

INTRODUCTION

1. Rationale

Although there have been a lot of studies on business strategies, marketing strategies and product strategies, most of them have focused on general business strategies or marketing strategies for some typical enterprises. There have not been many intensive researches or theories on product marketing strategies, especially there is a lack of comprehensive studies to apply in dairy enterprises in Viet Nam. Studies on product marketing strategies or other industries are not applicable to dairy enterprises in the current context. Articles on marketing strategies mostly focused on one strategy in the specific situation and period of an enterprise to evaluate the performance of that enterprise. Therefore, they are not effective to apply the previous research results to domestic dairy enterprises in the current context.

It is certain that dairy products play a significant role in daily life with billions of people in the world consuming milk and dairy products everyday. With the economic development, the demand for dairy products in Viet Nam market has been growing at rapid rate and Vietnamese dairy enterprises have experienced strong development. They have been pursuing different product marketing strategies for the market access and have gained some certain achievements. The market share of Vietnamese dairy enterprises is growing, in which Vinamilk is currently the market leader and there are some well-known Vietnamese brands such as Nutifood, TH Milk, IDP and MC Milk. In addition, Vietnamese branded dairy products are exported to over 40 countries and territories in the region and in the world. However, in the context of the changing marketing environment and deeper economic integration, the fierce competition in the market, Vietnamese dairy enterprises will have to enter into competition with many foreign famous dairy brands.

Vietnamese dairy enterprises currently have concentrated market shares in liquid milk, yogurt and powder milk mainly for the segment of middle and low income customers. Meanwhile, dairy product lines for the high income segment are dominated by foreign companies. Vietnamese dairy enterprises are also facing the saturated milk market, especially in the urban areas and substitutes (plant-based milk and other nutrition food). Besides, except for Vinamilk, most Vietnamese dairy enterprises are small and medium-sized with limited

experiences, market development capacity, communication and new product development.

In addition, according to the roadmap for reducing milk import tariffs under agreements of World Trade Organization (WTO), ASEAN, CPTPP, Vietnamese dairy enterprises will have to face stronger competition.

There are also new market segments and consumption trends in Vietnamese milk market, but enterprises have yet to exploit. Some dairy lines are less competitive to foreign brands, especially high class powder milk, organic milk. They have not established a clear and specific image in customers' mind.

Therefore, in order to improve their competitiveness and competitive advantages, Vietnamese dairy enterprises require useful and flexible product marketing strategies for the long-term product orientation, modern research and development so as to deliver relevant unique values and attract customers. They, then, can make a breakthrough in the competition with foreign brands in the domestic market towards sustainable development.

The situation raises the significance of a study on product marketing strategies and perfecting product marketing strategies for Vietnamese dairy enterprises in the current context, particularly adapting to changes in the marketing environment. Therefore, the author selected the topic “*Perfecting product marketing strategies of Vietnamese dairy enterprises*” for her economic doctorate thesis on Trade Business.

2. Literature review

2.1. Studies on business strategies and marketing strategies

(1) Philip Kotler (2002), *Marketing management*, Prentice Hall, P123; (2) Philip Kotler, Gary Amstrong (2012), *Principles of marketing*, 14th ed., Pearson Prentice Hall, USA. 107; (3) Philip Kotler, Gary Amstrong (2018), *Principles of marketing*, 17th ed (Global Edition)., Pearson Prentice Hall, USA, (4) Philip Kotler, Kevin L. Keller (2012), *Marketing management*, 14th ed., Pearson Prentice Hall, USA; (5) Micheal E. Porter (1998), *Competitive advantage: Creating and sustaining superior performnce: with a new introduction*, The Free Press, USA; (6) Michael Baker and Susan Hart (2007), *Product Strategy and Management*, 2nd Edition, FT Prentice Hall, Financial Times Press; (7) Graham Hooley, Brigitte Nicoulaud, Nigel F. Piercy (2011), *Marketing Strategy and Competitive Positioning*, 5th Edition, FT Prentice Hall, Financial Times Press; (8) Prof. Dr. Nguyễn Bách Khoa & Dr. Nguyễn Hoàng Long (2005), *Marketing thương mại*, Statistics Publishing House, Hanoi, p.104;

