The success of applying marketing mix 4Ps in Vietnamese dairy industry

Vinamilk – a typical case

Truc Dang
## Abstract:
This thesis focuses on what Vinamilk has done and achieved by applying the concept of marketing mix 4Ps to become the biggest milk enterprise in Vietnamese dairy market at present. The literature is aggregated from textbooks, e-books, journals, and varieties of economics online webpages relating to the contents of the marketing mix 4Ps: product, price, place, and promotion. The secondary data of this thesis is mainly collected from online newspaper articles, as well as the Annual Report 2012 and 2013 of Vinamilk. Besides, a survey was conducted to gather the opinions of Vietnamese consumers towards Vinamilk in the marketing mix 4Ps perspective. The combinations of theoretical contents and the practical information showed that, by applying the marketing mix 4Ps in proper ways, Vinamilk has gained many achievements that cannot be done easily by any dairy producers in Vietnam. Vinamilk is leading the market share of Vietnam’s dairy in liquid milk, yoghurt, and sweetened condensed milk products, owning the most modern chains of factories and farms in Vietnam. Moreover, the product prices of Vinamilk are set at competitive levels, and accepted as “suitable” with purchasing ability of Vietnamese consumers. Vinamilk owns the largest distribution channels nationwide and being the pioneer of its industry in applying the online sales management system. Furthermore, Vinamilk has highly invested for its advertisements and accompanied with many social and government organizations to implement meaningful activities to community. Nevertheless, besides the achieved advantages, there are still obstacles that Vinamilk has to deal with and overcome. Lastly, an in-depth interview with Vinamilk is recommended for later research with similar topic in order to supplement and complete the issues from the Company’s insights perspective, which have not been accessed and discussed in this paper.

## Keywords:
- marketing
- marketing mix
- 4Ps
- product
- price
- place
- promotion
- Vietnam
- dairy industry
- milk
- Vinamilk

## Number of pages:
69

## Language:
English

## Date of acceptance:
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GLOSSARY

**Green marketing** - The efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns (environments definition, American Marketing Association, n.d.)

**World Federation of Direct Selling Associations (WFDSA)** - A not-for-profit federation of national direct selling trade associations from 52 countries and one regional federation representing European associations (WFDSA, n.d.).

**Intensive distribution** - Stocking the product in as many as outlets as possible (Kotler and Armstrong, 2014, p.373).

**Exclusive distribution** - Giving a limited number of dealers the exclusive right to distribute the company’s product in their territories (Kotler and Armstrong, 2014, p.373).

**Selective distribution** - The use of more than one but fewer than all of the intermediaries who are willing to carry the company’s products (Kotler and Armstrong, 2014, p.373).

**Integrated marketing communication (IMC)** - A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines (The American Association of Advertising Agencies, cited in Kotler, 2000, p.280).

**Google Docs** - A web-based document management application for creating and editing private and public, word processing and spreadsheet documents (Techopedia, n.d.).

**SPSS Statistics** - A software for managing data and calculating a wide variety of statistics (SSCC, 2011).
FOREWORD

I would like to express deeply my gratitude to my parents and my brother, for their endless love and great supports, not only to my study path, but as well to every step of my life.

My special appreciation goes to Mr. Sveinn Eldon, for his enthusiasm and helpful guidance with my thesis.

Lastly, I thank you, my cousin Tri Lam and all my close friends, for their concerns, encouragements, and helpful recommendations for me.

Helsinki, 2014
1 INTRODUCTION

1.1 Background information

Marketing is one of the most long-life and important parts of business world. A proper marketing strategy holds a crucial position in the success of any companies. Within many marketing strategies for the companies to choose, marketing mix 4Ps is a well-known marketing strategy that is applied widely by many firms.

The activities of production and consumption of dairy products in Vietnam have begun and developed only from the end of the eighteenth century. However, there have been significant growths on both supply and demand side in Vietnamese dairy market in recent years. An instance is the leading of dairy industry in the food and beverage industry in Vietnam, and several statistics have also showed that the consumption regarding dairy products of Vietnamese had increased to 18 liter/person/year in 2013 (Nguyen, 2014). In that circumstance, Vinamilk - a Vietnamese milk corporation - has made proper decisions on orientation to become the current biggest milk enterprise in Vietnamese dairy industry.

In that sense, the author was inspired and motivated to conduct a research combining theoretical contents and practical issues above. Concurrently, Vinamilk was taken as the typical successful case among dairy manufacturers in Vietnam.

1.2 Aim of research and research questions

The aim of this thesis is to present the information and knowledge, which the author has obtained and conducted about the marketing mix 4Ps and also, its effects to the success of Vinamilk. In detail, the results that have been achieved by Vinamilk after applying the concepts of marketing mix 4Ps in the Vietnamese market will be collected as demonstrations. Moreover, consumers’ opinions towards Vinamilk in the scope of marketing mix 4Ps’ contents will be conducted in order to supplement for the
Company’s success. Besides, the obstacles that Vinamilk has to solve and overcome concerning this field will be mentioned as well.

The main research question and the subordinate research questions are formed based on the reasons presented above. The main research question is: “How successful Vinamilk is by applying the marketing mix 4Ps?”

In order to support and supplement the answer for the main research question, the subordinate research questions are:

- What did Vinamilk achieve after applying the marketing mix 4Ps?
- What are the obstacles that Vinamilk has to solve and overcome?
- What were consumers’ opinions towards Vinamilk in marketing mix 4Ps perspective?

2 LITERATURE REVIEW

2.1 Marketing in general

Nowadays, marketing is mentioned as one of the crucial elements in the success of an organization. More than just selling and advertising, which people usually think of, marketing of today must be understood in the new sense of satisfying customer needs (Kotler and Armstrong, 2014). There are many ways that marketing is defined. Here are several definitions of marketing which are agreed to be adequate, and approved by most of marketing experts:

Marketing is the process by which companies create value for customers and build strong customer relationship in order to capture value from customers in return (Kotler and Armstrong, 2014, p.27).

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, approved July 2013).

Marketing is the management process responsible for identifying, anticipating, and satisfying customer requirements profitably (The Chartered Institute of Marketing, 2009).

Marketing can be understood as the process that companies determine their customers’ requirements (needs and wants), satisfy those requirements, and finally obtain the profit.
Marketing has a strong connection to an organization since it covers most of the outward activities of the organization. Hence, in order to obtain success, organizations should always consider the marketing as an essential part of the operation.

**Marketing strategy and the marketing mix**

Within any company, setting a good marketing strategy plays an important role in the general marketing activities. Identifying a proper marketing strategy will effectively create customer value as well as achieve profitable customer relationships. So, how can the company obtain these goals?

When the companies take adventures in business, after defining the customers’ needs and wants at first, they decide the marketing offering, then segment and target the market that they plan to serve. In fact, the companies are not able to serve and satisfy all customers in the same way. For that reason, the market is divided into smaller parts, which include consumers who respond in a similar way to a given set of marketing efforts. The companies evaluate the potential of these parts and select one or more to engage. By segmenting and targeting the market, the needs and wants of targeted customers will be served easier and better. (Kotler and Armstrong, 2014)

Next, the companies have to determine where their position is and how they differentiate themselves from their rivals in the market. When all steps above are completed, it means the company’s overall marketing strategy is determined. Under the guidance of marketing strategy, the companies start to plan the marketing mix specifically. To achieve the company’s goals, the marketing mix elements are blended into an integrated marketing program. (Kotler and Armstrong, 2014)

Briefly, marketing mix is the set of marketing tools that being used to implement marketing strategy of a company. Moreover, marketing mix elements are the core in integrated marketing program, which transforms marketing strategy into action to build customer relationships. As a result, marketing mix is the key to answer the question: “How can a company create customer value and achieve profitable customer relationships?”
2.2 Marketing mix

Kotler and Armstrong (2014) claimed that marketing is considered as one of the major concepts in modern marketing. They also defined marketing mix as: “…the set of tactical marketing tools that the firm blends to produce the response it wants in the target market” (Kotler and Armstrong, 2014, p.76). In addition, Singh (2012) also agreed that the marketing mix is a set of controllable variables that the company can use to influence the buyers’ responses. In other words, marketing mix helps the firms going through a variety of obstacles in the market to make proper decisions in influencing customer’s demands for the firm’s products.

From historical perspective, Goi (2009) mentioned in his research that there were different researchers had suggested the elements of the original marketing mix in the early 1960s. The term “marketing mix” was first coined in the article “The concept of marketing mix” by Borden, N. H., in 1964 (Marketing91, n.d.). In Borden’s original marketing mix, there were 12 elements namely: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. McCarthy, the former marketing professor at the University of Michigan, had chosen the original marketing mix idea of Borden to refine further and finally, grouped the previous 12 elements into four main elements: product, price, place, and promotion, called the 4Ps (Rafiq and Ahmed, 1995).

Figure 1. The Four Ps of the Marketing Mix (Kotler and Armstrong, 2014, p.76)
Marketing mix has become dominant in appraising the growth of marketing theory and practice. Due to the developments and changes in the commercial landscape over the last few decades, many marketing thinkers have explored new theoretical approaches and have expanded the scope of marketing mix concept. Beside the traditional 4Ps, there have been more new P’s introduced into the marketing field to help the firms gain advantages in highly competitive environment. (Goi, 2009)

In reality, there will be differences when using marketing mix in each particular firm due to the resources, market conditions, and changing needs of customers of that firm. Hence, at any point in time, the roles and the importance of some elements within the marketing mix will be varied. Consequently, the impact of one element on others of marketing mix needs to be carefully considered when making decisions.

2.3 Product

Product is the first and also the key element in market offering, specifically, in marketing mix. Kotler and Armstrong (2014, p.248) defined product as: “…anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need”.

Basically, products include tangible objects such as cars, bottles of shampoo, lipstick, mobile phones, or the others with the same tangible attributes. Services, events, persons, places, organizations, ideas, or a mixture of these things are also included in products. Among the forms of product, services are considered more special to pay attention to because of its importance in the world economy. Services consist of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything.

There are three levels in making decisions for any products or services. They are individual product decisions, product line decisions, and product mix decisions. (Kotler and Armstrong, 2014)
2.3.1 Individual product decisions

Product quality

According to Perreault and McCarthy (2002), a product’s ability to satisfy a customer’s needs or requirements is called product quality. Since product or service performance is affected by product quality, so are the customer value and satisfaction. There are two dimensions within the product quality concept: level and consistency. It means the companies should choose an appropriate quality level to match target market needs and quality levels of competing products. Besides, the targeted level of performance should also be delivered accurately and consistently (Kotler and Armstrong, 2014).

Branding

A brand is a name, term, sign, symbol, or design, or a combination of these factors, which identifies the maker or seller of a product or service (Kotler and Armstrong, 2014). Specifically, the use of brand names, trademarks, and practically all other means of product identification are also considered branding (Perreault and McCarthy, 2002).

Nowadays, it seem like there is no product going to markets without brands. Choosing brand for a product has an important meaning for the success of developing new products. Branding helps both consumers and sellers in many ways. Based on brand names, consumers will be able to easily identify and shop for products that might benefit them. Moreover, brand names and trademarks in branding protect the sellers in legal perspective to avoid copying from competitors. In some cases, the sellers can also segment their markets relying on branding. (Kotler and Armstrong, 2014)

In fact, it is not easy to build and manage brands efficiently. There are several characteristics of a good brand name that should be taken into account when branding. Perreault and McCarthy (2002) suggested the typical characteristics of a good brand name as: short and simple; easy to spell, read, and pronounce; can be pronounce in only one way and in all language; suggestive of product benefits; adaptable to packaging/labeling needs and to any advertising medium; no undesirable imagery; and legally available for use (not in use by another firm).
Packaging and Labeling

Designing and producing the container or wrapper for a product are the activities of packaging. In marketing, packaging is not just simply holding and protecting the products, it also means attracting buyers and creating immediate consumer recognition of a brand (Kotler and Armstrong, 2014). In addition, packaging also supports the distribution processes by avoiding damage during shipment as well as providing ease in handling and displaying (Perreault and McCarthy, 2002). Recently, come along with the development of green marketing concept (See Glossary), the environmental concerns have become dominant in packaging decisions.

