

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Bachelor Thesis

Summary

Marketing Analysis of Selected Company

Vietnamese Dairy Company Vinamilk

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Huyen Linh Pham

Business Administration

Thesis title

Marketing analysis of selected company – Vietnamese dairy company Vinamilk

Objectives of thesis

This thesis will provide a basic understanding of marketing concepts and marketing analysis.

The main objective of this thesis is to analyze the marketing management and marketing strategies of the Vietnamese dairy company "Vinamilk", as well as related fields in the dairy industry.

Additionally, this work will focus on how marketing operations and strategies are carried out as well as its effects on the brand development of Vinamilk – not only in the domestic market, but also in foreign markets.

Finally, data and analyses are used to make recommendations on how to improve the marketing strategy and build appropriate strategies for targeting foreign markets.

Methodology

The main methodology aimed for this study is document study method. The theoretical part mostly presents the general concepts of marketing management and marketing analysis. It also introduces marketing situation analysis tools and several relevant methods such as SWOT, PEST, Porter's five forces, and marketing mix. The practical part summarizes overviews of not only the chosen company Vinamilk but also the Vietnamese dairy industry. Secondary data are main sources of information used to analyze the firm by the method introduced in the theoretical part.

Finally, the analysis from practical section are discussed and used to make recommendations for the future operation of Vinamilk with the aim to extend its brand awareness in foreign market

The proposed extent of the thesis

40 – 60 pages

Keywords

Vinamilk, Marketing, Strategy, 4Ps, Consumers awareness, STP strategies, Marketing mix

Recommended information sources

<https://www.vinamilk.com.vn/en/ve-cong-ty>

<http://www.marketing91.com/bcg-matrix/>

<http://www.marketing91.com/product-life-cycle/>

<http://www.marketing91.com/situation-analysis/>

KOTLER, P. – KELLER, K.L. *Marketing management*. Upper Saddle River: Pearson Prentice Hall, 2012. ISBN 978-0-13-600998-6.

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Declaration

I declare that I have worked on my bachelor thesis titled “Marketing analysis of selected company – Vietnamese dairy company Vinamilk” by myself and I have used only the sources mentioned at the end of the thesis.

Prague 14. 02. 2017

Huyen Linh Pham

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Marketing analysis of a selected company-

Vietnamese Dairy Company Vinamilk

Marketingová analýza vybrané společnosti

Vietnamská mlékárenská společnost Vinamilk

Marketing analysis of a selected company-

Vietnamese Dairy Company Vinamilk

Summary

This bachelor thesis will research about marketing analysis. its features and individual steps display in the Vietnam Dairy Products Joint Stock Company (Vinamilk). The aim of this thesis is describe the importance factors as well as internal environment and external environment with the objectives of the company.

Firstly, the theoretical part will explain marketing on general and also concentrate on individual marketing concepts. There will be explanation of term strategic management and how it is important to analyze for the company and identify the characteristic of marketing in the dairy market.

The practical part will focus on information of the Vinamilk company, which followed by the theoretical of marketing analysis of company. This will analysis external environment by using the PEST analysis and porter's five forces analysis, then internal environment by using marketing mix and definition of term strategic management as vision, mission. Moreover this thesis will use SWOT analysis to focus opportunities, threats, strengths and weakness of company.

Keywords Vinamilk, Marketing, Strategy, 4Ps, Consumers awareness, STP strategies, Marketing mix.

Marketingová analýza vybrané společnosti

Vietnamská mlékárenská společnost Vinamilk

Souhrn

Tato práce bude zkoumat o marketingové analýzy, Jeho vlastnosti a jednotlivé kroky ve vietnamské akciové mlékárenské společnosti (Vinamilk). Cílem této práce je popsat důležité faktory jakož interní prostředí, externí prostředí s cíli společnosti.

Poprvé, teoretická část vysvětluje obecný marketing i soustředit se na jednotlivých marketingových konceptů. K dispozici bude vysvětlení pojmu strategického řízení a jak je důležité pro analýzu společnosti a identifikovat charakteristiky marketingu na mléčných výrobcích.

Praktická část se bude zaměřit na informace o společnosti Vinamilk, který následuje teoretická marketingu analýza společnosti. Externí prostředí bude analyzovat pomocí analýzy PEST a analýzy pěti sil Porter, pak interní prostředí pomocí marketingový mix a definici pojmu strategického řízení jako vize, mise. Navíc tato práce bude používat SWOT analýzu aby mohl zaměřit příležitosti, hrozby, silné a slabé stránky společnosti.

Klíčová slova: Vinamilk, Marketing, Stragerie, 4Ps, Informovanost spotřebitelů, STP stragerie, Marketingový mix.

Bachelor Thesis

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Vietnamese Dairy Company Vinamilk

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Chapter 1: Introduction

Nowadays, the milk producing industry has become a strong growing food industry in the world including Vietnam. This thesis “Marketing analysis of the company” will select appropriate information and will provide some directions for marketing analyzing of Vinamilk Company. The aims of this bachelor thesis are to provide a basic knowledge of marketing and to analyze the company's marketing based on the gained knowledge. There will be an overview about objectives, questions and limitations of the study. The bachelor thesis will be presented in two parts: Theoretical and practical.

The theoretical section will explain marketing in general and concentrate on individual marketing concepts. There will be explanation of term “strategic management” and how important it is to analyze for the company. After that, some vision, mission or strategy of goals will be support on this thesis. Lastly, the end of the theoretical section will describe marketing in dairy market, in which will show features and benefits that customers can acquire.

The practical part will focus on information of the Vinamilk Company, which will be followed by the theoretical of marketing analysis of company. This will analyze external environment by using the PEST analysis and porter's five forces analysis, then internal environment by using marketing mix and definition of term “strategic management” as vision, mission. Moreover, the thesis will use SWOT analysis to focus on opportunities, threats, strengths and weaknesses of company.

Chapter 2: Objectives of the study, research questions, and methodology

2.1 Aims and Objectives

The main objective of this thesis is to analyze the marketing management and marketing analysis of Vinamilk in the dairy industry. Particularly, this study aims to obtain the basic understanding of marketing concepts and marketing analysis of the company. Besides that, the study will focus on evaluating marketing operations and will provide a basic understanding and knowledge of marketing concepts, the marketing mix 4P's, SWOT analysis, Porter's five forcers and PEST analysis which are carried out as well as its effects on the brand development of Vinamilk in not only the domestic but also foreign market. Additionally, this work will concentrate on how marketing functions and improvements after applying the concepts of marketing as well as the brand development of Vinamilk. Besides, it will show how Vinamilk solved and overcome all the difficulties that company was facing with. Finally, information and analysis are used to make recommendations on how to improve the appropriate strategies for the targeting foreign markets.

In order to achieve these objectives, this research was made to answer the following questions:

- What are the importance of marketing and its roles in the operation of Vinamilk?
- What are the main marketing activities and applied strategies in Vinamilk?
- How does this company use marketing tools and techniques to increase the efficiency of its operation in the market?
- What are the successes and remaining problems in marketing management of this company?

2.2 Methodology

The main methodology aimed for this study is document study method. The theoretical part mostly presents the general concepts of marketing management and marketing analysis. It also introduces marketing situation analysis tools and several relevant methods such as SWOT, PEST, Porter's five forces, and marketing mix. The practical part summarizes overviews of not only the chosen company Vinamilk but also the Vietnamese dairy industry. Secondary data are main sources of information used to analyze the firm by the method introduced in the theoretical part.

Finally, the analysis from practical section are discussed and used to make recommendations for the future operation of Vinamilk with the aim to extend its brand awareness in foreign market.

2.3 Scope and limitations of research

This research has been carried out mostly in the domestic dairy market of Vietnam. Marketing research on commercial companies is a process of planning, collecting, analyzing and communicating of a systematic and accurate information data and findings in order to provide the basis for the company to adapt to marketing with the situation identified.

