vietnamese dairy firms have to compete with the big producers such as Abbott or Dutch

Lady. Especially, due to the commitment with WTO, Vietnam has reduced the import tax for the foreign brands, which also leads to the higher pressure for competition in the dairy market. Besides, as an effect of Asian behaviours, the foreign-oriented psychology negatively impacts on the consumption of the local brands. (InvestVietnam, 2017)

The dairy market size in Vietnam also grows significantly, indicating the increase in the competition in this industry sector. Compared to more than 80 dairies suppliers and distributors in 2016, there was only 39 firms in 2005. The main competing part in this sector is about the raw materials, which heavily affect the costs and quality of the finished goods. (InvestVietnam, 2017).

5.2 Vision and Mission for Strategic Planning

The strategic plan is built based on the stated vision and mission from Vinamilk. The company set the vision to become an international brand in food and beverage industry. Vinamilk wants to achieve the trustworthy manufacturer and supplier of Vietnam's dairy products, which can meet the international requirements of health and nutrition. Still, it is a minor player when compared to global giants. According to a 2013 survey by Rabobank, a Dutch financial institution, Switzerland's Nestle was the biggest dairy company in the world, with \$28.3 billion in sales, 17 times greater than Vinamilk's. At \$7.4 billion, sales by Japan's Meiji were 4.4 times higher. (Nikkei Asian Review, 2015)

Vinamilk is looking to change this. It aims to lift its sales to \$3 billion by 2017 and join the ranks of the world's 50 biggest dairy companies. Because achieving this goal this will require breaking into the global market, the company decided to apply for GlobalGAP certification for livestock. GlobalGAP is an international organization that sets voluntary standards for agriculture safety and sustainability. (Nikkei Asian Review, 2015).

In this thesis, the strategic plan for Vinamilk in the next three years aims at stabilizing and improving the position of Vinamilk in the domestic market. To be clear, the plan focuses on designing the course of actions to: encourage the dairy consumption of Vinamilk's products, enhance cost efficiency to provide affordable prices to the society, and raise societal awareness of using milk in daily routine.

The mission of Vinamilk is to provide the society with the most valuable nutrient products. The sustainable growth and corporate responsibility in production are also the core values of Vinamilk's mission. (Vinamilk, 2013)

5.3 STEEP and SWOT Analysis

Under this heading, the STEEP and SWOT analysis of Vinamilk will be presented in detail.

5.3.1 STEEP Analysis

Political factor: Vietnam's political system also has critical impact on Vinamilk. In 1995 and 2007, Vietnam became a member of ASEAN and WTO. In July 2010, Vietnamese Ministry of Health approved a regulation that requires milk products – especially those for children – to meet certain quality standards. At the same time, the government allowed development budget of 2,000,000,000 VND with expiration date in 2020 for the dairy industry, and lowered tax rate for dairy products. In 2012, policy-makers also approved initiatives to increase Vietnam's average height (Vietnam Government Portal). Notably, the government has also supported Vinamilk directly. Politicians have approved Vinamilk's Dairy Processing Plant construction project in Cambodia (Astley, Dairy Reporter 2014), and governmental bodies including National Fund for Children of Vietnam, Ministry of Education and Training, National Institute of Nutrition... have been partnering with the company to implement social programs (Vinamilk 2014).

Recent political changes have created critical challenges for Vinamilk. Vietnam's membership of world organizations and lifted tax rate on foreign dairy products have created conditions for foreign dairy brands to enter Vietnam's market. As a result, Vinamilk will face even more severe competition and may lose its market share to global brands. However, as Vietnam became a member of WTO and ASEAN, Vinamilk can construct processing factories in neighbouring countries, and thus reducing production cost. The government's propaganda to increase average national height leads to the growing perspective "Vietnamese use Vietnamese products" (Sacombank 2012). This is a favourable condition for domestic businesses such as Vinamilk to compete against foreign brands. To Vinamilk, it is also an opportunity to partner with government bodies to implement corporate social responsibility campaigns and reinforce its brand image as a responsible entity. It can be said that governmental sup-

port has facilitated many Vinamilk's projects, including both business-related and community-related ones.

Viet Nam is Socialist Republic with single State and Vietnamese politics is under communist system. Besides, Viet Nam is considered as the country has the most stable political, and that is competitive advantage to attract many foreign investments. Therefore, Vinamilk Corporation can feel secure in running business in Vietnam as well as launching and develop its brands and products.