Likewise packaging, labeling plays the role of complementing the appearance of products. Labeling not only supports in capturing the attentions of buyers, but as well provides consumers necessary information regarding the products such as: manufacture of the product, date of manufacture and expire, instruction, etc. The products with innovative packaging and labeling, as well as adapted in green marketing concept can give the companies competitive advantages.

Product support services

The final important element in individual product decisions relates to customer services. It is obvious that interacting with customers is the essential part of every business. Hence, giving much importance to customers is highly recommended. Designing and building effective support services can help companies differentiate themselves from competitors, and obtain satisfaction and loyalty from customers after sale. Nowadays, with the development of high technology, the companies can use many ways to interact efficiently with customers, for example via phone, e-mail, Internet, etc. (Kotler and Armstrong, 2014)

2.3.2 Product line and product mix decisions

In fact, within a large firm, the sales of only one single or a few products might not afford to fulfill all financial issues for the firm. Besides, due to the product life cycle
patterns and possibility of mishap with a product, the requirement of creating more types of products is apparent.

A group of products is called product line when they are closely related. In detail, products in the product line function in a similar manner and have the same customer targets. They are marketed through the same types of outlets or put in the given price ranges as well.

Consequently, the total number of product lines that a company offers to its customers is called product mix (or product portfolio) (Kotler and Armstrong, 2014). An example of product mix is indicated in Figure 2.

\[
\text{Product mix} \quad \begin{array}{c} \text{Product lines} \\ \text{Product items} \end{array} \quad \begin{array}{c} \text{Nestlé} \quad \text{Cereals} \quad \text{Dairy} \quad \text{Drinks} \\ \text{Fitness} \quad \text{Nesquik} \quad \text{Carnation} \quad \text{Nido} \quad \text{Milo} \quad \text{Nestea} \end{array}
\]

*Figure 2. An example of Nestle’s product mix (nestle.com)*

### 2.4 Price

Kotler and Armstrong (2014, p.313) defined price as: “…the amount of money charged for a product or services, or the sum of the value that customers exchange for the benefits of having or using the product or service”. In simply term, price is the amount of money that a buyer has to pay for a product or service that he or she purchases.

Nowadays, pricing is not the most crucial key element in competition by affecting buyer choice as in history, but it still plays an important role in creating customer value, and building customer relationships. Comparing to other tools within marketing mix concept, price is the only tool which produces revenues while the others represent costs. Price is also the factor that has the highest flexibility. (Kotler and Armstrong, 2014)
2.4.1 Pricing objectives

The firms’ objectives of pricing should be taken into account before defining pricing strategies. Generally, due to a variety of ideas regarding pricing objectives, the three main objectives that suggested by Perreault and McCarthy (2002) are: profit-oriented, sales-oriented, and status quo.

- **Profit-oriented objectives**: There are two subordinate objectives in profit-oriented objective: target return and maximize profits. The aim of target return is to set satisfactory profit while the aim of maximize profits is to set price to get as much profit as possible (Perreault and McCarthy, 2002).

- **Sales-oriented objectives**: Some managers deem that sales growth will lead to high profit. For that reason, they have tendency to set prices at levels which minimum profit, and focus on increasing market share in the market. (Perreault and McCarthy, 2002)

- **Status quo oriented objectives**: When the profit and market levels of a firm are achieved as expected, status quo objectives are usually adopted. The price now tends to be stabilized, besides, managers might want to meet or avoid competition. (Perreault and McCarthy, 2002)

2.4.2 Major pricing strategies

Setting a suitable price for a product is not an easy task. Customers’ perception and demand, costs and expenses, as well as competitors’ strategies and prices are the typical and essential factors that need to be taken into account when setting prices. Kotler and Armstrong (2014) suggested three major methods for setting price of a product: customer value-based pricing, cost-based pricing, and competition-based pricing.

**Customer value-based pricing**

Like other marketing mix decisions, pricing decisions must start with customer value. When buying a product, customers pay an amount of money to get the benefits of having or using that product; here we call it something of value. If the customers perceive that the value they receive does not worth with the amount of money that they had to pay, they will tend to not buying that product. Therefore, in customer value-
based pricing, the firms have to analyze consumer needs and value perceptions, then set prices based on the customer perception of value, not on the costs of production. (Kotler and Armstrong, 2014)

**Cost-based pricing**

There are many kinds of costs in the run of any businesses: costs of producing, distributing, selling the product, and the fair rates of return for the product’s effort and risk. Cost-based pricing is based on the factors above. In this pricing, the most typical setting price method is cost-plus pricing (or markup pricing). (Kotler and Armstrong, 2014)

**Competition-based pricing**

Competition-based pricing occurs when a firm sets price for their products based on competitors’ strategies, costs, prices, and market offerings. This method gives the firms the ability to focus on their competitors. Once the activities of the competitors are analyzed, the firms can be able to adjust their prices higher or lower than those of competitors for competing. On the other hand, the firms need to be aware of losing profits since the competitive prices are set too low. (Kotler and Armstrong, 2014)

### 2.4.3 Additional pricing considerations

As price is the most changeable tool in marketing mix, there are many pricing strategies to follow. Beside three main pricing strategies above, the following pricing strategies also support the firms managing prices in the changes of variable elements such as costs, demands, or competitive environment, etc.

**Product mix pricing strategies**

As mentioned in the product decisions part, a product mix of a firm includes many product lines. Each product line has related demand and costs, but at different degrees of competition. For that reason, the five strategies have been suggested for the firms to manage their product mix prices are:
• **Product line pricing**: Companies determine cost differences between the products, customer evaluations of different features, and competitors’ prices to set prices for various products in a line.

• **Optional product pricing**: Companies decide the pricing of optional or accessory products along with a main product.

• **Captive product pricing**: Companies set a price for products that must be used along with a main product.

• **By-product pricing**: Companies set prices at low-value for by-products to get rid of or make money on them.

• **Product bundle pricing**: There might be some products that consumers will not buy separately. Companies combine these products with other products and offer this bundle at a reduced price to encourage purchases of consumers. (Kotler and Armstrong, 2014)

**Price adjustment strategies**

Price adjustment strategies are usually applied when the firms need to adjust their basic prices. The aim is to take into consideration the various customer differences and changing situations. The main strategies in price adjustment are:

• **Discount and allowance pricing**: Companies adjust their basis price to reward customers for certain responses under a variety of forms (paying bills early, volume purchase, off-season buying, etc.)

• **Segment pricing**: Companies sell a product at two or more prices. The aim is to allow for differences in customers, products, or locations.

• **Psychological pricing**: Consumers usually bear in mind a psychology in terms of product’s price that: higher-priced products have higher quality. Based on that, companies use psychological strategy to adjust their prices.

• **Promotional pricing**: With the aim of increasing short-run sales, the companies temporarily set their products’ prices below the list price, even below cost.

• **Geographical pricing**: Companies set their different prices based on geographic location of customers. Due to the particular geographic location, the companies will applied more specific strategies within geographic pricing for customers.
such as: FOB-origin pricing, uniform-delivered pricing, zone pricing, basing-point pricing, and freight-absorption pricing.

- **Dynamic and Internet pricing:** Companies adjust prices frequently to meet the characteristics and needs of individual customers and situations.

- **International pricing:** Many companies nowadays not only run their business in domestics but also in international market. Depending on the conditions of countries that the companies aim to take adventures, the prices will be adjusted accordingly. (Kotler and Armstrong, 2014)

## 2.5 Place

In the marketing mix, place refers to the process of moving products from producers to the intended user (Marc, 2014a). In order to operate and manage these processes, the companies need to build a suitable marketing channel that corresponds with the companies’ objectives. Kotler and Armstrong (2014, p.363) defined marketing channel (distribution channel) as:

A set of interdependent organizations that help make a product or service available for user or consumption by the consumer or business user.

In distribution channel, there are third party companies who act as the wholesaler, transporter, and retailer: the intermediaries. The basis role of the intermediaries is simplifying the channel transactions by reducing the total amount of works that the producers and consumers supposed to do. Figure 3 illustrates the comparison between the channel with a distributor (A) and a channel without a distributor (B).

![Figure 3. How a distributor reduces the number of channel transactions (Kotler and Armstrong, 2014, p.364)](image-url)
2.5.1 Types of distribution channels

There are different ways that the companies can choose to provide products and services to customers. Among them, the two typical types of distribution channels are direct and indirect marketing channels (Kotler and Armstrong, 2014).

Direct marketing channel is applied when a producer sells its products directly to consumers without any intermediaries. This method provides companies the advantages of controlling over the products completely. Furthermore, according to the WFDSA (World Federation of Direct Selling Associations) (See Glossary), the direct selling also provides the convenience and benefits in consumers’ perspective such as: home delivery, or generous satisfaction guarantees (Boundless, n.d.).

In contrast, indirect marketing channel requires one or more intermediaries to deliver companies’ products to customers. This method is recommended for the large producers who sell their products through many retailers. Though, there are several issues regarding the increase of distribution costs, less controllability, and also greater channel complexity needed to take into account. (Marc, 2014a)

2.5.2 Types of intermediaries

In many cases, the companies cannot afford to handle all activities to deliver their offers to customers. That is when they need the supports from intermediaries. Besides, due to the differences in terms of objectives or strategies, the choices of intermediaries between companies will be varied. Even though there are many sale models existing in the markets, they are grouped into two typical intermediaries: retailers and wholesalers.

Retailers

Basically, all activities involved in selling goods or services directly to final consumers for their personal, nonbusiness uses are called retailing. In fact, retailing is very familiar with people since it occurs everywhere in daily life. In addition, most businesses whose sales come primarily from retailing are called retailers.
In retailing, the major store retailer types are specialty store, department store, supermarket, convenience store, discount store, off-price retailer, and superstore (Appendix 1).

**Wholesalers**

The nature of wholesaling is similar with retailing, but opposite in the end users since it sells goods and services to those buying them for resale or business use. Consequently, the firms that engage primarily in wholesaling activities are wholesalers. The major types of wholesalers are merchant wholesaler, broker, agent, and manufacturers’ sales branches and offices (Appendix 2) (Kotler and Armstrong, 2014).

### 2.5.3 Channel design decisions

Channel decisions play a significant role in marketing since it directly affects other marketing decisions. Selecting an appropriate marketing channel is not an easy task since it requires high levels of investments and efforts. However, it is obvious that an effective and efficient marketing channel gives the company the substantial advantages in the competitive market. The important channel design decisions include: analyzing consumer needs, setting channel objectives, identifying major channel alternatives, and evaluating those alternatives. (Kotler and Armstrong, 2014)

**Analyzing consumer needs**

Since delivering customer value is the core idea of marketing, the channel design decisions begin with analyzing consumer needs. The marketers should focus on what their customers truly want in term of where, how, and which to buy. From Kotler and Keller (2009), these aspects are reflected through five channel’s service outputs. These outputs are: lot size, waiting and delivery time, spatial convenience, product variety, and service backup.