Limitation: the information is challenging to gather, especially the operations of the company in foreign market

Chapter 3 Literature review

3.1 Marketing management

3.1.1 Definitions of marketing

“Marketing is social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.” (Kotler P., 2000, p. 4)

There are numerous ways to define Marketing. Through the definition and the discussion of recent research with customers, as well as relationship and service marketing, marketing is a process of implementation aimed at achieving the objectives of the organization to satisfy the needs from the manufacturer to customers or consumers. We can understand that marketing is the economic mechanisms and social organizations or individuals use it in order to satisfy the needs and desires of their processes through the exchanging of products on the market. Marketing activities of a company as buying and selling a product or service, it includes advertising, selling and delivering products to people. (Tadajewski & D.G. Brian, 2008, p. 428)

Generally, it is accepted that the main marketing activities:

- Buying
- Selling
- Advertising
- Financing
- Marketing
- Delivery and transportation

3.1.2 Marketing Concepts

Marketing concept is the direction of the idea that organizations need to satisfy their customers while also trying to reach their organization's goals. Marketing concept is also called management philosophy. The marketing concept refers to organizational decisions about the means of offering the goods and services that enable consumers to attain their ends. Marketing concept focuses on the needs of the target market to provide more value than competitors. Buyers and producers can be free to have choices in the market. (Tadajewski & D.G. Brian, 2008, p. 342). Marketing activities should be carried out under a philosophy of efficient and socially responsible marketing. To develop strategies which will let them build a profitable relationship with the target customers, managers have to make all steps below. There are five different alternative concepts of marketing, each of which vary in the function that they deal with: (Kotler P., 2000, p. 11)

- Production concept
- Product concept
- Selling concept
- Marketing concept
- Societal marketing concept



Figure 1: Five Concepts of Marketing

p. Production concept

The production concept is one of the oldest concepts in business. This concept is more operations oriented than any other concept. Consumers will prefer products that are widely available and affordable. Therefore, managers have to focus on concept concentrate on achieving high production efficiency and low costs. This orientation is made in developing countries, where consumers are more interested in obtaining the product than in its features. This orientation has also been applied for strategy of many Vietnamese companies. (Kotler P. , 2002, pp. 11-12). A production concept is the management orientation found in the complete absence of competition. It includes disregarding the customer's wishes, the control of the monopolist, pronounced hierarchies, and an inclination amongst staff to cultivate personal interests. However, this concept will be quite problematic to do if encountering situations that demand greater ability to offer, and lower prices as well as the ease of shopping are no longer the key factors that consumers should consider when deciding on a purchase. (Plinke, 2015, p. 81)

q. *Product Concept*

The product concept means consumer will buy product which will have most quality, performance and unique features. Product concept plays important role in product life cycle. Therefore, marketing managers who follow this concept always try to improve their product quality and performance based on consumer's feedback. This would lead to increased sales and profits. Sometimes, this concept leads to kind of blindness so managers can not realize that their products are replaced. (Kotler P. , 2002, pp. 11-12). A product orientation will focuses on the superiority of the product, not the cost, and the quality of the product. Long delivery times are seen as an indication of superiority. However, a product orientation will be downed a firm, if competitors offer an aggressive pricing policy to imitate or similar products on the market. Thus companies need to concentrate on their technology that they provide with excellent feature rich and innovative products for optimum customer satisfaction. (Plinke, 2015, p. 81)

r. *Selling Concept*

Selling concept is really popular around the world. The definition of selling concept is that consumer will not buy enough of the company products unless company undertakes large-scale selling or promotion effort. Generally, selling concept applies to product which consumers are not really interested in buying or doesn't really know about the product. The selling concept is practiced in the non-profit area by fund-raisers, college admissions offices and politicians. Most firms practice the selling concept when they have overcapacity. Therefore, companies must be aggressive in pushing their sales. Accordingly, we can say their aim is sell what they make rather than make what the market wants. (Kotler P. , 2002, pp. 11-12)

s. The marketing Concept

Market concept is a general management task, a specific feature of running a business unit. Market orientation is a matter for the managing director, it cannot be delegated. This is a business philosophy which includes the above three business orientations. It is also the key to achieving organizational goals is being more effective than competitors in target market. Marketing philosophy is based on four main pillars, target market, customer trends, coordinated marketing and profitability. This concept is focusing on needs of target markets and delivering value better than competitors. Take example, companies adopt different philosophies in relation to marketing of their products. Some claim that they are customers oriented and others say that they offer value to their customers. Still others say that they treat their customers as kings. These philosophies in relation to marketing are known as marketing concepts. To summarize, the concept of marketing relies on market research and determining needs of the customer such that a better marketing strategy can be devised which satisfies the needs of the customer. (Kotler P. , 2002, pp. 11-12)

t. Societal marketing concept

The term "social marketing" has come into vogue as an extension and improvement on the marketing concept. It focuses on needs or wants of target markets and delivering value better than competitors which protect the consumer's and society's well-being. (Tadajewski & D.G. Brian, 2008, p. 243). The societal marketing concept can solve the problems in the world, such as environmental protection, medical research. In this concept, companies aim profits while taking customer satisfaction into consideration in short term and human welfare in long-term. Consequently, every organization should think about consumers and the society's long-run. Likewise they believe that customers will increasingly look for demonstrations of good corporate citizenship. Thus, the main of

concept is improving life's people in society. Societal marketing concept has three implements:

- Company (terms of profit maximization)
- Consumer (terms of wants and satisfaction)
- Society (term of human welfare)

(Kotler P. , 2002, pp. 11-12)

u. Ecological marketing concept

Ecological marketing is also called green marketing or another term as Environmental Marketing and Green Marketing. Ecological marketing encompasses all marketing activities that are aimed at removing the consequences of already existing ecological problem. Definitely, ecological marketing is assumed to be environmentally safe. Ecological marketing includes the activities like product modification, changes to the production process, packaging changes, modifying advertising. It refers to the process of selling products and services based on their environmental benefits. So a product must be environmentally friendly in it and packaged in an environmentally friendly way. To attractive, ecological marketing has developing and improving for products or service and purpose of green marketing is to help company take strong links to local environment and promote renewable power. (Vijaya Banu, 2014, p. 2)

3.2 Strategic management

3.2.1 Definition

The term strategic management is used to refer to the entire scope of strategic-decision making activity in an organization. Strategic management is all about gaining and maintaining competitive advantage. Strategic management is the science and art of the

strategy to develop the direction and business goals, implement plans short and long term on the basis of existing resources in order to help each organization could achieve of its long-term goals. Strategic management focuses on management, marketing, finance, accounts, operations, research and development, and information systems to achieve organizational success. Thus, the strategic management today really has become an important part of business management activities. (David F. R., 2007, pp. 6-7)

3.2.2 Process of strategic management

Strategic management means defining the organization's strategy. Strategic management process helps businesses clearly see the purpose and direction of his. The business is clearly defined purpose and direction helps both leaders and employees know, grasp what needs to reach and what to do to be successful. These direction, purpose, business leaders will be easier in the formulation and implementation of short-term plans. Strategic management for the entire enterprise will know where they are and went to go on the way toward goal. The following will show the relevant key concepts for strategic management process: (David F. , 2007, pp. 6-7)

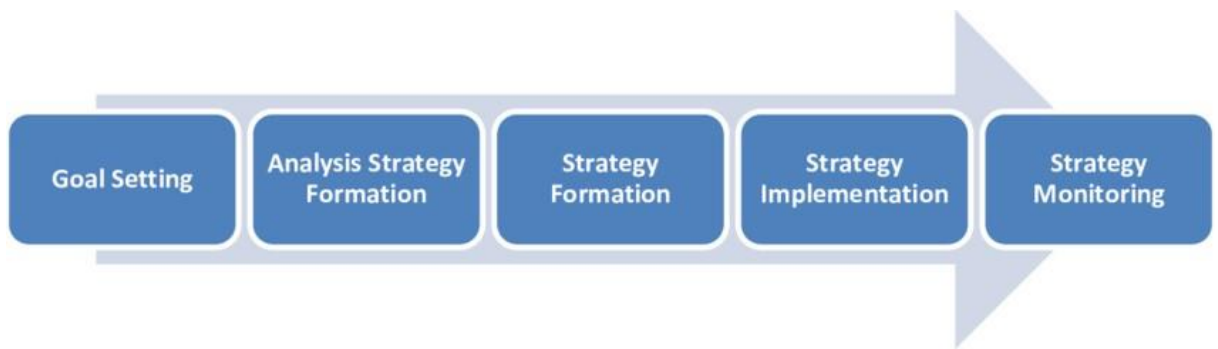


Figure 2: Key Concepts for Strategic Management Process (Stevens, 2015)