(9) A/Prof. Dr. Lê Thế Giới, Dr. Nguyễn Xuân Lãn, MA. Võ Quang Trí, MA. Đinh Thị Lê Trâm, MA. Phạm Ngọc Ái, *Quản trị marketing định hướng giá trị*, Labour and Social Publishing House, Hanoi, p.57; (10) Philip Kotler and Kevin Keller (2013), *Quản trị marketing*, 14th ed., p.251, Labour and Social Publishing House, Hanoi; (11) Philip Kotler & Gary Armstrong (2013), *Nguyên Lý Tiếp Thị*, 14th ed., Labour and Social Publishing House, Hanoi; (12) Fred R. David (2014), translated by Lê Tấn Bửu et al., *Quản trị chiến lược: khái luận và các tình huống*, 14th ed., University of Economics Hochiminh City Publishing House; (13) Trần Đoàn Kim (2007), *Marketing strategies đối với hàng TCMN của các làng nghề Việt Nam*, Economic Doctoral Thesis, National Economics University; (14) Phạm Văn Minh (2002), *Phương hướng và biện pháp xây dựng, lựa chọn CL SP hàng hóa của DN công nghiệp Việt Nam hiện nay*, Economic Doctoral Thesis, National Economics University.

2.2. Studies on product strategies and dairy products

(1) Ellen Muehlhoff, Anthony Bennett, Deirdre McMahon, (2013), *Milk and Dairy products in Human Nutrition, Food and Agriculture organization of the united nations*, FAO; (2) Chu Thị Kim Loan (2005), *An analysis of factors affecting dairy farming in the South East of VietNam* (Defended at Japan: Kyushu university) ; (3) The National Dairy Council (2012), *Dairy: Food for Life A Strategy to Promote Irish Milk & Dairy Products 2008 - 2012*; (2012), *Dairy Policy Issues for the 2012 Farm Bill*; (5) This paper was presented at The XXV ISPIM- Innovation for Sustainable Economy & Society, Dublin, Ireland on 8-11 June 2014 (2014), *Strategy, Process and Product: Factors Influencing Market Success Of Innovations.*; (6) Nguyễn Việt Khôi, Nguyễn Thị Thanh Hương (2011), *Đánh giá hiệu quả ngành sữa Việt Nam từ phân tích chuỗi giá trị*, Economic Studies Journal no.402, November, 2011; (7) Đỗ Kim Tuyên (2010), *Tình hình phát triển chăn nuôi bò sữa ở Việt Nam 2001-2009 và dự báo 2010-2020*, Department of Livestock Production; (8) Nguyễn Phúc Thọ (2004), *Thực trạng và những giải pháp chủ yếu nhằm nâng cao hiệu quả kinh tế trong SXKD sữa bò tươi ở Hà Nội*; (9) Nguyễn Thị Diệu Hiền, *Phân tích lợi thế cạnh tranh ngành sữa Việt Nam*, Science and Technology Development Journal, vol. 19, 4th quarter, 2016, p.48-67; (10) Nguyễn Thu Hà (2012), *Marketing strategies mix các SP sữa của Công ty Vinamilk*, University-level research, VNU - University of Economics and Business; (11) Đỗ Đình Nam, Nguyễn Như Ngọc and Nguyễn Thành Tư (2009), *Nghiên cứu vấn đề thực hiện trách nhiệm xã hội (CSR) của DN tại công ty cổ phần sữa Việt Nam (Vinamilk)*,