Economic factor: Vietnam has enjoyed strong economic growth. Since 1990, Vietnam's GDP per capita growth has been among the fastest in the world, averaging 6.4 % a year in the 2000s. Despite uncertainties in the global environment, Vietnam's economy remains resilient. The country's medium-term outlook remains favorable, with GDP expanding by 6 % in 2016, while the country's fundamental drivers of growth – resilient domestic demand and export-oriented manufacturing – remain in force. (World Bank 2017)

Healthy market, higher income and stronger consumption confidence lead to significant changes in consumption trends. According to Nielsen (2013), customers nowadays are deeply concerned about health and inclined to purchase health products. Statistically, when it comes to health products, 32 % tend to purchase milk (Nielsen 2013). However, Vinamilk should put into consideration the fact that during this stage of The Great Recession, consumers also pay critical attention to price (Nielsen 2013).

Environmental factor: because of the fast-growing economy, population, and urbanization, Vietnam has experienced the significant environmental issues. In 2006, the pollution level in Vietnam became a big concern due to the solid waste, water and air pollution. According to Ministry of Natural Resources and Environment of Vietnam, those problems tend to be more serious due to the shortage of governmental resources and assistance (GlobalSecurity, 2016). The water and pollution problems may heavily affect the farming and value chain of Vinamilk negatively.

Social factor: Vietnam is characterized as a young demographic with around 54% of the total population under 30 years old, and 24 % is children under 15 (CIA 2015). This is the important group for Vinamilk's products, since the company focuses on the young generation. The country is in the urbanization stage, with the growth rate of 2.95 % per year. However, this growth rate is still relatively low compared to the world's percentage of 54 % (CIA 2015). Taking advantage of this growth rate, Vina-

milk can invest more in the rural areas, which have great opportunity to develop both economically and demographically in the near future.

Technological factor: In this market, technology plays an essential role to gain competitive advantage and reduce many expenses. The company can use latest technology to increase productivity. Besides, the firm can juice fruit faster and easier. Vinamilk owns production technology of global standards. Its sterilizing equipment was imported from Sweden; all other machines originate from European countries (Vinamilk 2014). International standards ISO 50001: 2011 and HACCP are applied to control the production system (Vinamilk 2014). In 2014, a further of 27 transfer stations were upgraded to international standards, raising the number of globally standardized stations to 45 (Vinamilk 2014). With modern, globally standardized production system, Vinamilk has been able to offer consumers products of international quality. Increasing production capacity allows the company to expand its business; this could explain why Vinamilk is expecting a growth in sales in the short term (Vinamilk 2014).

5.3.2 SWOT Analysis

Strengths: Vinamilk actually has obtained the leading position of dairy market in Vietnam with a market share up to 75 per cent, as well as high economies of scale. Undoubtedly, it is the most familiar and trusted brand to consumers; hence, the company has succeeded in marketing to increase brand awareness towards consumers that they voted Vinamilk for top Vietnamese high-quality products in successive years. (EVBN, 2016). Moreover, an extensive distribution network locates nationwide and keeps expanding over time allow Vinamilk to deliver its core products to consumers in a fast pace and effective way (TetraPak, 2016). The product range is researched and developed continuously which satisfy all demands from customers. Another important point contributes to Vinamilk's strength is that its range of modern factories among the country helps to reduce the transportation expenses and machinery, equipment system is improved as well as expanded annually which ensure its products to meet the international standards for export (TetraPak, 2016). In addition, the loyal and cooperative relationships with both local and oversea suppliers allow Vinamilk to maintain the material sources stably at a reasonable price. Lastly, the company owns an experienced management team, and a transparent internal management system. A strong spirit of self-renovation for improvement of operation quality is absolutely penetrated from managers to employees. (Vinamilk, 2016).

Weaknesses: Affected by the global economic crisis, and the high inflation rate in Vietnam, profits and sales revenue of the company decreased recently (PWC, 2016). Furthermore, most of raw materials for manufacturing are imported; thus, the fluctuation of exchange rate affects the material-buying price. (PWC, 2016). Exporting market includes countries in Asia, especially South-East Asia. Therefore, it is still a long way to penetrate the EU or the USA market

Opportunities: Becoming a full member of WTO, Vietnam dairy industry, particularly Vinamilk, will have opportunities to broaden the market, cooperate, and share experience with various partners. Recognizing the significance of dairy industry, in 2005, Ministry of Industry issued the decision 22/2005/QD-BCN to approve the development plan for Vietnam Dairy industry, period from 2010-2020. (Vinamilk, 2008). The government action assists to maintain the stability of raw material in coming years, thus Vinamilk could gradually reduce the proportion of imported material, and contribute to promote the domestic industry support. Currently, the company has invested 11 billion VND to build 69 tanks and milk processing factories. (Vinamilk annual report, 2014).