- ❖ Goal Setting: This is the first step of the strategic management process. Define the mission and the main objectives of the organization. The mission and goals of the organization mainly provides a context for building strategies. Mission raison presentation of the organization and indicated it would do. It is also set goals that managers make strategic decisions to generate higher revenue. Thus, to compete in a business sector and increasing global competition, they have to plan for goals. (Stevens, 2015)

- ❖ Analysis Strategy Formulation: This stage is also an important, because all information in this stage will shape to next stage. The objective of the analysis is to recognize the opportunities and risks from the external environment of the organization as the macro environment, industry environment, national environment. Furthermore is to find out the strengths and weaknesses of the organization, find out how companies achieve competitive advantage, and the role of different capacities as a unique strength of the company or the resources and ability to establish and maintain a sustainable competitive advantage for the company. (Stevens, 2015)

- ❖ Strategy Formulation: After the analysis is done, the organization moves to the strategy formulation stage where the plan to acquire the required resources is designed, prioritization of the issues facing the business is done and finally the strategy is formulated accordingly to find ways to maximize profits and maintain a competitive advantage. (Stevens, 2015)

- ❖ Strategy Implementation: Strategy implementation is the action stage of strategic management process. All information will be gathered available and put in life as

creating budgets, financial, management and something similar. For the successful implementation of plan, so everybody within the organization must be made clear of their duties, and how to fits with the overall goal. (Stevens, 2015)

- ❖ Strategy Evaluation: In the last stage, the strategies are monitored after it is implementation. Through monitoring, an organization can understand when and how to fix the plan to adapt to changing trends. (Stevens, 2015)

All of these are always connected with the increase in sales of products, services, and profitability and worker productivity.

3.2.3 Vision and mission statements

Mission and vision are seen as two different concepts, both are claiming to serve the common purpose of the enterprise, but they are often confused with each other out. Mission describes actions now need to implement and how to achieve the vision, it is considered as the task of determining the scope of a company's operations and product markets. And Vision statement is often considered the first step in the strategic plan, before the development of a mission statement, it's what the plan now what you want to achieve in the future. Developing a vision statement and mission is critical to the success of the company or organization. These analyzes will explain briefly aspirations, help organizations focus on what is really important, and provides a basis for the development of other aspects of the strategic plan. This section provides guidance for the development and implementation of Vision statements and mission of an organization. (David F. R., 2007, p. 46)

Vision: What is the vision statement?

A Vision Statement describes the desired future position of the company. It is as an image, standard, unique image and ideals in the future. It is what businesses want to achieve or become. Vision in business has always been a major challenge for businesses. It describes the people and organizations that do not resemble the present, which is the vision that they will achieve in the future. A vision is usually started from the things that leaders most concerned about and committed to achieve that. Vision statement is considered as the first step in planning. Clearly, it describes the future of the organization of industry or society. It gives business direction, inspire and motivate employees to perform to their best. It express how the organization values, moreover, vision statement also provides direction and the focus of the company to the desired target. (David F. R., 2007, pp. 6-7)

In general, vision statements should be:

- Understood and shared by members of the community
- Broad enough to include a diverse variety of local perspectives
- Inspiring and uplifting to everyone involved in your effort

Some application of vision statements that meet above criteria:

- Caring communities.
- Healthy children.
- Safe streets.
- Education for all.
- Peace on earth.

Mission: What is the mission statement?

A Mission statement describes about how a company plans on achieving its objectives. Mission statement defines what an organization is, why it exists. These organizations often express his mission in a mission statement pithy, brief, clear, explaining that organization exists to do and will do anything to survive. To develop a mission statement, strategists

have to think about the nature and scope of present operations of future market. Mission statement always stays at the top level of organization. For any growing business, they should do underline the significance an effective mission statements. Therefore, the purpose of mission statement represents a great opportunity for strategists to support from all managers in the organization, company. (David F. R., 2007, pp. 46-47)

Below there are some examples should help you understand what we mean by effective mission statements:

- "Promoting child health and development through a comprehensive family and community initiative."
- "To create a thriving African American community through development of jobs, education, housing, and cultural pride."
- "To develop a safe and healthy neighborhood through collaborative planning, community action, and policy advocacy."
- "Promoting community health and development by connecting people, ideas and resources." (This is the mission of the Community Tool Box).

Some general guiding principles about mission statements are that they are:

- Concise.
- Outcome-oriented.
- Inclusive.

(David F. R., 2007, p. 47)

3.2.4 Strategic goals of firms

Strategic goal is the result that an enterprise or business desires to achieve in a certain time period. A company accomplishes good report when it defines its goals specifically and clearly. Therefore in marketing, identifying objective specifically is a condition that needs to be met in order to build an appropriate strategy to achieve that goal. A specific goal also

helps measure the effectiveness of profit, eliminate risks or innovate a company's marketing. (Kotler & Keller, 2009, p. 50)

So a good strategic goal should have the following features:

- ✓ The goals should be clearly from the numbers. The more specific will be, the more likely the goal can be completed.
- ✓ The target must have specific numbers, which can be measured. It means how we know if we are successful in the market.
- ✓ Goals need to be set off enough to make the most of the business capacity on the market.
- ✓ Goals must be realistic and consistent. It will reflect the analytical and logical planning of the plan.

3.2.5 Strategy

“A strategy can be defined as a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it.” (Bryson, 1996)

Specially, strategy is a word with many meanings and all of them are relevant with a series of activities designed to create long-term competitive advantages compared with rivals. Strategy is all perspective, position, plan, and pattern. Strategy is the determination of the orientation and scope of activities of an organization, in order to best meet the needs of the market and meet the wishes of the relevant actors to organize. To be successful, business always needs strategies as geographic expansion, diversification, acquisition, product development, market penetration, liquidation, joint ventures and anything what they have to do to success on the market. (David F. R., 2007, p. 13)

3.3 External analysis

3.3.1 PEST analysis

In business success, sometimes external factors can also shape your company's potential. PEST analysis is a simple method but very important and is being widely adopted, it will give you a panoramic view of the situation Politics (P), Economy (E), social culture (S), technology and Environment (T) local business you are operating. PEST can help companies improve their decision making and timing.

According to Jim Makos, founder of the Pestle Analysis website, he said:

“The best outcome of the PEST analysis would be if your company is able to make the right decisions at the right time by analyzing different factors. Another benefit of PEST analysis is it could aid you in predicting the future by looking at the present. You will be prepared to tackle future challenges. It also helps you highlight the opportunities you can cash in on and threats which could harm your business“ (Jim Makos,)

Below are names of PEST factors, which help people to understand clearly analysis. All of businesses should understand each of the four factors of PEST analysis:

□ **Political :**

These are factors that influence to all sectors of business in a particular region as tax guidelines, trade regulations, safety regulations, and employment laws the institutional factors and the law could affect the viability and growth of any industry. When trading on an administrative unit, the business will be forced to obey the law of institutional factors in that area. Besides government regulations and legal factors are assessed in terms of their ability to affect the business environment and trade markets. Thus, companies should also

consider their local and federal power structure, and discuss how anticipated shifts in power could affect their business. (David F. R., 2007, pp. 68-69)

- Tax and trade policy, customs control.
- Laws on employment.
- Government type.
- Government policies.
- Changes in patent laws.
- Import-Export regulations.
- Local, state, and national elections.

(David F. R., 2007, pp. 68-69)

Economic :

Economic factors have a direct impact on the potential of various strategies. Therefore, enterprises should pay attention to the economic factors in the government intervention on the economy as the status of the economy, the factors affecting the economy, the economic policy of the government, also interest rates rise, stock prices increase, the desirability of equity as a source of capital for market development increases. Because of the economic forces' strong influence on the operations, profitability and business sector makes it possible to decrease consumption and negative impact on sales of the industry. (David F. R., 2007, pp. 64-65)

- Labor costs.
- GDP, economic growth.
- Currency rate.
- Interest rate.

- Inflation as cost price or selling price.
- Growth rate.
- Unemployment and labor supply.
- Disposable income levels and income distribution.

(David F. R., 2007, pp. 64-65)

□ **Social :**

Social factors play an important role in the international markets and global. Cultural factors - society can shape consumer trends and success will depend on the depth of research in this field. Social factors have a major impact on almost all products, services, markets and customers. This is also a requirement to learn before you can step into a new market. It can foster social development which exists. (David F. R., 2007, pp. 66-67)

- Social welfare.
- Health and education.
- Population growth.
- The role of men and woman in society.
- Culture and consumer habits.
- Religion in the country.
- Number of marriages/divorce.
- Life expectancy rates.