University-level research, VNU - University of Economics and Business; (12) Trần Thị Hà Nghĩa (2008), *Đánh giá nhận thức của nông dân vùng sản xuất sữa khi Việt Nam gia nhập tổ chức thương mại thế giới (WTO)*; (3) Ngo Huy Bao Tran (2018), *Potential dairy industry in Vietnam, case study: Vinamilk Ltd, Centria University of Applied Sciences*, Doctoral Thesis on Business Administration; (14) EVBN Report (2016), *Vietnam Dairy: Key facts on dairy industry in Viet Nam, population, urban centers in Viet Nam*; (15) Luc Thi Thu Huong (2016), *Vinamilk's Supply Chain and the Small Farmers' Involvement*, VNU Journal of Science: Education Research, Vol. 32, No. 5E (2016) 23-31; (16) Nguyen Hung Anh, Tran Huu Cuong and Bui Thi Nga (2013), *Production and marketing constraints of dairy farmers in Son La milk value chain, Vietnam*, Greener Journal of Business and Management Business Studies, ISSN: 2276-7827 Vol. 3 (1), p. 031-037, January 2013; (17) Agro Information Center, *Annual Report on Dairy Industry in 2011, 2012, 2013, 2014, 2015, 2017, 2018*; (19) Nguyễn Thị Diệu Hiền (2016), *Phân tích lợi thế cạnh tranh ngành sữa của Việt Nam*, Science & Technology Development, Vol 19, 4th quarter, 2016; (20) Phạm Thị Liên, Trần Quang Thắng and Đặng Thị Liên (2014), *Đánh giá mở rộng thương hiệu dưới góc độ người tiêu dùng tại Việt Nam - Trường hợp áp dụng với thương hiệu Vinamilk*, VNU Journal of Science: Economics and Business, vol. 30, no. 4 (2014), p.66-73; (21) Euromonitor International (2018), *Drinking milk products in VietNam*; (22) Euromonitor International (2018), *Yogurt and Sour milk products in VietNam*. These studies provided practical background for the thesis.

2.3. Research gap

Some issues have not been studied thoroughly. The previous studies mainly focused on theories on marketing strategies, marketing mix and product strategies. There have not been any complete researches on value – based product marketing strategies. There is a lack of product marketing strategies for dairy products of Vietnamese dairy enterprises

2.4. Research directions

The author set the research directions of the thesis as (1) Summarizing and forming the theoretical background on product marketing strategies, identifying the model and components of product marketing strategies of dairy enterprises; (2) Analyzing the current situation of product marketing strategies of Vietnamese dairy enterprises and the opportunities, threats, strengths and weaknesses as well as current issues facing Vietnamese dairy enterprises;

forming views on perfecting product marketing strategies, thereby suggesting recommendations on perfecting product marketing strategies of Vietnamese dairy enterprises in the coming time.

3. Aims and tasks of the study

3.1. Aims of the study

The study aims to make theoretical and practical solutions to complete product marketing strategies of Vietnamese dairy enterprises by 2025, with a vision to 2030

3.2. Tasks of the study

- Summarizing and completing the theoretical and practical background on product marketing strategies and application in Vietnamese dairy enterprises in the context of regional and global economic integration.
- Analyzing and evaluating the current situation of product marketing strategies of Vietnamese dairy enterprises during the period of 2012-2018 and now.
- Suggesting solutions to complete product marketing strategies for Vietnamese dairy enterprises by 2025 with a vision to 2030.

4. Subject and scope of the study

4.1. Subject of the study

The thesis studies theories and practices of product marketing strategies of Vietnamese dairy enterprises under the value – based marketing approach.

4.2. Scope of the study

- Content: The thesis applies the theory of value – based marketing by Philip Kotler to clarify the content of product marketing strategies including Defining status and aims of product marketing strategies; Choosing product values delivered to customers; Creating values delivered to customers; Coordinating marketing mix to deliver and communicate values to customers; Providing resources for product marketing strategies.
- Space: The thesis studies the product marketing strategies of 5 typical Vietnamese dairy enterprises in the domestic marketing including Viet Nam Milk Joint Stock Company (Vinamilk), Nutifood Nutrition Joint Stock Company (Nutifood), TH True Milk Company (TH Milk), IDP International Dairy Product Company (IDP), Moc Chau Milk Company (MC Milk).
- Time: The information and statistics for research and expression in the thesis were mainly collected during the period of 2012-2018. The recommendations are suggested to complete product marketing strategies by

2025, with a vision to 2030.