Threats: Global and domestic economic situation face many challenges such as the inflation, crisis which threatens all Vietnamese enterprise. In addition, once Vietnam becomes an official member of WTO, foreign companies will penetrate into the domestic market and compete with the local ones that will increase the competitiveness. (VOV Vietnam, 2010).

5.4 Designing the actions

The course of actions designed for Vinamilk Ltd in the next three years is heading towards the goals of company mentioned in the previous chapter, including:

- Encourage the brand's recognition
- Enhance cost efficiency to provide affordable prices to the society
- Raise societal awareness of using milk in daily routine

5.4.1 Brand's recognition

To increase the sales in the domestic market, initially, Vinamilk has to raise the demand for its products among the target customers. There are two main approaches Vinamilk can employ to reach the society. Firstly, through the marketing activities, Vinamilk may position the company's dairy products in front of other competitors. Secondly, through the corporate social responsibility to increase the brand's preferences among the consumers.

Vinamilk announced its Corporate Social Responsibility Policy in 2013. Through this policy, Vinamilk has proposed its commitments of responsibility to stakeholders in relation to five issues that are indicated in the company's sustainable development orientation. (Vinamilk, 2013). The company has followed five commitments with the stakeholders, including:

- Environment and energy
- Responsibility for products
- Responsibility for employees
- Local economic development
- Community development support

In the upcoming period, while continuing the other commitments, Vinamilk should focus on community development support and local economic development. These are the two most vocal activities to the society. People can easily recognize the company's brand name through the public activities the company attends. Also, supporting the growth of the local market not only brings good reputation for Vinamilk, but also strengthen the connection between the company and its' end-users. Vinamilk has started the program called "Stand tall Vietnam" since 2014, aiming at providing free use of milk for children from families of war invalids and martyrs. This is one of the most-welcomed programs from the community. However, from the analysed social factors, apart from the charitable activities for children, Vinamilk should invest more in the activities for the young generation with more entertaining factors. (Vinamilk annual report, 2014).

To achieve the brand's recognition, apart from participating in the community's activities, the recognition from the employees and stakeholders is also very important in delivering the company's image. Because staff is the direct witnesses of the company's operation, Vinamilk's development should al-

ways consider and evaluate the positive and negative feedback from all the involved parties in the business operation.

Taking advantages of the advanced solution from the value chain, Vinamilk can publish and focus more on the imported technique in the social medias. In the Asian consumers' perception, the implementation of the most advanced solutions from abroad can help Vinamilk gain more trust and confidence from the consumers.

5.4.2 Cost efficiency to provide affordable prices to the society

According to the analysis, raw material is one of the main issue for Vinamilk to reduce the costs of production. While the dairy market in Vietnam used to be dominated by only two brands Vinamilk and Friesland Campina, the participation of TH True Milk and Nutifood recently has changed the density of competition in this market. Also, the penetration of other international brands due to the deduction on import tax also increase the intensive rivalry in Vietnamese dairy market. To lower the costs of distribution, Vinamilk has opened a wide network of more than 220,000 outlets over the country while cooperating with all the supermarkets and convenient shops. (Tuoi Tre News, 2017). However, this strategy cannot help with the input costs. Instead, Vinamilk has to continue expanding its own farming system in the upcoming period to lower the effect of suppliers. In the meantime of building the complete supply chain circle, Vinamilk can improve the quality of raw milk from the individual herds by providing the education program. Company can offer the lessons with experts on farming and feeding cows for the local farmers. This action can bring the win-win situation when Vinamilk can collect better milk quality, and the farmers improve their living standard with better farming technique.

5.4.3 Societal awareness of using milk in daily routine

The products only get sold when the demand exists. Therefore, to gain more market share domestically, firstly, Vinamilk need to join the media and create the need for dairy products among the society. There are many methods for the company to accomplish this mission, for example, through published science research about health and fitness, television cooking programs using dairy products, or more traditional, through the conferences and speeches.

5.5 Delivery of Strategic Plan

Before the implementation of the strategic plan, Vinamilk has to ensure all the involved parties in the business operation fully understand the purposes and acknowledge the needed actions in the plan. The publication of accurate information is critical to inform the plan adequately, timely, openly and transparently to the investors, stakeholders, and workers of Vinamilk.