(David F. R., 2007, pp. 66-67)

□ **Technological :**

Technology increasingly rapidly change, hence giving people many miracles, but also poses new challenges for enterprises. Information technology has really changed the world, change consumer behavior and business activities. The advent of new technologies does appear and strengthen competitive advantages of alternative products, threatening the traditional products of existing industries. It creates favorable conditions for the penetration of new and more pressure increases threaten existing businesses in the industry. The explosion of new technologies increasingly make the technology life cycle tends to shrink, this has added to pressure to shorten the depreciation period than before. Besides the challenges and threats that have arisen, technology still offers good opportunities for businesses. Production technology is changing, enterprises that take advantage of opportunities that can increase competitive advantage, serving customers better, cheaper. The introduction of new technologies can make products with more features and thus can generate more new markets. In high-tech industries, identification and evaluation of key technological opportunities and threats can be the most important part of the external strategic-management. (David F. R., 2007, pp. 69-70)

- Research and development activities.
- Impact of technology transfer.
- Reducing cost.
- Increasing communication remotely.
- The rate of technology.
- New patents – new discoveries.
- Development of technology.
- Replacement technology/solutions.

(David F. R., 2007, pp. 69-70)

3.3.2 Porter's five forces (micro environment)

Porter's Five Forces is a model of analysis and a useful tool as well as an effective way to study the source of profits. Most importantly, it provides competitive strategy for enterprises to maintain or increase profitability. Besides that, it also helps determine an industry's weaknesses and strengths. How to understand about Porter's five forces? Below there are five important forces that determine competitive power in a business situation:

□ **Competitive rivalry :**

This force will determine the main capability of competitors and what is capable of doing in the market. Many competitors offering undifferentiated products and services will reduce market attractiveness. Thus, all companies need to consider the number and capabilities of your business competitive. If it has more competitors, and distributing a product or service, power will decrease because customers can be the consumption of products or services from other businesses. Conversely, if there is not any business enterprise item it is, then their power will be great. (Porter, 1979, p. 32)

□ **Threat of new entrants :**

A company's power is also affected by the force of new entrants into its market. The other competitor can penetrate market. If do not have the ability to protect key products and if entry inexpensive, the competitors can quickly penetrate and dominate market. If can afford a good defense and development, product can be defend position and take advantage of the opportunities from the market entry. (Porter, 1979, p. 26)

□ **Bargaining power of suppliers (Supplier Power) :**

This force analyzes how much power a business's supplier has and how much control it has over the potential to raise its prices. Distributor of products has a certain power to impact business. They can control the flow of products, increase product prices. These factors could affect the operation of business. The more product distributor then their power is declining. And opposite, if company has less product distributors, their power becomes greater. Power supply also includes the conversion costs of enterprises in the sector, the presence of alternative products available, providing cost-related purchase replacement products. With all the branches, vendors always cause a certain pressure if they have the scale, the set and the ownership of scarce resources. Therefore, the provision of small inputs will have little power to negotiate although they now have large numbers but they are disorganized. (Porter, 1979, p. 29)

□ **Bargaining power of customers (Buyer Power) :**

This force looks at the power of the consumer to affect pricing and quality. Retail customers and distributors are now putting pressure on prices, quality products and associated services, and they are the main reason the competition through the buying decision. When buyer power is strong, the relationship to the producing industry is increase. Customers tend to lower the cost of enterprise products. However, customers impact business through a number of criteria such as the number of customers, the importance of the customer, the customer's cost to pay for the product or service. The client is capable of high power out conditions for business. Generally, it is affected by how many buyers, or customers, a company has. (Porter, 1979, p. 30)

□ **Threat of substitute products or services :**

According to Porter *"substitute products that deserve the most attention strategically are those that are subject to trends improving their price- performance trade-off with the industry products, or are produced by industries earning high profits"*. (Porter, 1979). This force studied how easy it is for consumers to switch from a business's product or service to that of a competitor. If the product or service has a variety of products or services can be replaced, the power will be reduced, because customers have more choices than consumers. Conversely, if the product or service is less than the product or service can be replaced, the power will increase significantly. Clearly, this force research how many competitors there are, how to check price and quality will be compared and how much of a profit those competitors are earning.

(Porter, 1979, pp. 31-32)

3.3.3 SWOT analysis (opportunities and threats)

What is the SWOT?

SWOT analysis is a useful tool to be used to competitor analysis, and monitoring both the internal and the external environment of the company (Kotler and Keller 2009,p.48). SWOT analysis is a useful tool to be used to competitor analysis, and monitoring both the internal and the external environment of the company (Kotler and Keller 2009, 89). It gives an overall map which helps us to understand and define the competitive environment. In SWOT analysis, business will clearly see their targets as well as the elements within and outside, which is affected positively or negatively the business objectives set. In the strategy, SWOT analysis serves as a most basic tools, high efficiency gives you an overview not only of businesses but also major factors always influence and critical to success of your business. SWOT means four capital letters. There are Strengths, Weaknesses, Opportunities, and Threats.

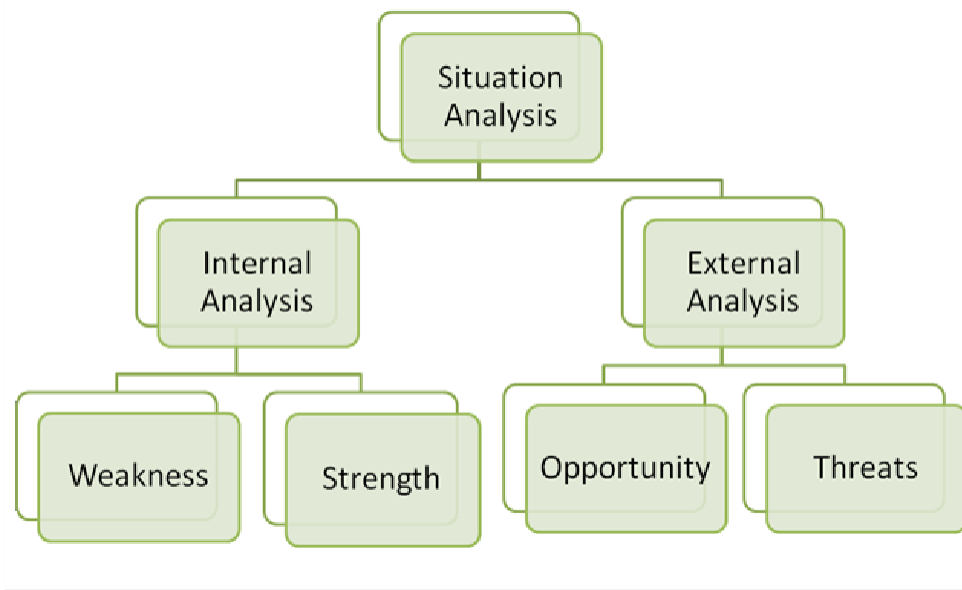


Figure 3: Diagram of SWOT analysis

Indeed, we can apply use the external environment for situation in the outside. All company should focus on the competitive activity in the outside as competitor's sources of supply, marketing ability and targeting market, economic, social, environmental, political, legal, technological, and events which could significantly success and failure for an organization in the future. (David F. R., 2007, p. 11)

OPPORTUNITIES: Marketing opportunities are a major factor in shaping the strategy of the Company, the manager will not be given the right strategy for organization's position otherwise identify opportunities for growth and profit potential in opportunity. In trade, the opportunity to show the appearance of the customer needs and thus appearing ability to sell products to satisfy the needs of both producers and consumers. Opportunities can be very rich, abundant, but also can be very scarce, seize that opportunity or not depends on each individual business. On the other hand the opportunity to appear on the market can be beneficial to the organization but provide no benefit other organizations. Therefore,

enterprises, organizations should exploit one or more of the existing opportunities in the market, which is attractive opportunities: (Kotler & Keller, 2009, p. 48)

- Innovating customer taste.
- Liberalization of geographic markers.
- Changing the trends of technological.
- Decreasing personal taxes.
- New distribution channels.
- Policies, laws.
- A new merging or developing market (niche product, place - new country, less competition).
- New production features.
- Change in population age – structure.