5. Methodology

5.1. Methodology

The thesis is conducted by dialectical material and historical material methods with a systematic and logical approach to study the content of product marketing strategies, based on the features of dairy products and enterprises to study the special features and factors affecting product marketing strategies and situation of product marketing strategies of Vietnamese dairy enterprises; thereby forecasting the development of the environmental and market forces, suggesting solutions to complete product marketing strategies of Vietnamese dairy enterprises.

5.2. Research methods

By reviewing secondary materials on product marketing strategies of Vietnamese dairy enterprises, the thesis identified research gaps in terms of theories and practices as the basis for forming a research model to collect primary and secondary data on the current situation of product marketing strategies of Vietnamese dairy enterprises. The research model of the thesis is presented in *Appendix 01*.

The thesis uses data synthesis method to review documents on theory and practice in order to build the expected research on product marketing strategies. Then, the thesis accessed secondary data on product marketing strategies of foreign dairy businesses including Nestle, FCV, Abbott to draw lessons for Vietnamese enterprises.

- Secondary data is collected from research reports of leading research groups such as Nielsen, StoxPlus, Kanta Worldpanel, Vibiz, Euromonitor, etc.

- Primary data is collected by in-depth interviews, questionnaires as follows:

- + *In-depth interviews*: The author conducted in-depth interviews by groups of 10 (*Appendix 02*) to collect primary data on general market trends such as development orientation of Vietnamese dairy industry; macro policies on dairy industry development; target markets, major product groups and customers of dairy enterprises; opportunities, threats, strengths and weaknesses of businesses; orientation of product marketing strategies and development of Vietnamese dairy enterprises in the coming time. Interview questions are presented in *Appendix 03* and results of in-depth interviews are reported in *Appendix 04*.

- + *Questionnaires*: The author conducted a survey on the middle managers

of 5 domestic dairy companies holding positions of Sales Supervisor of provinces or cities, Director/ Manager of Marketing or Brand Department.

- *Statistical description*: The author calculated, evaluated and summarized primary and secondary data on the current situation of product marketing strategies of domestic dairy enterprises

- *Statistical classification*: The author classified product marketing strategies of domestic dairy companies by strategic product groups to evaluate the current situation of product marketing strategies of Vietnamese dairy enterprises.

- *Synthesis, comparison and analysis*: The author synthesized and calculated qualitative and quantitative indicators to clarify the situation and causes for changes of the issue. She, then, compared and assessed the current situation of product marketing strategies of Vietnamese dairy enterprises.

6. Contributions and significance of the study

- *Theoretical contributions*: The thesis synthesized and explained the theoretical background on dairy products and enterprises in Viet Nam and product marketing strategies of dairy companies under the value-based marketing approach.

- *Practical contributions*:

- + The thesis clarified the current situation of product marketing strategies of 5 typical Vietnamese dairy enterprises including Vinamilk, Nutifood, MC Milk, IDP, TH Milk.

- + The thesis presented factors of macro environment, industry and micro environment affecting product marketing strategies, thereby identified opportunities, threats, strengths and weaknesses as well as suggested strategy options for Vietnamese dairy enterprises.

- + The thesis also forecasted the consumption trends of strategic product groups and new market segments for Vietnamese dairy enterprises.

- *New recommendations*: The thesis suggested solutions to complete product marketing strategies of Vietnamese dairy enterprises and solutions to support product marketing strategies of Vietnamese dairy enterprises by 2025, with a vision to 2030. It also made some recommendations for the State to complete a facilitating macro environment for Vietnamese dairy enterprises.