It is understandable that consumers usually refer fast delivery, large assortment, and varieties add-on services as well. However, the greater service outputs, the higher channel costs and also, higher prices for customers. The key is that the companies must seek for the solutions to balance the services outputs and consumers’ needs.
## Setting channel objectives

After analyzing consumers’ needs, the companies should set their marketing channel objectives which regard targeted service output levels. The idea is trying to minimize the channel costs while the customers’ requirements in terms of service output levels are still satisfied. Besides, the other factors that might affect channel objectives and design should be taken into account are: product characteristics, competitors’ channel, economic conditions, and legal constraints. (Kotler and Keller, 2009)

## Identifying major alternatives

There are varieties of marketing channels that the companies can choose to deliver their offers to costumers, each type of channel contains both advantages and disadvantages. In addition, each alternative is indicated through: the types of intermediaries, the number of intermediaries, and the responsibilities of each channel member.

* **The types of intermediaries**

The companies choose which types of channel members to work with in order to carry on their channel works. The options can be merchants (wholesalers, retailers), agents (brokers, manufacturers’ representatives, sales agents), and facilitators (transportation companies, independent warehouses, banks, advertising agencies).

* **The number of intermediaries**

Besides choosing the types of intermediaries, the companies also have to consider how many intermediaries to use in distribution channels. In order to consider the number issue, there are three strategies suggested: intensive distribution, exclusive distribution, and selective distribution (See Glossary).

* **The responsibilities of each channel member**

The distinct terms and responsibilities of each channel member are necessary to create the win-win collaborations. The suggested issues, which should be given out in the agreements are price policies, conditions of sale, territory rights, and the specific services to be performed by each party. (Kotler and Keller, 2009)
Evaluating the major alternatives

When the identifications of major alternatives are done, the companies now evaluate the selected ones. The criteria used for the evaluating processes are:

- **Economic criteria:** The likely sales, costs, and profitability of different channel alternatives are compared.
- **Control issues:** The controllability of the alternatives towards the whole channels is determined.
- **Adaptability criteria:** The alternatives should have high ability to adapt to changes of the environment. (Kotler and Armstrong, 2014)

2.6 Promotion

The last tool of 4Ps marketing mix is promotion. After planning and developing a good product, setting a suitable product price, and making it available to customers, the companies now need to communicate their value propositions to customers (Kotler and Armstrong, 2014). The aim is to increase the consumers’ awareness in terms of their products, leading to the increase in sales, and also creating brand loyalty.

Similar with other tools of marketing mix, the informations and activities in the companies’ promotion also affect the buying decision of customers. According to Kotler and Armstrong (2014, p.429), the promotion mix (or marketing communication mix) of a company is:

The specific blend of promotion tools that the company uses to persuasively communicate customer value and build customer relationships.

From the definition above, it can be seen that the main objectives of the promotion mix are making customers aware the existence of the products and persuading them to buy those products instead of ones from competitors. In another word, promotion mix is considered the communication aspect of the marketing mix.
2.6.1 The promotion mix tools

As mentioned, the company uses the specific blend of promotion tools for its promotion activities, these tools are: advertising, sales promotion, personal selling, public relations, and direct marketing.

Advertising

This tool includes any paid forms of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertising allows the companies communicating with a large number of people concurrently. Advertising is appeared mostly through mass media such as television, newspapers, magazines, and also web pages, posters, brochures, etc.

Sales promotion

Sale promotion is defined as the incentives to encourage the purchase or sale of a product or service in a short-term. The examples of sales promotion are coupons, season discounts, or even a contest, etc.

Personal selling

Personal selling represents the personal presentation by the firm’s sales force. The main purpose of this tool is making sales and building customer relationships. Personal selling usually occurs between person to person, in some cases are over phone or email.

Public relation

The main tasks of public relation are building good relations with the company’s various publics. This is done by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. Similar to advertising, public relation can be occurred through newspapers, talk shows, or social network, etc. However, depending on the situations, the fee for public relation may or may not be paid.
**Direct marketing**

While advertising covers the large number of people, direct marketing only focuses on some targeted individual consumers, and connects directly with them. The aims are to obtain the immediate response and cultivating customer relationships. Telemarketing (See Glossary), customized letters, emails, or text messages are the common methods used in direct marketing. (Kotler and Armstrong, 2014; and Marc, 2014b)

2.6.2 **Developing effective marketing communications**

It is not easy to build effective marketing communications since it is influenced by many factors. Vargas (2005) claimed that the factors which influence the selection and effectiveness of a marketing communication are: nature of the market, nature of the product, stage in the product life cycle, price, and funds available for promotion. For that reason, it is necessary to carefully follow the steps in developing effective marketing communications.

Kotler (2000) stated the eight steps in developing effective marketing communications as: (1) identifying the target audience, (2) determining the communication objectives, (3) designing the message, (4) selecting the communication channels, (5) establishing the total communications budget, (6) deciding on the communications mix, (7) measuring the communications’ results, and (8) managing the integrated marketing communication process.

**Identifying the target audience**

Developing an effective marketing communication starts with a clear target audience. The audience can be potential buyers of the company’s products, current users, or individual, groups, particular publics, or the general public. The target audience is a critical influence on the communicator’s decisions in terms of what, how, when, where and to whom to say (Kotler, 2000). In another word, identifying the target audience simply means understanding them in terms of their way of thinking, factors that motivate their purchase decisions, or even their living environment (Åkerlund, 2004).
Determining the communication objectives

After defining the target audience, the marketing communicators now determine the audience response. Normally, there are three main response stages that most of consumers pass through on their way to making a purchase: cognitive, affective, and behavioral stage.

At first, the consumers may only know little or even unaware the product, the companies need to communicate with customers to build the cognitions in terms of their products. Assume that the consumers already know about the product, the companies in this stage should determine the feelings of consumers regarding the products. Lastly, the marketing communicators lead the customers to making purchases.

Briefly, the response stages of consumers can be considered as the “learn-feel-do” sequence, the orders of this sequence can be changed according to the levels of customers’ involvement in the product category. Determining the right sequence can give the communicators particular advantages. (Kotler, 2000)

Designing the message

Once the target audience and communication objectives are defined, the next task is producing a message to achieve the objectives. Ideally, an effective message should concurrently gain attention, hold interest, arouse desire, and elicit action (known as AIDA framework). In Kotler’s point of view (2000), four major issues that the marketing communicators have to handle when formulating the message are: message content, message structure, message format, and message source.

- Message content

In determining message content, the communicators have to figure out an appeal, theme or idea that will create the desired response. There are three types of appeal: rational, emotional, and moral. Rational appeals relate to the audience’s self-interest since they claim that the product will produce certain benefits. Emotional appeals attempt to stir up negative or positive emotions that will motivate purchase. Moral appeals are directed to the audience’s sense of what is right and proper. (Kotler, 2000)
Message structure

Basically, there are three typical message structure issues for the communicators to handle. The first issue is whether to draw a conclusion or leave it to the audience. The second one is whether to present the strongest argument first or last. The final issue is whether to present the one-sided argument (mention only the product’s strengths), or a two-sided argument (touting the product’s strengths while also admitting its shortcomings). (Kotler and Armstrong, 2014)

Message format

The message format is suggested should be strong. Depending on particular mediums, the communicators will make decisions regarding specific aspects. For instance, for a print ad, the communicators have to decide on headline, copy, illustration, and color, etc. (Kotler and Armstrong, 2014; and Kotler, 2000)

Message source

In fact, messages delivered by highly credible sources are usually more persuasive. For that reason, the chosen sources have to be satisfied in three perspectives: expertise (specialized knowledge the communicator posses to back the claim), trustworthiness (how objective and honest the source is perceived to be), and likability (source’s attractiveness). (Kotler, 2000)

Selecting the communication channels

After the message was designed, the companies now select the channels of communication to carry the message. Kotler and Armstrong (2014) stated the two common types of communication channels are:

- **Personal channels**: involve two or more persons communicating directly with each other (face to face, person to audience, over the telephone, through emails).
- **Non-personal channels**: media that carry message without personal contact or feedback. These channels include major media, atmospheres, and events.
Establishing the total communications budget

How much to spend for the marketing communications? This is one of the most challenging issues for most of marketers since the total budgets are varied from companies to companies. The four common methods used to set the total budget for promotion are:

- **Affordable method:** Setting the promotion budget at the level management thinks the company can afford.
- **Percentage-of-sales method:** Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.
- **Competitive-parity method:** Setting the promotion budget to match competitors’ outlays.
- **Objective-and-task method:** Developing the promotion budget by defining specific promotion objectives, determining the tasks needed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget. (Kotler and Armstrong, 2014)

Deciding on the communication mix

When setting the total budget for promotion is done, it is time to allocate the budget over the five promotion mix tools: advertising, sales promotion, public relations, personal selling, and direct marketing. Each tool has its own unique characteristics and costs. Therefore, the communicators should blend these tools carefully to achieve effective marketing communications. (Kotler and Armstrong, 2014)

Measuring the communications’ result

After the marketing communications were processed, their impacts should be measured. The communicators can ask the target audience issues regarding the message or product. For examples: whether the target audiences recognize or recall the message, how many times they saw it, how they felt about the message, their previous and current attitudes towards the product and company, and so on. Moreover, the communicators
can also collect behavioral measures of audience response (how many people bought the product, liked and talked about it, etc.). (Kotler, 2000)

Managing the integrated marketing communication process

Due to some relative factors such as the proliferation of new types of media or the growing sophistication of consumers, the companies need to widen their range in terms of communication tools, messages, and audiences. That when the integrated marketing communication (IMC) (See Glossary) becomes necessary. Once being implemented accurately, IMC will improve the company’s ability to reach the right customers, with the right messages, at the right time, and in the right place. (Kotler, 2000)

3 RESEARCH METHODOLOGY

In order to conduct the research properly, the author perceives that an appropriate research design should be carefully formulated. Kumar (2011) stated in his book that: “A research design a procedural plan that is adopted by the researcher to answer the questions validly, objectively, accurately, and economically”. As a result, it can be seen that research design plays a crucial role in guiding and keeping the research process in the right direction.

3.1 Purpose of the research

Before proceeding, it is important to determine purpose of the research. Among the objective perspective of research, there are three prominent classifications, which are exploratory, descriptive, and explanatory (Saunders, Lewis, and Thornhill, 2009). These three categories are explained briefly as:

- Exploratory studies work well to seek new insights and approach the phenomenon from a new facet, especially in a little-known research problem (Saunders, Lewis, and Thornhill, 2009).
- Descriptive studies are applied when the research problem is structured and well understood (Ghauri, Grønhaug, and Kristianslund, 1995). In this study, the
descriptions of a situation, problem, phenomena, service or program, or the attitudes towards an issue are portrayed (Kumar, 2011).

- Explanatory studies clarify the relationship between two aspects of a situation or phenomena (Kumar, 2011).

The first aim of this thesis is to update the current status of Vinamilk in Vietnamese dairy industry. Then, more important, Vinamilk’s success in the dairy industry of Vietnam by applying the marketing mix 4Ps is specifically described. Consequently, there is not only one aim in this thesis, and they both regard the descriptive and explanatory. According to Saunders and his partners (2009), this type of studies is called “descriptive-explanatory studies”, which the author considers most appropriate for this thesis.

3.2 Research methods

When the step of determining the purpose of research is done, the author next decides the suitable methods to use. The available options are quantitative, qualitative, or the combination of both. Saunders, Lewis, and Thornhill (2009) explained the quantitative and qualitative method in their book as:

- Quantitative method is used as a synonym, which involves data collection technique (e.g. questionnaire) or data analysis procedure (e.g. graphs or statistics) that generates or uses numerical data.
- Qualitative method is used as a synonym, which involves data collection technique (e.g. interview) or data analysis procedure (e.g. categorizing data) that generates or uses non-numerical data.