(Kotler & Keller, 2009, p. 48)

THREATS: External factors are causing difficulties on the road to success is risk. The risk appears parallel to the business opportunities, strong governing all activities of the enterprise. The risk appears beyond the control of enterprises and organizations, they can only avoid the risk can happen, and if faced with it, try to reduce the damage to a minimum. Threats analysis helps enterprises implement these changes and the necessary adjustments to the changes. Fluctuations had a negative impact on manufacturing operations of its business. Threats will be classified according to seriousness and probability. Normal threats will be ignored, and more serious threats must be carefully monitored: (Kotler & Keller, 2009, p. 48)

- Competitor oligopoly of monopoly.
- Tax collection.
- The market growth is not high.

- Impacted by the laws.
- Funding, such as donations, legislature and other sources.
- Changing the needs of the buyers and their options.
- Competition between rivals domestic and rivals foreign.
- Online pricing strategy.
- Treasury, stock or fund as donations and other sources.

(Kotler & Keller, 2009, p. 48)

3.4 Internal analysis

3.4.1 Marketing mix

“Marketing mix is the set of marketing tools

that the firm uses to pursue its marketing objectives in the target market.” (Kotler P., 2000, p. 9)

As Phillip Kotler mentioned, marketing mix is a general expression used to describe the various types of decisions organizations need to make in the entire procedure of bringing a product or service for sale to the public. The Marketing Mix is optimized the combination and use to do coordination and take achieve better economic and social profits. The 4Ps model is the most popular marketing mix in society. It is characterized by four different. These variables are never constant and may be changed over time. But a change in one of the variables may cause a change in all the other variables as well. There are 4Ps model:

- Product
- Price
- Place
- Promotion

(Kotler P. , 2000, p. 10)



Figure 4: The Four P Components of the Marketing Mix (Kotler P. , 2000)

□ **Product**

Making a product is the first step to take before starting a business. Product is considered as an instrument to satisfy the needs of customers. It is a tangible commodity or an intangible service. How products will sell well in the market? In view of the first transitory factors and the quality is good. However for now, a good product is not necessarily good because opponents' consumption will also have the same good product.

Thus, need to define the characteristics of the products or services that meet the needs of enterprise customers. A product will be divided into three parts: (Kotler P., 2000)

- The Core Product
- The Augmented Product
- The Tertiary Product

- Price**

Price is the amount of money the customer paid for the product. Price is very important in marketing mix because it will determine profits and then the survival of the company. Price adjustments have profound impact marketing strategies, and depending on the price elasticity of the product, usually it will affect demand and sales. Marketers should set a price that compensates for the other elements of the marketing mix. Below, there are major pricing strategies: (Kotler P, 2000)

- The costing of the product.
- The advertising and marketing expenses.
- The pricing fluctuations in the market.
- Distribution costs.

For consumers, prices help create awareness about the product. Low prices mean a best benefit in the eyes of consumers when compared with competitors. Therefore, be sure to check competitor prices and reasonable prices.

- Place**

Placement or distribution is also very important in the marketing mix definition. Distribution is offering the product at a location convenient for the consumer, because

placement has big affect of the benefits of product. Different strategies such as in-depth distribution, selective distribution, exclusive distribution and franchising can be used by marketers to complement different aspects of the marketing mix. Thus, the company has to have a full proof logistics for its distribution: (Kotler P., 2000)

- Intensive distribution
- Exclusive distribution
- Selective distribution
- Franchising

- Promotion**

This is the important part of the marketing campaign, which is the perfect strategy, product prices reasonable but not good communication, no one knows that brand, customers also will not know about the product or service. Promotion is all the communication methods a marketer can use to provide information about products for the different parties about this product. Promotion includes factors such as: advertising, public relations, sales organization and sales promotion. Promotions depend a lot on the product and pricing decision. Promotion is comprised of various elements as:

- Sales Organization
- Public Relations
- Advertising
- Sales Promotion

Finally, a mix of promotional strategies and how you move about promotion will be the information you want to communicate, and the target market you have identified already in previous steps. (Kotler P., 2000)

3.4.2 SWOT analysis (internal – strength and weakness)

Internal factors can be determined in a number of ways, including computing ratios and measuring performance. It is comparing to past periods and present. Internal strengths and internal weaknesses are an organization's controllable activities that are performed specially well or poorly. Clearly, the business cannot correct all of its weaknesses and strengths. It should limit itself to those opportunities for which it possesses the required strengths, or consider those that might require it to find or develop new strengths. (Keller & Kotler, 2000, pp. 49-50)

STRENGTHS: Strengths are all characteristics, the right thing to make up the capacity of the Company. Strengths can be finesse, mastery, and the resources of the organization or competition like better products, the strength of the brand, high technology or better customer service. Strengths can be all the result of the coalition or the risk of partner organizations with professional strength or capacity what financial and creating competitiveness of the company. Strength describe how an organization excels did and how to gain competitive. Thus, the strength of company determines what businesses have the advantage compared to competitors and effectively used that advantage to enhance competitiveness: (David F. R., 2007, pp. 12-13)

- Positive tangible and intangible attributes, internal to an organization.
- They are within the organization's control.
- These strategies are carefully calculated.
- Relations with the overall economy.
- Technology, manufacturing and process works well. Strong distribution channels.
- Brand loyalty.
- Voluntary dedication of students.
- Able to change direction quickly.

(David F. R., 2007, p. 12)

WEAKNESS: Weakness analysis of the business to see that the production activities of the enterprise business are not very good. Weakness is all that the Company lacks or poor performance by other competitors or the company being placed in an untenable position. Weaknesses that may or may not reduce the competitiveness of the company that depends on how many of the weaknesses shown in the enterprise market to fix or limit his weakness in the short term or at least plan to change the future. However, it is admitted that there are weaknesses that now can be overcome but also the weaknesses that the business cannot overcome or can overcome. Weaknesses analysis is to successfully implement it. Companies need to promote the issue is to increase competition with another opponents. (Keller & Kotler, 2000)

- Unable cash-flow.
- No market presence.
- Less focusing in customer's need.
- Missing advertise in some areas.
- There is no ability to raise capital as needed to change strategy.
- Product life periods are too short.

(Keller & Kotler, 2000)

3.5 Marketing in dairy market

Nowadays, in the rapid developing world, milk still plays a very important role in people's lives. It is an indispensable food and nutritional drinks. Therefore, the company has produced a variety of milk and products from milk, such as milk, yogurt, cheese, coffee, ice-cream, etc and numerous other dairy products in order to avoid being bland. In 1993, dairy marketing got in the public by the introduction of "Got Milk". The dairy market is eminent in the food industry. It is suggested a range of products, such as milk,

butter, and cheese dominate in the market. The dairy market became popular with people in society. There are numerous promotions of nutrition value as well as the social, media market which help the development of dairy product. Almost all marketers have to guide consumers how to know information of products. Moreover, marketers have to understand what customers like and dislikes. Aside from that, companies have to make customers buy their products, aware and loyal with their products. With high technological advancements in the world, dairy product is being improved and changed to satisfy the needs of consumers. Consequently, many new products are being produced from milk such as condensed milk, homogenized milk, buttermilk, cheese, casein, yogurt, gelato, and ice creams and so on. (Imam, Zadeh, & Dubey, 2011, p. 140).

Opposite to European countries, Vietnam had not had strong dependence on milk and thus does not have a long tradition in making them. However, in the last several years, because of the importance of dairy products, Vietnamese have been spending more on products from milk in life. Although the growth rate is quite high on average, Vietnam is still in the low milk consumption area (<30 kilos/capita/year). Therefore there are huge potentials for dairy producers in near future as it is an uncharted land to an explorer. (Nguyen & Tran, 2014, pp. 2-3). According to Khoi (2013), in the two major cities as Hanoi, the capital, and Ho Chi Minh City, the average percentage of the population consuming dairy products is up to 78%. “Drinking milk” includes fluid milk, flavored milk drinks, flavored powder drinks, and powder milk.