7. Structure of the study

In addition to the Introduction, Conclusion and Appendix, the thesis includes 3 chapters:

Chapter 1: Theories and practices on product marketing strategies of

dairy enterprises;

Chapter 2: Current situation of product marketing strategies of Vietnamese dairy enterprises;

Chapter 3: Perfecting product marketing strategies of Vietnamese dairy enterprises.

CHAPTER 1

THEORIES AND PRACTICES ON PRODUCT MARKETING STRATEGIES OF DAIRY ENTERPRISES

1.1. Concepts on product marketing strategies

1.1.1. Dairy products and enterprises

1.1.1.1. Products, levels and classification

a) Products and product levels

According to Philip Kotler (1999), A product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organizations and ideas.

Philip Kotler and Kevin Keller (2013) divided products into 5 levels including Core benefit, Generic product, Expected product, Augmented product and Potential product.

b) Product classification

According to Philip Kotler, products are classified into *Product mix*, *Product line* and *Product items*, also known as “product variation”. Product marketing strategies require decisions on single products/ services and product lines as well as product groups.

1.1.1.2. Dairy products and classification

a) Definition

Milk is a milky white liquid created by the female mammals. In fact, there are many types of milking mammals such as dairy cows, goats, sheep, etc. In the thesis, the author mainly refers to milk from dairy cows.

b) Classification

The author classified dairy products by items including milk powder, liquid milk, condensed milk, yogurt and other dairy products.

1.1.1.3. Dairy enterprises and value chain of dairy industry in Viet Nam

a) Vietnamese dairy enterprises

Vietnamese dairy enterprises are established or registered under Vietnamese

laws and based in Viet Nam, which participate in the production and trade of dairy products and the items contribute to the major corporate revenue.

b) Value chain of Vietnamese dairy industry

According to Nguyễn Việt Khôi, and Dr. Nguyễn Thị Thanh Hương (2011), the value chain of Vietnamese dairy industry consists of Input, Production (cow raising, milking and storage), Distribution and Consumption.

1.1.2. Product marketing strategies

1.1.2.1. Marketing strategy

According to Baker (2008), a marketing strategy is a process that can allow an organization to devote limited resources to the greatest opportunities to increase sales to achieve a sustainable competitive advantage.

According to Johnson et al., (2008), a marketing strategy serves as a long-term orientation of an organization to gain an advantage in a changing environment through configuring its resources and capabilities with the purpose of meeting the expectations of stakeholders.

Sorger (2011) defined a marketing strategy as a strategic plan that includes cyclical planning, implementation, and control.

According to Prof. Dr. Nguyen Bach Khoa (2003), a marketing strategy is the entire marketing logic whereby business units achieve their marketing goals. Marketing strategies include a balanced structure between target marketing, marketing mix, and marketing planning of businesses that are appropriate and adaptable to changes in the environment.

According to Philip Kotler and Gary Armstrong (2012), marketing strategies are logical marketing structures that help business units create customer value and achieve profitable customer relationships.

Philip Kotler (2002) also points out that value-driven marketing including Value selection, value delivery and value-performance communication.

Marketing strategy consists of Strategic marketing (market segmentation, market targeting and positioning) and operational marketing (value creation, delivery and communication)

1.1.2.2. Product marketing strategies

a) Approaches and concepts of product marketing strategies

First, product marketing strategy is known as product strategy, an element of marketing mix. Elements of marketing mix include product, price, place and promotion.

Second, Product marketing strategy is considered the product-focused

marketing strategy. Accordingly, Product marketing strategies comprise selecting target market segment and customers, developing marketing strategies to satisfy the needs of the selected segments.