Combining the purpose of this thesis and the definitions of the research methods above, the author decides to apply the quantitative method for this paper. The author is also motivated to present the success of Vinamilk not only from the achievements that the Company has gained, but also from the consumers’ opinions towards Vinamilk. Hence, quantitative approach is required to gather primary data from the consumers.
3.3 Research strategy

In research strategy, the process of how the study is conducted will be described. Specifically, the data are collected and analyzed in this stage.

3.3.1 Survey

According to Ghauri, Grønhaug, and Kristianslund (1995), surveys and questionnaire are considered the most popular data collection method in business studies. This type of research strategy allows the researchers collecting quantitative data and analyzing it quantitatively using descriptive and inferential statistics (Saunders, Lewis, and Thornhill, 2009).

In this thesis, the survey is chosen as one strategy and the questionnaire is chosen as the data collection technique. In order to obtain the opinions from Vinamilk’s consumers, the author utilizes Google Docs (See Glossary), which is a free online survey service provided by Google. The survey form (Appendix 3) is composed and sent out by emails and private messages on Facebook.

3.3.2 Secondary data

Besides obtaining primary data, the author also uses another source to collect information for this paper called secondary data. Secondary data refers the data that have already been collected for some other purposes. Furthermore, secondary data can provide the researcher a useful source so that the research questions are answered or partially answered (Saunders, Lewis, and Thornhill, 2009). The most obvious advantage of using secondary data is a significant saving in particular resources such as time and money. However, as those data are collected for another study with different purposes, the researcher might face difficulty to manage them consistently with the study at hand. (Ghauri, Grønhaug, and Kristianslund, 1995)

In order to support for presenting the success of Vinamilk in applying the marketing mix 4Ps, the author uses secondary data as the second research strategy to collect the information about Vinamilk’s activities and achievements. The secondary data sources
are newspaper articles, company’s reports, and the previous studies or research relating to this paper’s topic.

### 3.4 Sample design

In reality, there are some circumstances that the researchers can collect all data from the entire population, but in many other cases, it is impracticable to do so. This is caused by the massive size of population, budget constraint, time limitation and other obstacles. For that reason, it is necessary to select a sample within the population. There are two major sampling techniques, which are probability (representative) or non-probability (judgmental) sampling.

- Probability (or representative) sampling: the probability of each case being selected in the population is known and usually equal.
- Non-probability (or judgmental) sampling: the probability of each case being selected in the population is unknown. (Saunders, Lewis, and Thornhill, 2009)

Between two sampling techniques above, the author decides to choose the probability sampling method. In detail, among probability sampling, the author also uses stratified random sampling to form the sample of the research. In stratified random sampling, the population is divided into two or more relevant and significant strata based on one or a number of attributes (Saunders, Lewis, and Thornhill, 2009). The sampling frame of stratified random method for the author’s survey is sex, occupation, age, and experience of using Vinamilk’ products.

### 3.5 Credibility of research findings

#### 3.5.1 Reliability

Reliability refers to the extent to which data collection techniques or analysis procedures will yield consistent findings. In detail, the reliability of the research is evaluated by verifying these important features: whether the measures would yield the same results on other occasions, whether other researchers would reach similar observations, and whether there was transparency in how sense was made from the raw
There are four threats of reliability suggested by Robson (2002):

- **Subject or participant error**: The different time in making the survey or interview might lead to the different results. Researching is suggested to be processed in the neutral time – when respondents or interviewees are free or out of stress from work.

- **Subject or participant bias**: Instead of expressing what are actually in mind, the respondents or interviewees might say things that their bosses want due to the pressure from authoritarian management style or threat of employment insecurity. Hence, attention when analyzing the data and keeping anonymity of respondents is highly recommended.

- **Observer error**: Variety of ways in interviewing might result in different answers. An interview schedule with high degree of structure should be made to reduce this threat.

- **Observer bias**: This type of threat is consequent of different ways in interpreting the replies.

The author is going to compose and designs contents of the questionnaire in a manner that is correspondent with consuming experience and backgrounds of respondents. With the intention of avoiding “subject or participant error”, the author decides to send survey online so that the respondents can have varied and flexible time to provide adequate answers. Concurrently, to ensure the threat from “subject or participant bias” is eliminated, the author also keeps the questionnaire anonymous in order to encourage respondents doing the survey comfortably.

### 3.5.2 Validity

According to Saunders, Lewis, and Thornhill (2009), validity is concerned with question: “Are the findings really about what they appear to be about?”. There are two types of validity suggested by Ghauri, Grønhaug, and Kristianslund (1995), which are internal validity and external validity. The former refers to whether the results obtained within the study are true, while the latter type refers to whether the findings can be generalized (Ghauri, Grønhaug, and Kristianslund, 1995). In addition, several threats of
validity mentioned by Saunders, Lewis, and Thornhill (2009) are: history, testing, instrumentation, mortality, maturation, and ambiguity about causal direction.

As mentioned, the author uses newspaper articles, company’s reports, and previous studies or research relating to this paper’s topic as the secondary data sources. These sources are all trustworthy; some of them are consolidated and audited. Besides, due to the purpose of using survey for this thesis that has been presented, the author aims at the dairy consumers living in Ho Chi Minh City, the most crowded and modern city in Vietnam. As a result, the answers provided from respondents are certainly valid.

3.6 Limitations

During the process of making research for this thesis, the author has faced several limitations. These obstacles are mainly caused by the reason that the thesis is written in Finland while the objective for researching is locating in Vietnam. Hence, it is not an easy task for the author to manage the research strategies in the most efficient way.

Besides, the author at the beginning intended to choose interview as one research strategy to obtain the primary data for this thesis. This strategy was supposed to give the author the ability to present the issues deeply from the perspective of company, which is Vinamilk in this case. Unfortunately, due to the limited time schedule as well as the difficulties in setting and arranging for interview appointment, this type of research strategy was given up. Consequently, the discussion from the Company’s insights could not be done.

4 OVERVIEW OF THE DAIRY INDUSTRY IN VIETNAM AND VINAMILK CORPORATION

In this part, a comprehensive view in terms of the current situation in Vietnamese dairy industry will be introduced. Then, Vinamilk - the typical successful company in applying the marketing mix of 4Ps in Vietnam - will be briefly introduced.
4.1 The dairy industry in Vietnam

In the recent years, Vietnam has exported dairy products to 28 countries over the world and has become one of a few Asian countries exporting milk products. In 2013, the total exporting amount of Vietnam’s dairy products reached US$ 230 million, increased 28 percent compared to the amount of 2012. In domestic market, the dairy industry in Vietnam has gradually had a substantial position as the dairy products are currently leading in the food and beverage industry, with the growth rate of 12 percent in city and 20 percent in suburb. (Nguyen, 2014)

According the Nielsen’s survey in 2012, the average milk-consumption-per-person in Vietnam was 15 liter/year, which was much lower than that in Thailand (34 liter/year) and China (25 liter/year) (Vu, 2014). In another statistics later, the consumption of milk and milk products in Vietnam has increased 17 percent per year, resulted in approximately 18 liters per person in 2013 (Nguyen, 2014).

Furthermore, the consumers in Vietnam now can have wide selections since there are varieties of dairy products in the market such as powdered milk, nutrition powder, condensed milk, liquid milk, yoghurt, etc. Besides investing for the dairy cow-raising sector, the large manufacturers have also greatly focus on building modern factory, developing dairy farms and raw material areas, buying milk through co-operating with farmers, so on (Tran, 2014). Figure 4 demonstrates the consumption of dairy products in Vietnam in 2013.

![Figure 4. Consumption of dairy product in Vietnam, 2013 (Vietnam Research Team, 2014)](image-url)
In Vietnam, after 10 years of implementing the Decision 67 of the Prime Minister, the country has formed the raw material and dairy cow-raising model, which focus on local businesses. These activities have attracted the major manufacturers in the dairy industry to invest to the cow-raising sector such as join-stock milk company TH, Vinamilk, etc. (Minh, 2014). As a result, from only about 41 000 dairy cows in Vietnam in the previous years, the amount of dairy cows is currently over 200 000 dairy cows, contribute over 450 000 tons of milk (Vu, 2014; and Nguyen, 2014).

The typical information above show the attractiveness for the manufacturers to explore the potential opportunities of Vietnamese dairy market and demands. Rapid economic growth, large market and open investment environment, are considered as the ideal features that bring important advantages for the dairy industry in Vietnam. Though, the dairy industry is also facing many challenges like issues of food safety, milk quality, dairy cow husbandry techniques, technological lines, costs, as well as policies and incentives from the State.

4.2 Vinamilk Corporation

4.2.1 Company in brief

From 1976 - the year of being founded, Vinamilk has spent many landmarks from beginning for the maturation and development like today. The typical landmarks of the corporate history are:

- 1976: The Company was founded under the name of Southern Coffee-Dairy Company, a subsidiary of the Food General Directorate, and had two factories in operation.
- 1978: The Company was transferred to the Ministry of Food Industry and was renamed United Enterprise of Milk Coffee Cookies and Candies I. There were three more factories that were into operation.
- 1992: The United Enterprise of Milk Coffee Cookies and Candies I was formally renamed Vietnam Dairy Company and came under the direct management of the Ministry of Light Industry.
• 2003: The Company was formally transformed into a joint stock company in November, and renamed as Vietnam Dairy Products Joint Stock Company (Vinamilk), to reflect its change in legal status. (Vinamilk, 2014)

In 2010, Vinamilk was honored by Forbes Asia for its “Top 200 Best Under A Million” in Asia as the first and unique Vietnamese company in the list of Forbes Asia. Besides, Vinamilk has also started its strategies of investing overseas by contributing nearly US$ 10 million in a powdered milk project in New Zealand (2010). (Vinamilk, 2014) Figure 5 presents the subsidiaries, joint ventures, and associates of Vinamilk.

Note: The percentage (%) illustrates “Owned by Vinamilk”

Figure 5. The subsidiaries, joint ventures, and associates of Vinamilk (Vinamilk Annual Report 2013)

In the annual report 2013, Vinamilk’s vision and mission were stated as:

• **Vision:** To become a world grade brand in food and beverage industry, where people put all their trust in nutrient and health products.

• **Mission:** To deliver the most valuable nutrition to community with the Company’s respect, love, and responsibility. (Vinamilk, 2014)

### 4.2.2 Vinamilk – The leading milk enterprise in Vietnam

Vinamilk has been leading the dairy industry in Vietnam for many years and predicted to continuously keeping its firm position in the future. In the end of 2013, Vinamilk reached about VND 31 500 billion in total revenue (~US$ 1.4 billion, Bloomberg, 2014)
(increased 17 percent compared to that of 2012), and approximately VND 8 000 billion in profits before tax (~US$ 376 million, Bloomberg, 2014) (Figure 6, Vinamilk, 2014). Furthermore, Vinamilk also aims to reach US$3 billion in revenue by 2017 and to be in the list of the world’s top 50 milk producers (Vietnam Research Team, 2014).

![Figure 6. Total revenue and profit before tax of Vinamilk from 2009 to 2013 (Vinamilk Annual Report 2013)](image)

Furthermore, in Vietnam’s dairy market share, Vinamilk not only reinforced its position, but also increased the Company’s market share to 56.3 percent in 2013. This creates a remarkable distance between Vinamilk and its largest rival, Dutch Lady (owned by Friesland Campina Vietnam). The Vietnam’s dairy market share is illustrated in Figure 7 below.