Lastly, to developing national dairy marketing should be focused approach the product portfolio has been growing, wider spread, create original marketing such as re-invent a product with a powerful marketing campaign. Aside from that, firms have to focus on nutritional value by using scientific-based guides and studies such as this to convince consumers to buy your dairy product. Moreover, associate your product with the study itself. Finally, introducing brand-new, original or unique products since if it is something they have never heard of, and then it is a surefire way to peak interest in a product. (Imam, Zadeh, & Dubey, 2011, p. 141)

CHAPTER 4: Practical Part

4.1 Overview Company Vinamilk

Vinamilk is the abbreviation for Milk Joint Stock Company of Vietnam (Vietnam Dairy Products Joint Stock Company), a company specializes in producing, trading milk and other dairy products from milk as well as relating equipment in Vietnam. According to statistics of United Nations Development Programmed, it was the 15th largest company in Vietnam in 2007. Transaction code on Stock Exchange Ho Chi Minh City is VNM. The company is the leading enterprise of the dairy processing industry and currently holds approximately 75% market share of the milk industry in Vietnam. In addition to strong domestic distribution with a network of 183 distributors and near 94,000 selling sites covered 64 provinces, products of Vinamilk have also been exported to many countries in America, France, Canada, Poland, Germany, Middle East, Southeast Asia ... After more than 30 years since first launch, Vinamilk has built 8 factories with 3 more is currently being built, one major storing and distributing facility. With variety, Vinamilk currently has over 200 products of sterilized, pasteurized milk and other products made from milk.

Main office: Joint Stock Company Vietnam Dairy (Vinamilk)
Head office address: No. 10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh
City.
Contact: (08) 54 155 555
Email: vinamilk@vinamilk.com.vn
Website: vinamilk.com.vn

4.2 History of company

-1976: Company was founded under the name of Southern Coffee-Dairy Company, a subsidiary of the Food General Directorate. It was created through nationalization of three factories namely Thong Nhat factory (formerly as Foremost factory), Truong Tho factory (formerly as Cosuvina factory), and Dielac factory (formerly as Nestle factory).

- 1978: The Company had two more factories: Bich Chi Powder Factory and Lubico Cake Factory. The management of the company was transferred to the Ministry of Food Industry and the company was renamed to United Enterprises of Milk Coffee Cookies and Candies I.

- 1992: The United Enterprises 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 2003 and renamed as Vietnam Dairy Products Joint Stock Co., to reflect its change in legal status.

- 2004: Acquired Saigon Milk Joint Stock Company and increased share capital of the company to VND 1,590 billion.

- 2006: Vinamilk was listed on Ho chi minh City Stock Exchange (HOSE) on 19 January of 2006.

- 2010-2012: Vinamilk acquired 100% shares from F&N Vietnam Limited and changed its name to Dielac Dairy One Member Co., Ltd. Moreover, the company invested NZD12.5 million, equivalent to 19.3% of share capital in Miraka Limited in New Zealand. And acquired the remaining shares of Lamson Milk Joint Stock Company and changed its name

to Lam Son Dairy One Member Co., Ltd. Company also inaugurated and put the liquid milk and milk powders factory into operation in Binh Duong.

4.3 Analysis of the internal environment

4.3.1 The Marketing Mix

Product: Raw milk is always a matter of dairy companies particularly interested in, because raw materials are mainly imported and the supply is scarce, hence the price is very high. Consequently, Vinamilk has launched a number of successful strategies in controlling the quality of raw milk and source material for the dairy processing plants to ensure a stable and long term production. Vinamilk's product line provides a full range of vitamins and minerals that are necessary for health and growth of their consumers. To satisfy the needs of customers, Vinamilk has continuously using technological innovation to improve product quality. Vinamilk has a diverse and rich variety of milk and dairy products with over 200 items: milk, powdered milk, nutritious milk, fresh milk, cream, yogurt, cheese. Moreover, other products for example juices, coffee, and tea (Vinamilk report 2015). With so many categories, Vinamilk has constantly satisfied customer's needs.

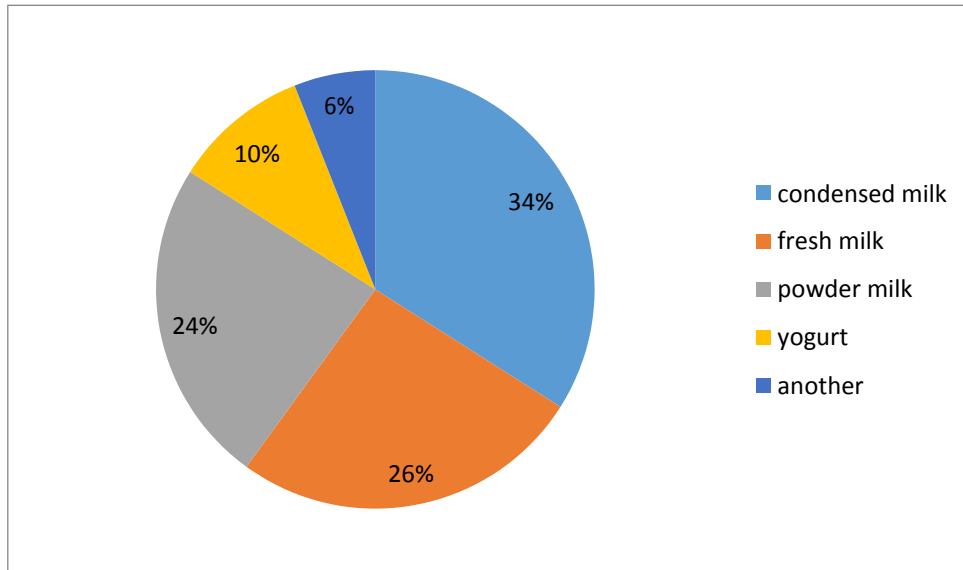


Figure 5: Chart of Dairy Products

In order to satisfy the needs and to attract consumers, Vinamilk has been consistently innovating on all aspects such as packaging or researching new products. Vinamilk has been cooperating with the Tetra Pak's company, one of the leading enterprises in the processing and packaging liquid food. It ensures the three main objectives of the package as: limiting waste, reduce distribution costs and ensure product quality. In summary, Vinamilk has been very successful in its product strategy.

Price: Price is considered to be an important factor in attracting customers. Making an appropriate price policy compared with the living standards is extremely important. Vinamilk accepts price as low as possible to achieve the greatest popularity in Vietnam market. This is a strategy that helps business and also highly effective Vinamilk. On April 2012, Vinamilk joined the Commitment of stabilizing price for liquid dairy products, powdered milk for children, the Elderly and Patients. Due to difficulties of the economy in recent years, Vinamilk is facing many challenges in adjusting prices accordingly. Despite the profitability of imported milk, Vinamilk remains stable price since 2009 so far. In comparison with the price of imported dairy, Vinamilk has only one third (1/3) price. With

the current price of milk, Vinamilk accepts reduced profits or readies to compensate losses from the sale of other products to match consumers' living standards.

In addition, from the beginning of June 2014, the policy of setting ceiling prices of 25 products types for children from 0-6 years of ages has been applied by the Vietnamese Ministry of Finance (Ngoc,2014). Besides that, Vinamilk often has deals or promotions in large quantities on the occasions like Vietnam's traditional Tet, holidays and other special occasions at the same price or random sales.

Place: As presented, Vinamilk owns an extensive distribution network more than any other competitors in the market in Vietnam. The company owns a large distribution network across the country, which is favorable condition to distribute a product in large quantities to consumers. 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). After applying these two models, Vinamilk has over 250 exclusive distributors, and more than 200 retailers nationwide. On February 2013, Vinamilk also apply additional online sales nationwide (Ly, 2013). According to Viettel Mobile - the Military Telecom Group, the builder and provider 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. To manage the system more effectively, Vinamilk has applied state-of-the-art information technologies including:

- System Oracle E-Business Suite is included in January, 2007. Connect with 13 locations such as offices, factories nationwide.

- Customer Relationship management: customer access to Vinamilk, which helps the company to gather enough information to make policy and to build and develop the most appropriate network.

-Enterprise Resource Planning: Each salesperson has been equipped with a tablet connected with 3G and GPS, and the relevant information in terms of goods will be regularly updated.

Promotion: Since starting operating, Vinamilk has built a strong brand for dairy products in Vietnam market. Vinamilk has focused on advertising, marketing and continuous product innovation and quality assurance. To attract customers, Vinamilk has implemented a series tools such as advertising promotion with channels including above the line and below the line.

- Advertise: - the message - a healthy in Vietnam.
- Media advertising on television, Newspapers, railway stations, airports, major roads or in large buildings.
- Advertising on major websites, where many people visit daily.
- Registration facebook page for updated information company and receive feedback from consumers.
- Assembly contracting in the transport, Supermarkets across the country to promote the image, Vinamilk products.
- Funding for the television programs and sports.
- Having promotion for domestic programs.