From the concept of product marketing strategies which combines the above approaches and theories on value-driven marketing and customer-based values, the thesis defines product marketing strategies as follows: *A product marketing strategy is the marketing logic which helps enterprises identify the set of values for each strategic items to customers on the basis of identifying the marketing status and target, selecting values, creating values, coordinating marketing mix to implement and communicate values towards value maximization for customers to create the competitive advantages to achieve the marketing and business objectives of the company.*

From the given definition, the nature of product marketing strategies should be clarified as:

(1) Objectives

- Product marketing strategies should be built on the product values in the customer values. Therefore, Product marketing strategies have to indicate how to create values on products as well as distribution (convenience, availability) and communication (right time, full and accurate information).

- Product values are not only expressed by functions, attributes, elements, but according to modern marketing, they are also presented by distribution to assure quality to customers at the right time and right place. It can contribute to customer values, thereby achieving the target of brand positioning, generating profits and status of the enterprises.

- + Product values delivered to customers have to be created towards greatest contribution to customer values which are most appropriate to customers and greater than competitors.

- + Product values have to be positioned in customers' mind and fulfil the demand for supply time and places as well as costs related to time and place and customer usages. They can create the competitive advantages for enterprises, customer loyalty and rapport with target customers.

- + The values over costs help companies achieve their business objectives.

(2) Content

Product marketing strategy by nature is the process of making and implementing strategic and operational decisions including *Pricing, Creating values, Coordinating marketing mix tools* to implement and communicate

product values to customers. In order to implement the decisions, enterprises first have to identify the status and targets of Product marketing strategies to decide on values to deliver. Besides, they also need to ensure resources to deploy Product marketing strategies to achieve the set targets.

From the above analysis, the content of Product marketing strategies under value-driven marketing approach (*Appendix 07*) includes (1) Analyzing the situation and setting targets of Product marketing strategies; (2) Selecting values delivered to customers; (3) Creating customer values; (4) Coordinating marketing mix tools to implement and communicate values to target customers; (5) Providing resources and organizing product marketing activities; (6) Evaluating.

1.2. Fundamental issues of product marketing strategies

1.2.1. Analyzing situation and setting targets of product marketing strategies

1.2.1.1. Analyzing situation of product marketing strategies

It consists of overviewing on the current marketing situation and market trends; analysing opportunities, threats, strengths and weaknesses by TOWS analysis. Dairy enterprises, then can choose strategies for the current and new products based on Ansoff matrix including (1) Market penetration, (2) Market development, (3) Product development and (4) Diversification.

1.2.1.2. Setting targets of product marketing strategies

- General target of product marketing strategies is maximizing values to target customers.

- Specific objectives are diversifying products, improving quality, enhancing brand identity, pricing, satisfying customers and expanding market share.

1.2.2. Choosing customer values

Value creation should be done through products, services, labour and image at the lowest financial costs, time and efforts.

The market for dairy products by strategic items can be segmented by demographic, geographical and behavioural features.

There are four options for target markets, namely *Undifferentiated marketing*, *Differentiated marketing*, *Concentrated marketing* and *Micromarketing*.

Value positioning strategies include positioning by product attributes, positioning by value, positioning by product user, positioning by price, positioning by competitive advantage and positioning by benefits and solutions.

1.2.3. Creating product values for customers

1.2.3.1. Creating values for specific products

a) Value creation of specific products

According to Philip Kotler and Gary Armstrong (2013, p. 284), decisions on values for specific products include decisions on product attributes, brand, packaging, labelling and services.

b) Marketing strategies for individual products

They consist of product innovation, product imitation and product adaptation.

1.2.3.2. Creating values for product lines

They include line stretching, line filling, line modernization, and line pruning.

1.2.3.3. Creating values for product mix

They consist of width, length, depth, consistency and reduction.

1.2.4. Coordinating marketing tools to implement and communicate product values to customers

a) Price

Pricing strategies include value pricing, cost-based pricing, promotional pricing, differentiated pricing, price discounts and allowances.

b) Distribution and sales channels

Dairy enterprises should develop distribution channels and decide on channel management as well as handle channel conflicts.

c) Communication of product values to customers

Promotion tools include advertising, sales promotion, public relations (PR), direct marketing, personal selling. Promotion has to ensure positioning values to target customers for each strategic product items (powder milk, liquid milk, yogurt and condensed milk).