![Figure 7. Market share in Vietnam's dairy (Vietnam Research Team, 2014)](image)
4.2.3 SWOT analysis

SWOT analysis is a tool, which commonly used to identify the strengths, weaknesses, opportunities, and threats of an organization. In SWOT analysis, the information from an environmental analysis is taken and divided into internal (strengths and weaknesses) and external issues (opportunities and threats). Then, SWOT analysis determines not only the factors that can assist the firm to accomplish the firm’s objectives, but as well the obstacles that the firm must overcome or minimize to acquire desired results. (Investopedia, n.d.) Applying the functions above, the SWOT analysis of Vinamilk is determined in the following description.

**Strengths**

Being presented for over 37 years in the market, Vinamilk has developed to become the strongest dairy brand in Vietnam. Moreover, Vinamilk has applied the world’s most modern technology and equipment with the aim of producing the products that meet the international quality standards. Due to the consumers’ increasing demands, the Company’s product portfolio is diversified into many different categories. In addition, Vinamilk has built a strong and nation-wide distribution network with 266 exclusive distributors, covering over 224,000 retailers, and directly deals with over 600 supermarkets across the country. The Product Research and Development team of Vinamilk includes experienced and capable persons. The Enterprise Recourse Planning (ERP) is also applied to enterprise from the Company’s production, quality control, to product distribution. Last but not least, the management team of Vinamilk has much experience and profound understanding on Vietnam’s dairy industry, market, and consuming trend. Furthermore, they have accompanied with the Company for years. These advantages bring Vinamilk the ability to accomplish the sustainable development strategy. (Vinamilk, 2014)

**Weaknesses**

The dependence on imported raw material sources has caused many limitations for the Company as the local raw material sources only meet around 30 percent of production need. Being strong and continuous growth over the past years on one hand gave Vinamilk success, but on another hand, the management and personnel have to face the
pressure of sustainability. In other facet, even though there are many new products being researched, they still have not been launch to the market due to the confidential reasons. Lastly, lower cow breeding productivity but higher raw milk price compared to the world also affects Vinamilk’s profit. (Vinamilk, 2014)

**Opportunities**

As mentioned before, the dairy market in Vietnam contains great potential since the capital consumption of dairy in Vietnam is quite low compared to other countries in the regions and the world. The local manufacturers have not commonly produced dairy products for special purposes while the imported products’ prices are very high. As a result, the growing opportunities for long term are still waiting for the Company. Besides, the Company’s expansion and diversification of domestic distribution network are widening by opening more retailers and showrooms. The export sector of Vinamilk is currently very active as the Company’s products are exporting to over 16 countries and contribute approximate 14 percent of total revenue. In addition, there are still many more chances for Vinamilk to expand its export market and take venture abroad. (Vinamilk, 2014)

**Threats**

There are many challenges that Vinamilk has to face due to the increase of competition in dairy market, not only from the world’s famous dairy companies, but as well from the domestic companies. Meanwhile, Vietnam’s commitment on tax-cut-down in the future is predicted to push the competition even stronger since big groups will have opportunities to engage in Vietnam. The macroeconomics’ issues such as depression in consumer goods industry or low income are considered difficulties for Vinamilk as well. Moreover, it is not easy for Vinamilk to control output products prices as milk is listed in the range of products for price registration and price stability. Likewise, the great influence of the world economy in terms of the stability of price and supply sources of raw materials in the future is another problem that is beyond Vinamilk’s control. Lastly, Vinamilk has to deal with the challenge of ability to remain a high growth rate and outstanding financial efficiency in the future. (Vinamilk, 2014)
5 RESULTS

5.1 Vinamilk’s achievements

5.1.1 Products

In recent years, Vinamilk has put much effort to expand the Company’s brand to meet the needs of customers from infants, children, adolescents, adults, and also people with special needs. Besides the products with main brand name as “Vinamilk”, the Company also owns the brand name “Dielac” for its powder milk product line, and “Vfresh” for the products of beverage line.

In present, Vinamilk owns a product portfolio with a large number of product lines. The product lines of Vinamilk that listed in the Company’s annual report 2013 include: powdered milk and nutrition powder, sweetened condensed milk, liquid milk, yoghurt, and beverage (Vinamilk, 2014). Among such varieties of product lines, the core lines of Vinamilk are liquid milk, yoghurt, powdered milk, and condensed milk. Until the end of 2013 in Vietnam’s dairy, liquid milk, yoghurt, and condensed milk products of Vinamilk have led the market share with approximately 60 percent, 70 percent, and 90 percent respectively. The occupation of these products in the total revenue of Vinamilk in 2013 is shown in Figure 8 below. (Vietnam Research Team, 2014)

![Figure 8. Vinamilk's revenue breakdown, 2013 (Vietnam Research Team, 2014)](image-url)

Source: Euromonitor, MBKE
Innovating package design

As Vinamilk owns a large amount of different products and the consumers’ requirements regarding this are increased, the package design is an essential element in the product strategies. Vinamilk has co-operated with Tetra Pak - one of the world’s leading enterprises in processing and packaging liquid food. The systems for packaging pasteurized dairy products ensure the three main objectives of the packaging process as: ensuring the product quality, limiting the wastage, and reducing costs of distribution. Besides, the systems also provide the dramatic improvements to help extending products’ life in distribution and storage of liquid foods without refrigeration.

In addition, the Company has focused on designing the catchy package with necessary information on the labels (ingredients, using instruction, expiration date). Moreover, the capacity of each product’s type also diversified in order to meet different using purposes of customers. In the environmental perspective, Vinamilk has developed the packages that are friendly to environment by using paper boxes, supplied by Tetra Pak, for entire liquid dairy products and beverages.

![Figure 9. Vinamilk's product packages (Vinamilk Annual Report 2013)](Vinamilk Annual Report 2013)
(A: UTH low-fat 100% fresh milk, B: Yoghurt 100% fresh milk, C: Fruit juices) (Vinamilk Annual Report 2013)

Increasingly improving dairy cow quality

As mentioned in the weaknesses of the Company, the source of raw material is one of the crucial issues. In order to reduce the dependence of imported raw material, Vinamilk has put much effort to invest for the dairy cow development: from planting grass, building breeding facilities, and preparing meals for cows, to preparing veterinary medicine and monitoring surrounding environment.
From 2003 until present, Vinamilk has expanded and established more factories and farms in many cities and provinces in Vietnam. In 2009, the Company opened the most modern farm in Vietnam with the designed size of 3000 cows in Nghe An province (Vinamilk, 2014).

For the purpose of improving raw fresh milk quality, Vinamilk has upgraded the raw fresh milk collection system in the period 2012 – 2016. For that, Vinamilk did not renew contracts with milking households from beginning of April 2013. Instead, all households will directly breed cows and supply milk for Vinamilk. Thanks to this policy, the relationships between farmers and the enterprise are reinforced, and the farmers’ awareness is also enhanced regarding their responsibilities in breeding, exploiting and preserving milk. As a result, the number of contracts that Vinamilk signs with households increased from 4750 in 2012 up to 5087 in 2013.

Furthermore, Vinamilk also accompanies with the farmers by taking many activities to support the cow raisers such as: directly giving advices over 4125 households (over 80 percent households proved improvement in milk quality after 2 weeks from the consulting day), and conducting 44 technical training meetings nationwide with the participation of 1605 households. (Vinamilk, 2014)

### 5.1.2 Price

**Adjusting product prices considerably**

According to Ms. Mai, Chairwoman and Chief Executive Officer of Vinamilk, while the Company’s product quality is certified international standard, its price is much lower than that of foreign milk products, for instance, the price of powdered milk for children is only one-third of others’ in the market. Since the current market is highly competitive, if Vinamilk increased its price to half of others’, the Company’s market share would be negatively affected. Besides, Vinamilk also perceives that the increase of product prices would cause the decrease in purchasing of consumers since the income per capita in Vietnam is still low comparing to other countries. (Duc, 2010)
Maintaining competitive prices

Besides product lines of yoghurt and condensed milk, which overwhelm the domestic dairy market, other products lines of Vinamilk face the drastic competition with other domestic dairy producers. In that circumstance, pricing is considered one of the crucial strengths of Vinamilk in the competition with its rivals. The product prices of Vinamilk are not much different comparing to its competitors’, especially in the liquid milk sector. For example, in a supermarket located in a district of Ho Chi Minh City, Vinamilk’s price of a 1-liter fresh milk box is about VND 33 300 (~US$ 1.56, Bloomberg, 2014), while the same product type of other companies (TH True Milk, Love’in Farm, Lothamilk, or Dutch Lady) range from VND 27 600 - 34 000 (~US$ 1.29 - 1.59, Bloomberg, 2014) (Phi, 2014).

From the beginning of April 2012, Vinamilk had participated in the commitment of stabilizing prices for several products such as some liquid milk products, powdered milk for children, elders, and patients. Even though the world’s milk raw materials had continually increased over 20 percent from the middle of 2012, Vinamilk still kept the prices stable for the whole year. (Anh, 2013)

5.1.3 Place

During the past few years, the distribution network of Vinamilk has continued to be consolidated and strongly grown in both domestic and international market. Due to the research scale, the author only focuses on the domestic distribution system in this part.

Nationwide distribution systems

In Vietnam’s dairy industry, there are two major distribution channels, which are traditional trade (distributors - wholesalers - retailers - consumers) and modern trade (distributors - supermarkets - consumers) (Vietnam Research Team, 2014). Currently, the domestic distribution system of Vinamilk follows these two models with over 250 exclusive distributors and more than 200 000 retailers nationwide.
The majority of Vinamilk’s total revenue comes from selling through traditional trade channel (80 percent of total revenue), while the revenue via modern trade channel (supermarkets) only accounted for 20 percent (PNS Research, 2014).

**Applying online sales management system nationwide**

After a trial period, Vinamilk has applied the online sales management system (DMS.ONE) to its distributors, retailers, and sales personnel across the country from the end of February 2013 (Ly, 2013). Each salesperson has been equipped with a tablet connected 3G and GPS, and the relevant information in terms of goods will be regularly updated. According to Viettel Mobile (the Military Telecom Group), the builder and provider, the system will support the sales management stage of Vinamilk’s distribution channels such as the trading management, inventory management, liability management, and information management of each retailer. Thanks to this, Vinamilk’s managers can monitor and update sales information of retailers every 2 - 3hrs periodically. Moreover, this system is evaluated as the most uniform and largest ERP distribution system in Vietnam currently (Bach, 2013).

### 5.1.4 Promotion

**Highly investing in advertisements**

In 2013, Vinamilk spent approximately VND 885 billion (~US$ 41.5 million, Bloomberg, 2014) for advertisements, and the amount was also predicted to exceed VND 1000 billion (~US$ 46.9 million, Bloomberg, 2014) in 2014. According recent
statistics in the first half of 2014, the expenses for advertisements of Vinamilk is about VND 462 billion (~US$ 21.7 million, Bloomberg, 2014) and occupies one-fourth in total cost of sales (Khang, 2014).

**Brand attached to the community**

Besides focusing on the advertising strategies, Vinamilk also perceives the importance of actions that bring sustainable values to the society and the community. For that reason, many meaningful social activities have been proceeded, the most typical ones are: the Scholarship Fund “Vinamilk - Nurturing Vietnamese young talent”, the “Vietnam Never Stops Growing” Milk Fund, and the “One million green trees for Vietnam” fund.