4.4 SWOT analysis of company:

4.4.1 The analysis of strengths and weaknesses

Strengths:

Throughout its operating history, Vinamilk has become a familiar and trusted trademark in the mind of domestic consumers in Vietnam. Vinamilk has an extensive scale in Vietnam milk market and it is one of the most well-known companies in domestic market. It has gained customer's satisfaction, understanding and loyalty as well as the knowledge of the local market. The management boards are well trained, have extensive experience, understand the market and have good relationships with suppliers. The company is constantly improving products, focusing on the development of business strategy and always focuses reasonably on core business. The advertising program, PR, marketing have high efficiency. Diversification in products of Vinamilk satisfies different types of customer. Vinamilk has a broad distribution network throughout Vietnam. More specifically, the company has more than 1500 distributors and over 90000 retail outlets in the entire country. In the present, around 60% of all cow milk produced in Vietnam is being utilized by Vinamilk. For equipment and technology, Vinamilk uses modern technology for manufacturing and packaging. The company imports technologies from European countries such as Germany, Italy, and Switzerland for the production line. Vinamilk is the only company in Vietnam possesses mechanical systems used to measure Niro spray drying technology from Denmark. Additionally, the company also utilizes production line with international standards offered by Tetra Pak to produce dairy products and other value-added products.

Weaknesses: Operations of Vinamilk are heavily dependent on imported raw materials. Currently, the company imports around 70-75% of milk powder, materials are highly dependent on imported raw materials so the company is being influenced by the volatility

of products prices, as well as the risk of exchange rate when it fluctuates. Currently, the Government holds 45.1% of shares, and foreign institutions own 49%, leaving only 5.9 % of the shares to board members and external shareholders. At present with 5.9% of share that is being traded, it causes the liquidity of Vinamilk not high as it can be.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Specification business model dairy market leading Vietnam. • Is a trusted brand to customers for 34 years • Distribution system to expand nationwide • Good quality products voted by customers • Long-term relationship with suppliers in the country and abroad, the company makes a reasonable supply and stable prices. Currently, the company is purchasing 60% of fresh milk produced in Vietnam 	<ul style="list-style-type: none"> • Companies have various types of products, but the packaging is still eye-catching to help customers identify fastest. • Purchasing supplies from people still weak. • Investments in a number of establishments in Danang are still poor. • Export markets are limited and not really stable.

4.4.2 The analysis of opportunities and threats

Opportunities: Raw material supply sources are being supported the government. Tax rates of importing raw materials are reduced. According to Decision No. 10/2008 / QD-TTg of the Prime Minister, it set targets for dairy development by 2010 Dairy Vietnam would reach 380 thousand tons of production, 2015 and 2020 would be 700 thousand tons

1 million tons. With the above policy, the issue of raw materials for the company is no longer a burden to bear, and helps companies controlling costs and raw material sources. Import duties for raw milk are lower under its WTO commitments. It is an opportunity to reduce production costs while raw materials imported like milk powder accounted for 75% of the cost. Dairy sector is in the growth stage, Vinamilk has much potential to thrive. Moreover, the demand for dairy products in Vietnam is growing steadily. Per capita income increases by more than 6% / year. Furthermore, competitors are weakened by issues related to quality. Along with the campaign "Vietnamese people use Vietnamese goods" (8/2009) in which dairy products were the first to be campaigned have increased the competitiveness of domestic dairy companies, including Vinamilk.

Threats: The participation in the market of many strong competitors, especially well-established names in the world such as: Nestle, Dutchlady, Abbott, Enfa, Anline, Mead Johnson. After WTO accession for milk powder tax from 20% to 18%, thus foreign competitors penetrate Vietnam market easier. Furthermore, the source of inputs becomes unstable, since 2005 the growth of the dairy sector has been also slowed down and shows some difficulties, new weaknesses, especially in matter of organization document management, organization size and document management facilities producing breeding → challenge to the stability of raw materials.

Opportunities	Threats
<ul style="list-style-type: none"> • Preferential policies of the government on the dairy sector • Stable material supply • Become WTO membership is an advantage for Vinamilk to expand the business market 	<ul style="list-style-type: none"> • Milk powder market in countries with tough competition from imported products. • Opponents are always having new products and better marketing. • Foreign opponents are making rapid market penetration.

4.5 Mission and vision statement of Vinamilk Company:

Mission: “Vinamilk commits to bring the best quality nutrition to community that reflects our respect, love and responsibility for the people, life and society”. (Vinamilk annual report 2015). The aim of Vinamilk is to bring the community the best quality nutrition source, love, and their responsibility for human life and society. Vinamilk concentrates resources to build the dairy and food companies have rapid growth, and to plan the most sustainable strategy in Vietnam by building the production line with long-term competitive advantages. Vinamilk continues to expand its existing geographical coverage and product portfolios to maintain its sustainably dominant position in the local market and maximizes its shareholder value.

Vision: “To become the leading Vietnamese trusted brand on nutrient and healthy products for human life”(Vinamilk annual report 2015). To become the leading Vietnamese name in nutrition products and the health service of human life. Vinamilk will be the fastest and sustainable growing healthy dairy and food company by building a long-term competitive advantageous product portfolio across the scale. To improve the lives, working conditions, and income of its employees, the company is continually developing production and service operations in business. Moreover, Vinamilk also connects the processing industry with the development of raw material zones with the aim of building a more independent source of raw materials now and in the future.

4.6 The micro environment- Porter’s five forces analysis:

4.6.1 Bargaining power of suppliers:

Building long-term development objectives and sustainability for major strategic suppliers at home and abroad are the main goal of Vinamilk, ensuring raw material supply stability not only is high quality but also at very competitive prices. The dairy industry is a fast-

moving consumer goods sector and materials are mainly supplied from agricultural products such as milk, sugar and so on. The price depends on the weather, cares from farmers and other additives. In addition, the current dairy industry in Vietnam country is not active enough when it comes to resources Vietnam still has to import about 75% of milk powder for producing milk, which puts pressure on the dairy industry of Viet Nam. The dairy farm is the strategic partner of Vinamilk crucial in delivering to consumers the best products. Milk is purchased from farms to consistently achieve quality standards were signed between Vinamilk and local dairy farm. List of some major suppliers of Vinamilk Company:

Name of suppliers	Product supplied
Fonttera (SEA) Pte Ltd	Powder Milk
Hoogwegt International BV	Powder Milk
Perstima Binh Duong	Boxes, Tins
Tetra Pak Indonesia	Carton packing and packing machines

4.6.2 Bargaining power of customers/buyers

Vinamilk is the leading enterprise in Vietnam to produce dairy products. Currently, about 40% of dairy market belongs to Vinamilk. In reality, the company has over 250 distributors on product distribution systems and has more than 200,000 Vinamilk sales points nationwide system. Vinamilk Supermarket business performance focuses primarily in the Vietnamese market, which accounts for about 80% of sales within the last three financial years. Thus, the negotiating power of customers is relatively low. Customer is the target that the company needs to serve and is also the factor that determines the success or failure

of it. Customers include individual consumers and distributors such as supermarkets, agents. When providing milk to customers, the company is also suffered a lot of pressure from clients such as:

- Pressure on prices: They always compare products from different companies. They want to buy good products with the cheapest costs. Therefore, Vinamilk has to continuously innovate with science and technology to reduce the cost as well as maintain the product quality.

- Pressures from quality: improving life, people desire to have more quality products, especially consumer products such as milk daily. Therefore Vinamilk must carefully research in order to meet customer needs in the best way.

4.6.3 Intensity of rivalry

Because Vietnam market has a great potential, Vinamilk has many competitors both domestic rivals and foreign. The domestic rivals include TH Milk, Hanoimilk , Nutifood , Bavi , Moc Chau, etc. and the foreign rivals are Abbott , Mead Johnson , Nestle , Dutch Lady and so on. Furthermore, due to attractiveness of milk market in Vietnam, there will be more foreign competitors, who will penetrate into Vietnamese market in the future, and the domestic competitors increase investment to gain market share. In spite of more or less potential opponents, their pressure to strong or weak branches will depend on the following factors:

- + The appeal of the sector: the rate of return, the number of customers, the number of companies in the industry.

- + The barriers to entry are those factors make entry into a sector more difficult and costly.