1.2.5. Providing resources and marketing activities

They include providing marketing resources, budget, information system and technology, and organization.

1.2.6. Evaluating the efficiency of product marketing strategies

a) Quantitative indicators: Revenue, market share, growth rate, etc.

b) Qualitative indicators: Trust, loyalty, etc.

1.3. Marketing environmental factors affecting product marketing strategies of dairy enterprises

They include macro-environment factors (Political and legal, Economic,

Demographic, Cultural and Social); Industry factors (dairy market, competition, channels and buyers; customers, suppliers); micro-environment factors (Finance, technology, R&D, Production, Input, planning and implementing product marketing strategies).

1.4. Product marketing strategies of some foreign dairy enterprises and lessons for Vietnamese enterprises

1.4.1. Lessons on building and implementing product marketing strategies of Nestlé in the world and Viet Nam

1.4.2. Lessons on building and implementing product marketing strategies of Abbott

1.4.3. Lessons on building and implementing product marketing strategies of Dutch Lady under FCV

CHAPTER 2

CURRENT SITUATION OF PRODUCT MARKETING STRATEGIES OF VIETNAMESE DAIRY ENTERPRISES

2.1. Overview on Vietnamese dairy enterprises

2.1.1. Establishment and development of Vietnamese dairy enterprises

2.1.2. Business performance indicators of Vietnamese dairy enterprises during 2012-2018

2.2. Analysis of impacts of marketing environment factors on product marketing strategies of Vietnamese dairy enterprises

2.2.1. Macro-environment factors

2.2.1.1. Policies on dairy industry

a) Policies on developing cow raising

(1) To farming households, *Decision No. 50/2014/QĐ-TTg on policies for improvements in farmer household animal husbandry during 2015 - 2020*

(2) To husbandry enterprises, *Decree No. 57/2018/ND-CP dated April 17, 2018 of the Government on incentive policies for enterprises investing in agriculture and rural development sector.*

b) Policies on developing dairy production:

(1) Decision No.3399/QĐ-BCT dated June 28, 2010, approving the plan for development of the milk processing industry of Vietnam by 2020 with vision to 2025.

(2) Decision No.1340/QĐ-TTg dated July 8, 2016 of Prime Minister approving school milk programme to improve nutritional standards contributing

to physical improvement of children in kindergartens and elementary schools by 2020.

c) Policies on dairy product price management

(1) Decision No.1079/QD-BTC dated May 20, 2014 of Ministry of Finance on introducing measures to stabilize price of dairy products for infants under the age of 6.

(2) Circular No.08/2017/TT-BCT dated June 26, 2017 of Ministry Industry and Trade on registration and declaration of prices for milk and functional foods for children under the age of six.

d) Policies on communication

(1) Decree No.181/2013/ND-CP: As regulated in Item 1 Article 12 of Decree No.181/2013/ND-CP, Advertisements for dairy products and dietary supplements for children may only be published after their contents are certified by competent authorities.

(2) National technical regulation for fluid milk product QCVN 5:1-2017/BYT of Ministry of Health replacing QCVN 5:1-2010/BYT, effective from March 1, 2018.

2.2.1.2. Population

Increasing population size and growth have boosted consumption market; increasing income per capita, rising middle income and high income classes; improved living standards and trends on consumption of food and dairy products.

2.2.1.3. Economic factors

(1) *Economic growth and inflation rate:* In the period of 2012-2018, Viet Nam kept the inflation rate at one digit to stabilize business operations, goods prices and economic growth. The economy in Viet Nam gained stable GDP growth rate at 6.19% per year, which facilitates the development of industries including dairy sector.