- **The Scholarship Fund “Vinamilk - Nurturing Vietnamese young talent”**

Vinamilk initiated the Scholarship Fund under the approval of the Ministry of Education and Training from the school year 2002 – 2003. After one decade, at present the Fund is covering 63 provinces and cities across the country compared to only 30 ones in the first days. The Fund has totally given more than 34 000 scholarship to elementary school pupils who have excellent results and desire for overcoming difficulties in their study. (Vinamilk, 2014)

- **The “Vietnam Never Stops Growing” Milk Fund**

Vietnam Children Support Fund under Ministry of Labour, War Invalids and Social Welfare established the “Vietnam Never Stops Growing” Milk Fund in 2008 in collaboration with Vinamilk. The purpose was to support the children in difficult circumstances by directly giving nutritious milk to the needy children to offer them more comprehensive development in both physics and intelligence. In 2013, despite the difficult economy, the Milk Fund still continued implementing its mission by giving milk with the total value of VND 6 billion (~US$ 281 700, Bloomberg, 2014). Furthermore, in December 2013, the last milk gifting ceremony was held, marking its successful 5-year journey. Totally, there was 286 000 needy children had joined and received over 20 million glasses of milk, which valued VND 75 billion (~US$ 3.5 million, Bloomberg, 2014), given by the Milk Fund. All this quantity of milk was
directly transferred to the centers for orphans and disable children and the social protection centers in 58 provinces and cities across the country by the Vietnam Children Support Fund and Vinamilk. From that, the kids could use continuously liquid milk within 3 months and powdered milk within 2 months. (Vinamilk, 2014)

**The “One million green trees for Vietnam” Fund**

The Vietnam Environment Administration (VEA) and Vfresh - a brand name of Vinamilk, found the Fund in 2012. By 2013, there have been nearly 87 000 trees planted. The major planting areas are highways, provincial areas, fishing ports, resettlement areas, memorial parks, pagodas, and schools, etc. (Vinamilk, 2014). In addition, the representative of the Executive Program has shared that the fund was co-operated to realize the socializing advocates of conserving environment, especially to promote the cultivation, management, and protection of trees (Linh, 2014). Until now, the Fund has continued planting more and more green trees and will keep this activity continuously in the future (Vinamilk, 2014)

Besides these typical social activities, Vinamilk has also participated in others such as:

- Spending VND 1.3 billion (in cash) (~US$ 61 047, Bloomberg, 2014) to pay visits and directly give gifts to the people who suffered from consequences of Storm no.10 in Quang Tri, Quang Binh, Nghe An, and Thanh Hoa provinces.
- Financing VND 500 million to the Poor Patient Support Funds to conduct heart surgeries for children with defective hearts. This activity has been maintained for over 10 years with the supporting amount of more than VND 2.7 billion (~US$ 126 790, Bloomberg, 2014) so far.
- Establishing health and nutrition consulting centers across the country to annually examine thousands of primary school and malnourished children, and provide them free milk as well. (Vinamilk, 2014)

**5.2 Descriptive survey**

A survey was conducted to obtain the opinion towards Vinamilk in consumer perspective. The questionnaire in the survey was composed and designed in the manner
that according with the marketing mix literature regarding the 4Ps (product, price, place, promotion). The questionnaire included 14 questions in total, in which there were 4 background questions. Vietnamese was used as the language of this survey since the research target was consumers who living in Vietnam, specifically, in Ho Chi Minh City. The survey was sent out by emails and private messages on Facebook and the responses were collected after 15 days, from October 12, 2014 to October 26, 2014. On the day of collecting responses, there were 111 respondents answered the questionnaire.

Due to the nature of each question in the questionnaire, corresponding formulas and statistical tests were made to conduct the inferences for the survey.

❖ **Question 1 - 2 - 3 - 5 - 6 - 9 - 11 - 12 - 13**

The response rates in each question were calculated by the formula:

\[
\text{The response rate} = \frac{\text{Number of responses}}{\text{Number of total responses}} \times 100\%
\]

❖ **Question 4 - 7 - 10**

As the values in each of these three questions were taken in a measurement scale of 1 - 5, hence, the comparisons between values were made to conduct the inferences. The author utilized SPSS Statistics (See Glossary) and the function of “Descriptive” in this program to calculate the mean of each value.

Besides, in order to test for difference between two independent variables, which were “male” and “female” in this case, the “Independent-samples T-test” method was used. The measures that had been calculated were presented in the specific tables (Appendix 4). These measures include:

- **Mean**: the average of the values divided by the number of values.
- **Maximum**: the largest/highest value in a data set.
- **Minimum**: the smallest/lowest value in a data set.
- **Standard deviation**: how close the values are centered around the mean value.
Then, those data were illustrated under bar charts to give the comparisons.

**Question 8 -14**

In these two questions, the respondents could answer more than one options, so the author utilized the function of “Frequencies” for multiple response in SPSS to calculate the number of times a certain value appeared. After calculating the frequency of each value (presented in specific tables - Appendix 5), the data were demonstrated under suitable charts.

**Respondents’ background information**

The survey aimed at consumers living in Ho Chi Minh City, above 14 years old, and already experienced in using Vinamilk’s product. In the responses received, there were 67.6 percent of female, and 44.4 percent of male (Figure 11). The background information is demonstrated from figures 11 - 14 below.

![Figure 11. Question 1: Demonstration of respondents' sexes](image)

The consumers who are in the age of 14 – 24 occupied the majority with 88.79 percent, and following up the group age of 25 – 34 accounted for 16.15 percent (Figure 12).
The occupations of respondents were divided into 5 groups: students (59.53 percent), employees (27.24 percent), entrepreneurs (10.9 percent), freelancers (6.6 percent) and the group of other jobs (9.8 percent) (Figure 13).

Among 111 respondents, only 1 people were not experienced in using Vinamilk’s products, accounted for 1.1 percent, while the rest of respondents were already used the Company products before (67.6 percent) or currently using (43.39 percent) (Figure 14).
Factors influence the purchasing decision

In question 4, the respondents were asked to rank the factors that influence their purchasing decision regarding milk products on the scale of “1” as “very unimportant”, “2” as “unimportant”, “3” as “relatively important”, “4” as “important”, and “5” as “very important”.

In the respondents’ point of view, generally, the means of these factors are all slightly or considerable above “3 - relatively important”. Specifically, the factor of good quality is considered the most important in their purchasing decision. The less important factors are well-known brand, price, easy to find for buying, catchy and easy-to-use package design, varieties of tastes, and recommendations from relatives or friends, in the order of descending.
When comparing the opinions between male and female in terms of these factors, the one of good quality is still considered the most crucial by both. The noticeable difference is while men considered the factor of “varieties of tastes” is more important, women preferred “recommendations from relatives or friends”.

The popular means of advertisements

In question 6, the respondents were asked about the main means of advertisements by which they known about Vinamilk’s products. The options included advertisements on television/newspapers, outdoor advertisements, recommendations from relatives or
friends, Internet, and other means. The most popular mean was the option of advertisements on television/newspapers with 86.78 percent. The following means were outdoor advertisements (16.14 percent), other means (5.5 percent), and recommendations from relatives or friends (3.3 percent) (Figure 17). There was no respondent choosing Internet as the main mean of advertisement by which they known about Vinamilk’s products.

![Pie chart showing the distribution of means used for advertising Vinamilk's products](image)

*Figure 17. Question 6: Vinamilk's popular means of advertisements in respondents' opinions*

**Frequencies of using Vinamilk’s products**

In question 7, the list of Vinamilk’s products was presented and the respondents were asked to rank their frequencies of using these products in the scale of “1” as “never”, “2” as “seldom”, “3” as “sometimes”, “4” as “often”, and “5” as “very often”. The result showed that the products of 100% Fresh Milk, yoghurt, and sweetened condensed milk are used much frequent than the others in descending order. This can be explained as these products of Vinamilk are currently occupying the majorities of Vietnam’s dairy market share. The products of powdered milk and nutrition powder are used least frequent since this product line mainly focus the consumers who excluded in the target groups of this survey. They are infants, children, pregnant and breast-feeding women, elders, and other consumers with special needs.
Comparing the product choice between two sexes, in the top three products that frequently used (100% fresh milk, sweetened condensed milk, and yoghurt), women’s results are all higher than men’s. This can be explained as female is usually go shopping than male, so the uses might be more frequent. The other noticeable differences occur in the uses of UHT milk fortified with micronutrients, “Dairy Nutrition” UHT Milk, PET bottled beverage, and soymilk. Men prefer two products of UHT milk, and PET bottled beverage than women. Meanwhile, women prefer soymilk than men as this is supposed concerning the beauty-care issue.
Places to buy Vinamilk’s products

Question 8 asked respondents about places that they usually buy their needed Vinamilk’s products from. The answers were supermarkets, grocery stores, convenient stores, official stores or distributors, and milk stores. There were 83.6 percent of respondents buying from supermarkets, and 60 percent buying from grocery stores. The choices of convenient stores, official stores or distributors, and milk stores were in descending order with 29.1 percent, 25.5 percent, and 18.2 percent respectively.

![Figure 20. Question 8: Places that respondents usually buy Vinamilk's products](image)

Opinions towards Vinamilk’s product prices

Question 9 of the questionnaire was composed in order to know the respondents’ opinions towards Vinamilk’s product prices. The given options were: very cheap, cheap, suitable, expensive, and very expensive. The answer of suitable accounted the majority of total responses with 87.79 percent. 13.12 percent of the respondents thought that Vinamilk’s product prices were expensive. The opinions of very expensive accounted for 4.4 percent, cheap 4.3 percent, and very cheap 2.2 percent.
Evaluations towards Vinamilk’s product packages

Package design is an important sector of product strategies, so the question 10 was composed to investigate the consumers’ evaluations towards this issue. The respondents were asked to rank the level of agreement in terms of given features of Vinamilk’s product packages in the scale of “1” as “totally disagree”, “2” as “disagree”, “3” as “no comment”, “4” as “agree”, and “5” as “totally agree”. In general, the result in Figure 22 showed that the agreement of respondents towards given features of Vinamilk’s product packages is pretty positive as all given features were evaluated above average level. The feature of “company’s brand is easily recognized” was mostly agreed and “packages’ materials are safe and friendly with environment” was agreed at lowest level.
Concerning the evaluations between men and women, there were only slight differences between two sexes. Both male and female mostly and equally agreed with the feature of “company’s brand is easily recognized”. The agreement levels of female were generally higher than male in 4 over 7 features included: “catchy package designs”, detailed ingredients on labels”, products’ capacity is appropriate with using purposes”, and “packages’ material are safe and friendly with environment”. Meanwhile, male’s agreement levels in terms of “clear instruction for use on labels” and “easy-to-use package designs” were higher than female.

![Figure 23. Question 10: Respondents' evaluations towards Vinamilk's product packages in terms of sex](image)

**Evaluations regarding impressive levels of Vinamilk’s advertisements**

In question 11, the respondents’ evaluations towards impressive levels of Vinamilk’s advertisements were asked. In the response form, the evaluation of “impressive” occupied the highest with the choices of 53 people, accounted for 53.48 percent in total responses. Meanwhile, there were 13 people evaluated as “very impressive” (13.12 percent), 37 people evaluated as “average” (37.34 percent), 6 people evaluated as “unimpressive” (6.5 percent), and only 1 people evaluated as “very unimpressive” (1.1 percent). As mentioned, Vinamilk has highly invested in the advertising sector, but the result of this survey showed that the impression of the Company’s advertisements was not actually evaluated at high level.
Reasons to choose Vinamilk’s products

Question 12 in the questionnaire asked respondents about the main reason that pushing them to shop for Vinamilk’s products. In result form, the reason of “prestigious company name” were mostly selected by 58 respondents, occupied 58.53 percent. There were 20 people selected “delicious tastes”, accounted for 20.18 percent. 15 and 12 people were affected by “suitable prices” and “easy to find for buying” respectively. “Catchy and easy-to-use package design” affected 3 people (3.3 percent), and “attractive promotions” was only chosen by 2 people (2.2 percent).
**Satisfaction levels after using Vinamilk’s products**

In question 13, the satisfaction levels of respondents after using Vinamilk’s products were surveyed. Major respondents answered that they were “satisfied” with 80.73 percent in total. There were 16.14 percent of respondents who gave “no comment”. 11.10 percent of respondents were happy after using Vinamilk’s products as they chose “very satisfied”. Only 3.3 percent of respondents were “unsatisfied” and there were no one who were “very unsatisfied” with the Company’s products.