Outside the organization, the company should arrange the direct meetings and consulting with the suppliers and main distributors in the value chain. The meetings must focus on evaluating suppliers and monitoring the supply process to collect feedback from the partners and acknowledge them of the company's new strategies.

In addition, Vinamilk can organize the regular checking sessions to connect all the departments inside the company to support and resolve the difficulties at work.

TABLE 1. Summary of main actions in the strategic plan

Party	Concerns	Vinamilk's actions
Societal recognition	<ul style="list-style-type: none"> • Contribution to the community • Supporting basic living conditions for local people 	<ul style="list-style-type: none"> • Contributed to the community by providing the charitable programs, such as Stand Tall Vietnam Milk Fund (Vinamilk annual report, 2014)
Societal affordability	<ul style="list-style-type: none"> • Reduce cost of production • Offer preferable price for all classes of society 	<ul style="list-style-type: none"> • Created large and stable demand for suppliers and farmer households, purchased at reasonable prices • Develop the self-supply chain • Optimize the distribution cost (Vinamilk, 2016)
Individual	<ul style="list-style-type: none"> • Improve raw milk quality and products' storage 	<ul style="list-style-type: none"> • Periodically open the training courses for breeding technique for

farmers	<p>quality</p> <ul style="list-style-type: none"> • Increase the productivity 	<p>farmers.</p> <ul style="list-style-type: none"> • Ensure stable quality, reduce waste by supporting households with facilities and information (Vinamilk, 2016)
Traditional distributors	<ul style="list-style-type: none"> • Improve products' maintenance • Ensure the authentication of products 	<ul style="list-style-type: none"> • Periodically open the training courses for customer service and food safety for the agencies. • Regular check on the distributors (Vinamilk, 2014)
Stakeholders	<ul style="list-style-type: none"> • Effective use of investment capital • Transparency 	<ul style="list-style-type: none"> • Published information accurately, comprehensively, and transparently

6 CONCLUSION

The dairy business in Vietnam can get profits by the statistic and the growing GDP in the current period. As indicated by Vietnam Dairy Association, Vietnam dairy advertise was experiencing a rapid increase in size and revenue. In the period 2011-2015, the normal development rate of Vietnam dairy industry was around 17 %. It is figure that the dairy business of Vietnam will develop by 9 % annually, or 27 to 28 litter per capita by 2020. In 2015, add up to income of Vietnams dairy industry came to about VND 92.000 billion, an ascent by 22.7 in examination with 2014. In 2016, add up to income of Vietnam, dairy industry came to over 95.000 billion VND. Specifically, income of Vinamilk the biggest dairy undertaking in Vietnam achieved VND 42,600 billion, equal to USD 2 billion. (vietnews.net, 2016). The potential of dairy industry in Vietnam is also based on the fact that the Vietnamese residents are consuming a much lower amount of milk compared to other countries. This is an opportunity for milk producers to open their market from the cities to the countryside. Along with that, the awareness of using dairy products is raising within the Vietnamese community, pushing the ability to achieve higher sales and market shares.

The working paper applying the strategic planning method has contributed to analyzing the questions about the potential of Vietnamese dairy market. At the same time, the thesis creates a deep analysis of Vinamilk Ltd– the biggest domestic player in the dairy market. The main findings in this thesis are the

detailed actions for Vinamilk in the next three years to stabilize the position and increase sales in the domestic market.

One of the noticeable findings in the research is the value chain of Vinamilk. In order to increase the quality from input sources, Vinamilk needs to provide the supporting systems for the individual herds, transfer the technical training and equip them with updated information. Besides, in the Outbound Logistics, it is crucial to focus more on the traditional distribution channels, especially the retailers. Because the retailers directly interact with the end-users of company's products, Vinamilk should consider each retailer as a representative for the brand. Therefore, the training sessions for the retailers need to be offered, as well as the regular monitor is required to maintain the products' maintenance.

It is obvious that there are many barriers for Vinamilk to dominate the domestic market. Two main reasons come from the buyers' perspective of highly evaluating foreign brand, and the semi-closed supply chain of Vinamilk. For the former reason, while the company needs to improve the products' quality, enhancing brand's recognition is necessary. Vinamilk should continue the social contribution and comply with the proposed corporate sustainable responsibility.

Developing a full value chain from input to output will take Vinamilk more than a three-year period to achieve that goal. When remaining the long-term intention to build a closed production circle in the future, in the next three years, Vinamilk should focus on the strategic plan to assure the sustainable development.

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