With Vinamilk dairy sector in particular and in general:

- + The attractiveness of the industry: the profitability of milk production enterprises is high and the market is showing great potential.
- + Barriers to entry: The technical elements as well as capital or distribution is considered not too difficult, so the barriers to entry are relatively low.
- + In 2007, Vietnam officially joined the WTO, and hence the challenge of the competition in the future potential is tremendous for Vinamilk.

Generally, with Vinamilk dairy sector, the attraction of the industry and the profitability of milk production enterprises are high and the market is showing great potential. Elements of technical and distribution of capital are considered not too difficult, so the barriers to entry are relatively low.

4.6.4 Threat of substitute products

Products and services replace the products or services that can satisfy the needs of the equivalent of the products and services in the industry. Due to many different causes, many groups of customers cannot use dairy products. Consequently, the introduction of alternative milk products is objectively in society. The strong development of science has helped us create alternative dairy products effectively. In the Vietnamese market, there are many types of alternative products of grain, health drinks, etc... However, their nutrition and quality cannot replace milk completely. Because milk is a product that bears the characteristics and essential and important to the people and science has proven that drinking milk contains all essential nutritional supplements for human needs. Therefore, pressure from substitutes for milk products of Vinamilk is not much, but Vinamilk should still strengthen the research for its dairy products to have the best ability to meet customer needs.

4.6.5 Threat of new entrants

The businesses currently in the industry will compete directly with each other to create pressure on the industry to create a competitive strength. As the barriers to entry, withdrawal opposite factors make withdrawal from the business sector becomes difficult. A favorable condition for new entrants is the retail network that is available in Vietnam. Because of these advantages, there are many famous foreign products involved in the Vietnam market. In addition, a new entrant, who wants to involve in this industry, has to invest a huge amount of capital. Besides that, the imported products will be tarified import tax and so domestic firms still maintain their competitive advantages.

4.7 The analysis of the external environment

4.7.1 The Macro Environment – PEST analysis

Political: Dairy product consumption is related to health, the State should have a lot of strict policies on the production and consumption of this product. The production process has to ensure the quality, while must not harm to the environment and the health of consumers. Before the product is launched, it will be locally consumed for food safety testing and quality assessment. Therefore, this is an opportunity and a challenge for Vinamilk. Vinamilk will have to invest more in production and meet all elements of quality products. However, it is difficult for Vinamilk, but if passed, it will achieve great successes. Since milk is an industry with a lot of businesses, if it does not meet the needs of the state, it will be deactivated.

Economic: The Vietnam's GDP trend increases daily, which is a great opportunity for businesses. It means that the income and life quality will go up and the demand to spend

money is high. However, the inflation rate is high that means the cost of production will be also high. It will affect the price of Vinamilk product in market. Vietnam is a member of WTO which is a considerable pressure for local businesses to compete with other foreign competitors. In addition, it also helps the company to expand its business scales and attract more foreign investments.

- The economy of Vietnam's rapid growth has a positive impact on the domestic purchasing power.

WTO pressure to compete for business.

- Import duties are reduced for dairy products, thus creates favorable conditions for the increase of imported dairy products.

- Inflation, rising oil prices.

Social: Each country and territory has its own cultural values and specific social factors, and those factors are also the characteristics of the consumers in that area. Vietnam is a young population country; it will lead to higher consumption of milk product in market. According to WTO, Vietnam's average income is 1300 USD per person in 2010 and the buyer in middle class is high. Therefore, they are the important customers that company should focus on. They will buy product not only for them but also for their children. The demand for improving health and beauty increases so they need a product that can meet their satisfaction such as fresh milk.

- Increasing living standards improve.

- The need for improving health and beauty.

- The rate of child malnutrition is still high.

- Most people in Vietnam still do not have the habit of drinking milk.

Technology: This is one of the factors that have important impact on the success or failure of the company. Currently, technology platforms is growing, especially technology for processing, packaging and storage. Vinamilk has invested in their technology to match the modern level of the world. Vinamilk has applied equipment and production technology reached the international standards. Moreover, the company has imported technology from European countries such as Germany, France, Netherlands, and Switzerland for application in production line

- Milk powder production technology from the spray drying technology "type" into the technology "Blower"
- Rapid sterilization technology to produce high-temperature pasteurized milk
- Technology and equipment procurement of fresh milk of people make sure to purchase all milk cows, promote the dairy industry in the country.
- Technological innovation into cans of milk powder to enhance shelf life and food safety.
- New investment in equipment in the field of modern diversified product packaging.
- Investment in information technology and automatic control programs in the technology chain, in order to strictly control company.

4.8 Achievement of company

Throughout more than 40 years of operating and developing, Vinamilk has become one of leading forces in the dairy industry and a preminent enterprise in Vietnam.

Since the company's first launch in 1976, it has gathered numerous awards and achievements.

- Awards from the state
 - 1985 – Labor Medal III
 - 1991 – Labor Medal II
 - 1996 – Labor Medal I
 - 2000 – Hero of Labor in the Innovation period, awarded by the President
 - 2005 – Independence Medal III
 - 2010 – Independence Medal II
- Achievements
 - National Brand 2010, 2012, 2014 – Ministry of Industry and Commerce
 - Top Asia-Pacific's 2000 best under a billion 2010 – Forbes Asia
 - Most favorite green enterprise-green products, voted by consumers 2013
 - 2nd position in top 10 Vietnamese largest private companies 2013, certified by VNR 500 (Vietnam Assessment Report JSC – Vietnam Report) and VietnamNet
 - Top 100 Vietnamese highest corporate taxpayers 2013
 - 1st position in top 50 Vietnamese best listed companies 2013 – Forbes Vietnam
 - Top 10 Vietnamese high quality product since 1995 – Association of Vietnamese High Quality Products

Chapter 5: Conclusion

Marketing is indisputable a crucial and foremost part in every plan and strategy of companies in any industry or field. The primary purpose and objective of this thesis is to explore more about marketing analysis, various marketing concepts as well as the internal and external factors that shape a company's outcome. Furthermore, it devolves into the successful story of Vinamilk in Vietnam dairy company and how it achieved success using a variety of methods and analyses relating to marketing analysis.

Chapter three of this thesis emphasizes on reviewing the marketing concept which is the philosophy that companies should figure out the needs and demands of their customers and strive to satisfy those needs, better than the competition. Moreover, it focuses on exploring key concepts of strategic management as well as various methods such as Porter's five forces and PEST analysis to analyze external factors or marketing mix for internal and SWOT analysis for both. Before closing the chapter, dairy market and more specifically Vietnam dairy market are introduced briefly.

Opening chapter four is the introduction of Vinamilk, its history and its structure. Followed by is analysis of the internal environment which the marketing mix method is applied. It can be asserted that the company ensures the quality and the abundance of raw materials, thus has steadily provides a broad range of dairy products to the consumers. For the price category, they accept to sell at the lowest price possible to gain followers and often they has sales to encourage people to buy their products. Due to the power of them in dairy market, they own a large-scale distribution network that is unmatched by any competitor in the domestic market. They still rely on the dependable traditional promotion ways such television, newspaper, internet or promoting through various supermarket chains. Using further analysis method to analyze internal environment, in this case is SWOT analysis to determine the strengths, weaknesses as well as opportunities and threats. The analysis points out that in addition to broad distribution network, the company also has a significant advantageous history context and has earned the customers' loyalty. Thus, to utilize these strengths, the thesis outlines the mission and vision for Vinamilk to exploit

opportunities and eliminate threats. To analyze external factors that affect the company, Porter's five force analysis was employed. The bargaining power of suppliers, customers and rivalry threats was indicated clearly in this analysis. Followed by the analysis of macro environment utilizing PEST analysis, four external contexts namely Political, Economic, Social, and Technology are pointed out. These factors unlike those indicated in Porter's five force analysis the company has little to no influence on.

Nowadays in Vietnam, the dairy market is a promising land, a fat pie that everyone wants a piece of. The intensity of rivalry in the market is bigger now more than ever for Vinamilk. Furthermore, due to the peril of substitute products, companies are racing to introduce new products. However, on the brighter side, foreign competitors are facing with Vietnam high import tax, thus lowering their influences. Those domestic rivals are still relatively new to the market thanks to the history advantages of Vinamilk, and hence they are unable to achieve the influence that Vinamilk has.

In closing, the company should not only focus on dominating the local market, they should concentrate also on expanding their operation in nearby countries and furthermore the continent to become a new competitive force in the global milk market.

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