![Satisfaction levels chart](image)

*Figure 26. Question 13: Respondents' satisfaction levels after using Vinamilk's products*

**Popularity of Vinamilk’s typical social activities**

The last question’s content of the questionnaire was in terms of the popularity of Vinamilk's typical social activities. According to respondents of this survey, the most popular social activity of Vinamilk was the Scholarship Fund “Vinamilk Nurturing Vietnamese young talent”, which was chosen by 60 people (55 percent). There were 33 people (30.3 percent) knew about the “Vietnam Never Stops Growing” Milk Fund. Meanwhile, the “One million green trees for Vietnam” was popular to 37 respondents (33.9 percent). However, there were also 27 people (24.8 percent) who participated in the survey knew none of mentioned social activities.
6 DISCUSSION

6.1 Vinamilk’s obstacles

Product

With the aims of always bringing high quality products to consumers, Vinamilk has flexibly applied and adjusted the product strategies regarding: branding, diversifications of product line, package design, high quality product, improvements on manufacturing technology, as well as research and development new products.

In recent years, Vinamilk has developed and introduced the new products, which fulfill the special needs of particular groups of consumers. For instance, the products for stabilizing blood sugar, dieting, for people with lactose intolerance issues, etc. As the foreign milk products, which provided for such purposes are quite expensive, the opportunities for Vinamilk to widen its market in this field are significant. Furthermore, Vinamilk also positively invests in innovating the product package designs as the expense that Vinamilk has to pay for every time changing package design is usually about 10 percent over total cost (Chau, 2007). This is not a small amount, but the
satisfactions of consumers as well as the significant increase in turnover are the convincing proofs for this sound strategy.

In the competition in terms of products’ market share, besides the leading positions of liquid milk, yoghurt, and sweetened condensed milk products, Vinamilk still faces many difficulties in powdered milk sector. In 2013, the powdered milk products of Vinamilk only accounted for around 15 percent in total market share, while Mead Johnson Nutrition was ranked at the first position with approximately 35 percent (Vietnam Research Team, 2014). This is due to the trend of preferring foreign powdered milk of Vietnamese consumers as those products are supposed to be higher quality.

**Price**

Due to the difficulties of economy in recent years, Vinamilk has to face many challenges to adjust its pricing strategies properly. Even though the Company is the leader of the domestic market in several product lines (e.g. liquid milk, yoghurt, and sweetened condensed milk), Vinamilk still sets its products in the competitive prices. In that sense, the pricing strategies of Vinamilk are not only ensuring the profit for the Company, but also maintaining the purchasing ability of consumers.

As mentioned, Vinamilk had participated in the commitment of stabilizing prices for some products (liquid milk, powdered milk for children, elders, and patients) from April 2012. Nevertheless, after one year maintaining stable prices in tries, Vinamilk forced to increase in sales prices of some product groups. This was done to offset partly the costs of imported raw materials, which is one of the biggest pressures of Vinamilk’s manufacturing costs (Anh, 2013). Though, in the Annual General Meeting of Shareholders 2014, Ms. Mai stated that instead of increasing 11 percent for offsetting, Vinamilk only raised 6 percent in product prices. This also partly involved in the strategy of holding market share of Vinamilk (Vinh, 2014).

In addition, from the beginning of June 2014, the policy of setting ceiling prices of 25 product types for children from 0 - 6 years of age has been applied by the Vietnamese Ministry of Finance (Ngoc, 2014). This policy has led to the decrease in prices of both foreign and domestic products. The problem occurs when Vinamilk has to suffer
reducing prices at the same level while Vinamilk’s product quality is equal with that of foreign brands, but the Company’s current prices of these lines are lower till 40 - 50 percent. This is predicted that Vinamilk will have to face difficulties in adjusting its pricing strategies. Simultaneously, the total revenue and profit of the Company in this sector will be significantly affected.

Place

As presented, Vinamilk owns a wide distribution system in Vietnam, so this brings the notable advantages for the Company. The most important factor that supporting for Vinamilk’s domestic selling system is the distribution of 13 factories located across the country. Thanks to this, the products can be delivered to the distribution points in the shortest time, saving significant delivering time and distribution costs for Vinamilk.

Nevertheless, in the negative side, Vinamilk also faces varieties of problems in managing such a large amount of retailers. For instance, the Company will meet difficulties in: managing inventories and sales amount of the retailers, debt collecting, managing sales staff, and so on. In that circumstance, the solution of applying the online sales system that provided by Viettel Mobile, has solved most of the problems. Though, the remaining drawbacks of the distribution system are still needed to pay attention to such as there are many retailers located in the remote or small residential areas, and the amount and location of retailers are usually change.

Promotion

As one of the largest enterprises in the field of consumer goods, Vinamilk has done many promotional strategies in terms of advertising and social activities. With the purpose of building the Company’s brand that attaches to the community, Vinamilk has implemented its missions very well. This is proven by varieties of successful social activities, in which Vinamilk has accompanied with the government agencies and social organizations. Through those social activities, there are many people who have difficult circumstances, have been supported. Concurrently, the awareness and responsibility of people to the community are also improved.
In advertising perspective, as mentioned, Vinamilk has seriously focused on this sector by investing a large amount of expense, which taking till one-fourth in total costs of sales. According to Ms. Mai, highly investing in advertisements can cause the reduction in Vinamilk’s profit, but in the current circumstance where the competitions between milk brands are more and more drastic, the Company still has to accept this issue to hold its market share (Vinh, 2014).

6.2 Summary of respondents’ opinions towards Vinamilk

Within the scale of this survey, which focuses on young people of Vietnamese consumers, it can be seen that the purchasing decision of respondents in terms of milk products is strongly affected by the factors of: good quality products, well-known brand, and prices. The familiarity of Vinamilk towards Vietnamese consumers is also obvious, since there was only 1 people have never used any Vinamilk’s product among total 111 respondents who answered the questionnaire. In addition, “prestigious company image” is the main reason that Vietnamese consumers choose Vinamilk’s products from their demands of using dairy products.

The top three products of Vinamilk that used most frequently are: 100% fresh milk, yoghurt, and sweetened condensed milk. These are the core products of Vinamilk, which leading the Vietnam’s dairy market share. The given features of Vinamilk products regarding package designs also received the positive evaluations from consumers, such as: company’s brand is easy to recognized, easy-to-use package designs, detailed ingredients and clear instruction for use on the labels, etc.

Vinamilk’s product prices were evaluated as “suitable” by the majority of consumers participated in the survey, and they mainly prefer shopping for Vinamilk’s products in supermarkets than in grocery stores. As a result, even though the revenue earned from this distribution channel only occupies 20 percent in total, but it still have opportunities to grow.

Advertisements on television or newspapers are considered the most popular mean that delivering the perception of the Company’s brand to consumers. In addition, the
contents of the advertisements were evaluated in the range of “average - impressive - very impressive” by most of consumers answered the questionnaire as well. Nevertheless, Vinamilk should consider develop the advertisements on Internet as there was none of people know Vinamilk through this type of means. In other facet, the typical social activities of Vinamilk are also pretty familiar with the consumers in Vietnam as most of respondents had knowledge about the Company’s social activities.

Finally, after experiencing Vinamilk’s products, “very satisfied” and “satisfied” were the most common feeling of consumers in Vietnam. However, there were few consumers gave “no comment”, and the feeling of “unsatisfied” still existed. The Company should consider organizing more frequently the occasions that the unsatisfied consumers can be able to give their feedbacks.

6.3 Vinamilk – success by applying the marketing mix 4Ps

After over 36 years being established, Vinamilk has step-by-step grown and developed. In the market share of Vietnam’s dairy, Vinamilk is the leader in liquid milk, yoghurt, and sweetened condensed milk, which are the core milk products in the dairy industry. Vinamilk’s product packages are innovated and being evaluated as good designs by many consumers. Moreover, even though being in the leading position, Vinamilk still set its product prices competitively instead of high price. Its prices are also accepted as suitable by majority of Vietnamese consumers. In addition, Vinamilk owns a largest distribution network and also being the pioneer in applying the online distribution system in Vietnamese dairy market. Last but not least, Vinamilk always pays attention to build the good images for the Company by accompanying with many organizations in the social activities that attaching to community. Briefly, applying the marketing mix 4Ps in proper ways has played an important role in making Vinamilk becomes the leading dairy enterprise in Vietnam, as well as gained many desired achievements that could not be done easily by any company.
7 CONCLUSION

The concepts of marketing mix 4Ps have been applied widely into many organizations since they were introduced. From the original 4Ps, there have been more “Ps” being researched and utilizing. Nevertheless, the efficiencies that the original marketing mix 4Ps brings to corporations are undeniable. In addition, the dairy industry in Vietnam is considered still young comparing to the dairy industry in the European countries and others in area. However, the demands of Vietnamese consumers in this field have strongly increased in recent decades. Consequently, the opportunities for dairy producer are varied. The growth and development of Vinamilk especially in Vietnamese market have become the ideal example for any following company in domestic. However, there are still existences of obstacles, which the Company has to solve and overcome.

Based on the data collected from different sources, the achievements, which Vinamilk has gained by applying the marketing mix 4Ps, were presented. Concurrently, the opinions of consumers towards Vinamilk were summarized and several difficulties of the Company in this field were also mentioned. Lastly, an in-depth interview method is highly recommended for the later research in similar topic. The aim is to approach the issues from the Company’s insights so that the problems could be deeply and completely clarified.
REFERENCES


APPENDICES

Appendix 1

*Major Store Retailer Types (Kotler and Armstrong, 2014, p.398)*

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty store</td>
<td>A store that carries a narrow product line with a deep assortment, such as apparel stores, sporting-goods stores, furniture stores, florists, and bookstores.</td>
</tr>
<tr>
<td>Department store</td>
<td>A store that carries several product lines – typical clothing, home furnishings, and household goods – with each line operates as a separate department managed by specialist buyers or merchandisers.</td>
</tr>
<tr>
<td>Supermarket</td>
<td>A relatively large, low-cost, low-margin, high-volume, self-service operation designed to serve the consumer’s total needs for grocery and household products.</td>
</tr>
<tr>
<td>Convenience store</td>
<td>A relatively small store located near residential areas, open long hours seven days a week, and carrying a limited line of high-turnover convenience products at slightly higher prices.</td>
</tr>
<tr>
<td>Discount store</td>
<td>A store that carries standard merchandise sold at lower prices with lower margins and higher volumes.</td>
</tr>
<tr>
<td>Off-price retailer</td>
<td>A store that sells merchandise bought at less-than-regular wholesale prices and sold at less than retail. These include factory outlets owned and operated by manufacturers; independent off-price retailers owned and run by entrepreneurs or by divisions of larger retail corporations; and warehouse (or wholesale) clubs selling a limited selection of goods at deep discounts to consumers who pay membership fees.</td>
</tr>
<tr>
<td>Superstore</td>
<td>A very large store that meets consumers’ total needs for routinely purchased food and nonfood items. This includes supercenters, combined supermarket and discount stores, and category killers, which carry a deep assortment in a particular category.</td>
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</tbody>
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Appendix 2

Major Types of Wholesalers (Kotler and Armstrong, 2014, p.416)

<table>
<thead>
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<td>Merchant wholesalers</td>
<td>Independent owned businesses that take title to all merchandise handled.</td>
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<tr>
<td>Brokers and agents</td>
<td>Do not take title to goods. Main function is to facilitate buying and selling, for which they earn a commission on the selling price. Generally specialize by product line or customer type.</td>
</tr>
<tr>
<td>Manufacturers’ and retailers’ branches and offices</td>
<td>Wholesaling operations conducted by sellers or buyers themselves rather than operating through independent wholesalers. Separate branches and offices can be dedicated to either sales or purchasing.</td>
</tr>
</tbody>
</table>
Appendix 3

Survey form

Khảo sát cảm nhận và đánh giá về Vinamilk tại khu vực Thành phố Hồ Chí Minh

1. Giới tính của bạn:
   ○ Nam
   ○ Nữ

2. Bạn ở trong độ tuổi nào?
   ○ Dưới 14
   ○ 14 – 24
   ○ 25 – 34
   ○ 35 – 44
   ○ Trên 44

3. Nghề nghiệp của bạn?
   ○ Học sinh – sinh viên
   ○ Công nhân viên chức
   ○ Kinh doanh
   ○ Lao động tự do
   ○ Khác

4. Khi chọn mua một sản phẩm từ sữa, những tiêu chí sau đây ảnh hưởng đến quyết định mua của bạn như thế nào?

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<th>Tương đối quan trọng</th>
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5. Bạn đã từng sử dụng sản phẩm nào của Vinamilk chưa?
   - Chưa từng dùng
   - Đã dùng
   - ĐANG ĐANG DÙNG
   - Sẽ dùng

6. Bạn biết đến các sản phẩm của Vinamilk chủ yếu qua phương tiện nào?
   - Quấy cáo trên TV, báo chí
   - Quấy cáo ngoài trời (poster, áp phích, pano, đèn led…)
   - Giới thiệu từ người thân, bạn bè
   - Internet
   - Phương tiện khác

7. Mức độ sử dụng các sản phẩm Vinamilk sau đây của bạn như thế nào?

<table>
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<tr>
<th>Sản phẩm</th>
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<th>Thỉnh thoảng dùng</th>
<th>Hiếm khi dùng</th>
<th>Chưa bao giờ dùng</th>
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8. Bạn thường mua các sản phẩm của Vinamilk ở đâu?
(Bạn có thể chọn một hoặc nhiều đáp án)
   - Siêu thị
   - Cửa hàng tạp hóa
   - Cửa hàng tiện lợi
   - Cửa hàng hoặc đại lý chính hãng
   - Cửa hàng chuyên về các sản phẩm từ sữa

9. Bạn cảm thấy giá cả các sản phẩm của Vinamilk như thế nào?
   - Rất rẻ
   - Rẻ
   - Hợp lý
   - Mắc
   - Rắt mắc

10. Bạn đánh giá thế nào về các đặc điểm của bao bì những sản phẩm của Vinamilk?

<table>
<thead>
<tr>
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<th>Không có ý kiến</th>
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<th>Hoàn toàn không đồng ý</th>
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<td>Chất liệu an toàn, thân thiện với môi trường</td>
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11. Bạn cảm thấy các quảng cáo của Vinamilk cho những sản phẩm như thế nào?
   - Rất ấn tượng
   - ấn tượng
   - Bình thường
   - Không ấn tượng
   - Rất không ấn tượng
12. Lý do chủ yếu để bạn chọn mua các sản phẩm của Vinamilk là gì?
   - Hương vị ngon
   - Mẫu mã và bao bì bắt mắt, tiện lợi để sử dụng
   - Giá cả hợp lí
   - Dễ dàng để tìm mua
   - Thương hiệu đáng tin cậy
   - Quảng cáo thu hút

13. Mục đích hài lòng của bạn về các sản phẩm của Vinamilk mà bạn đã dùng như thế nào?
   - Rất hài lòng
   - Hài lòng
   - Không có ý kiến
   - Không hài lòng
   - Rất không hài lòng

14. Các hoạt động công đồng nào sau đây của Vinamilk mà bạn có biết hoặc nghe nói đến?
   (Bạn có thể chọn một hoặc nhiều đáp án, nếu bạn chọn “Khác” vui lòng kể tên hoạt động mà bạn biết)
   - Quỹ học bổng “Vinamilk – Ươm mầm tài năng trẻ Việt Nam”
   - Chương trình “Quỹ sữa Vươn Cao Việt Nam”
   - Chương trình “Quỹ 1 triệu cây xanh cho Việt Nam”
   - Không biết hoạt động nào
   - Khác
Appendix 4

Statistical tests - Question 4

Descriptive statistics of factors influence respondents’ purchasing decisions

<table>
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<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tr>
<td>Well-known brand</td>
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<td>Price</td>
<td>111</td>
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<td>5</td>
<td>3.96</td>
<td>.852</td>
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<tr>
<td>Good quality</td>
<td>111</td>
<td>3</td>
<td>5</td>
<td>4.78</td>
<td>.435</td>
</tr>
<tr>
<td>Catchy and easy-to-use package design</td>
<td>111</td>
<td>1</td>
<td>5</td>
<td>3.31</td>
<td>.932</td>
</tr>
<tr>
<td>Varieties of tastes</td>
<td>111</td>
<td>1</td>
<td>5</td>
<td>3.14</td>
<td>.977</td>
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<tr>
<td>Easy to find for buying</td>
<td>111</td>
<td>1</td>
<td>5</td>
<td>3.70</td>
<td>.920</td>
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<td>Recommendations from relatives or friends</td>
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<td>5</td>
<td>3.14</td>
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*N: the number of total responses

Statistics of factors influence respondents’ purchasing decisions in terms of sex

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<th>N</th>
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<th>Std. Deviation</th>
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<tbody>
<tr>
<td>Well-known brand</td>
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<td>4.05</td>
<td>.925</td>
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<td>Price</td>
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<td>4.07</td>
<td>.961</td>
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<td>Good quality</td>
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<td>4.77</td>
<td>.480</td>
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<td>68</td>
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<td>.407</td>
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<td>Catchy and easy-to-use package design</td>
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<td>Varieties of tastes</td>
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<td>3.33</td>
<td>.969</td>
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<td>.970</td>
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<td>Easy to find for buying</td>
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<td>3.15</td>
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*0: Male; 1: Female
### Statistical tests - Question 7

*Descriptive statistics of respondents' frequencies of using Vinamilk's products*

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<tr>
<th>Product</th>
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<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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</thead>
<tbody>
<tr>
<td>Milk powdered</td>
<td>110</td>
<td>1</td>
<td>5</td>
<td>1.51</td>
<td>.936</td>
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<td>Nutrition powdered</td>
<td>110</td>
<td>1</td>
<td>5</td>
<td>1.38</td>
<td>.790</td>
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<td>Sweetened condensed milk</td>
<td>110</td>
<td>1</td>
<td>5</td>
<td>3.81</td>
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<tr>
<td>100% fresh milk</td>
<td>110</td>
<td>1</td>
<td>5</td>
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<td>.889</td>
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<td>UHT milk fortified with micronutrients</td>
<td>110</td>
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<td>5</td>
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<td>“Daily Nutrition” UHT Milk</td>
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*N: the number of total responses*
Statistics of respondents’ frequencies of using Vinamilk’s products in terms of sex

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<td>100% fresh milk</td>
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*0: Male; 1: Female
### Descriptive statistics of respondents’ evaluations towards Vinamilk’s product packages

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<th>Minimum</th>
<th>Maximum</th>
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<td>Catchy package designs</td>
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<td>Company’s brand is easily recognized</td>
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<td>5</td>
<td>3.86</td>
<td>.628</td>
</tr>
<tr>
<td>Clear instruction for use on labels</td>
<td>110</td>
<td>2</td>
<td>5</td>
<td>3.76</td>
<td>.729</td>
</tr>
<tr>
<td>Product’s capacity is appropriate with using purposes</td>
<td>110</td>
<td>1</td>
<td>5</td>
<td>3.74</td>
<td>.809</td>
</tr>
<tr>
<td>Easy-to-use package designs</td>
<td>110</td>
<td>2</td>
<td>5</td>
<td>3.92</td>
<td>.651</td>
</tr>
<tr>
<td>Packages’ materials are safe &amp; friendly with environment</td>
<td>110</td>
<td>1</td>
<td>5</td>
<td>3.49</td>
<td>.832</td>
</tr>
</tbody>
</table>

*Valid N: 110

*N: the number of total responses

### Statistics of respondents’ evaluations towards Vinamilk’s product packages in terms of sex

<table>
<thead>
<tr>
<th></th>
<th>Sex</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catchy package designs</td>
<td>0</td>
<td>42</td>
<td>3.60</td>
<td>.828</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.66</td>
<td>.765</td>
</tr>
<tr>
<td>Company’s brand is easily recognized</td>
<td>0</td>
<td>42</td>
<td>4.10</td>
<td>.532</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>4.10</td>
<td>.550</td>
</tr>
<tr>
<td>Detailed ingredients on labels</td>
<td>0</td>
<td>42</td>
<td>3.79</td>
<td>.682</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.91</td>
<td>.592</td>
</tr>
<tr>
<td>Clear instruction for use on labels</td>
<td>0</td>
<td>42</td>
<td>3.79</td>
<td>.750</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.75</td>
<td>.720</td>
</tr>
<tr>
<td>Product’s capacity is appropriate with using purposes</td>
<td>0</td>
<td>42</td>
<td>3.69</td>
<td>.950</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.76</td>
<td>.715</td>
</tr>
<tr>
<td>Easy-to-use package designs</td>
<td>0</td>
<td>42</td>
<td>3.95</td>
<td>.623</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.90</td>
<td>.672</td>
</tr>
<tr>
<td>Packages’ materials are safe &amp; friendly with environment</td>
<td>0</td>
<td>42</td>
<td>3.45</td>
<td>.832</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>68</td>
<td>3.51</td>
<td>.837</td>
</tr>
</tbody>
</table>

*0: Male; 1: Female
Appendix 5

Statistical test - Question 8

Statistics of places that respondents usually shop for Vinamilk’s products

<table>
<thead>
<tr>
<th>Places</th>
<th>Responses</th>
<th>N</th>
<th>Percent</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td></td>
<td>92</td>
<td>38.7%</td>
<td>83.6%</td>
</tr>
<tr>
<td>Grocery stores</td>
<td></td>
<td>66</td>
<td>27.7%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Convenient stores</td>
<td></td>
<td>32</td>
<td>13.4%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Official stores or distributors</td>
<td></td>
<td>28</td>
<td>11.8%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Milk stores</td>
<td></td>
<td>20</td>
<td>8.4%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>238</td>
<td>100.0%</td>
<td>216.4%</td>
</tr>
</tbody>
</table>

*N: the number of responses

Statistical test - Question 14

Statistics of popularity of Vinamilk’s typical social activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Responses</th>
<th>N</th>
<th>Percent</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Scholarship Fund “Vinamilk - Nurturing Vietnamese young talent”</td>
<td></td>
<td>60</td>
<td>38.0%</td>
<td>54.5%</td>
</tr>
<tr>
<td>The “Vietnam Never Stops Growing” Milk Fund</td>
<td></td>
<td>33</td>
<td>20.9%</td>
<td>30.0%</td>
</tr>
<tr>
<td>The “One million green trees for Vietnam” Fund</td>
<td></td>
<td>37</td>
<td>23.4%</td>
<td>33.6%</td>
</tr>
<tr>
<td>Do not know any activity</td>
<td></td>
<td>28</td>
<td>17.7%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>158</td>
<td>100.0%</td>
<td>143.6%</td>
</tr>
</tbody>
</table>

*N: the number of responses