(2) *Bilateral and multilateral economic agreements:* CPTPP Agreement, WTO commitments, CEPT/AFTA, Viet Nam – China Protocol have boosted competition as well as provided opportunities for expanding markets, importing technology and input materials at lower costs.

2.2.1.4. Natural geographical and climate features of Viet Nam

Favourable geographical and climate conditions in Viet Nam are suitable for raising cows.

2.2.1.5. Socio-cultural factors

Vietnamese people have developed the habit of drinking milk.

2.2.1.6. Science and technology factors

There exist new selling and distribution methods, new media such as online selling, e-commerce, market research via the Internet, etc.

2.2.2. Industry factors

(1) Overview of dairy industry in Viet Nam

- *Industry revenue*: During 2012-2018, with the average industrial growth rate of over 12.9% per year, Vinamilk topped the list of revenue in the industry with 52,629 billion VND, accounting for 48.2% market share.

- *Number of cows*: According to GSO (01/10/2018), the number of cows has increased nearly 1.8 times, from 167,000 con (2012) to 294,400 (2018).

- *Imports of milk and dairy products*: Viet Nam generally imports around 971 million USD of dairy products per year.

- *Dairy industry in Viet Nam is expected to grow stably in the long-term thanks to a lot of potentials.*

- *Dairy market structure*: According to Stoxplus (2017), the dairy market consists of 43% of powder milk, 32% of liquid milk, 12% of yogurt, 7% of condensed milk, 6% of soy milk. The market shares of five domestic dairy enterprises include Vinamilk 58%, Nutifood 8%, TH Milk 4%, IDP2%, MC Milk 2%.

(2) Market competition: Powder milk segment is dominated by foreign brands such as Abbott, FCV, Mead Johnson, and Nestle. Domestic companies have strengths in providing liquid milk, yogurt and condensed milk; *Substitutes*: There are a lot of nutrition food, supplements, plant-based milk and nutrition drinks; *Potential competitors*: The potential growth of the dairy industry will appeal to many domestic and foreign companies.

(3) Channels and buyers: The current expanding channels are favourable opportunities for Vietnamese dairy enterprises. *The number of convenience stores, chain stores is increasing, Online channels/ E-commerce in Viet Nam* ranks second in Southeast Asia with the number of online shoppers growing at 25% per year.

(4) Customers: They include the market of 97 million individual and corporate customers (schools, factories, café, restaurants, etc.)

(5) Suppliers: Domestic and international suppliers are involved in input, equipment, packaging, breeding, etc.

2.2.3. Company internal factors

According to the survey results (*Appendix 05*), indicators on finance, human resources, research and development, production and supply of materials, and technology are generally rated as average, good to very good. Some indicators are evaluated as not good such as finance (IDP), milk supply (Nutifood).

2.3. Current situation of product marketing strategies of Vietnamese dairy enterprises

2.3.1. Analyzing situation and targets of product marketing strategies

2.3.1.1. Situation analysis

The author summarized strengths, weaknesses, opportunities and threats affecting product marketing strategies of Vietnamese dairy enterprises (*Appendix 13*).

2.3.1.2. Target identification

2.3.2. Choosing customers values

2.3.2.1. Market segmentation and targeting

- *Criteria of segmentation:* geography, income, age, benefits, convenience, uses.
- *Target market:* Domestic dairy enterprises have not recognized all the opportunities and challenges in each segment and neglected some segments with high growth potentials.

2.3.2.2. Value positioning

According to the survey results (*Appendix 07*), Vietnamese dairy enterprises have not effectively deliver relevant, unique and different values to different segments.

2.3.3. Creating values for strategic items for target market

According to in-depth interviews in 2019, Vinamilk owns over 250 SKUs (SKU-Stock-Keeping Unit), Nutifood owns 170 SKUs, while IDP, MC Milk and TH Milk have over 60SKUs for liquid milk, yogurt and other dairy products. The goods structure is diversified.

2.3.3.1. Value creation for powder milk

Table 2.12: Number of SKUs of powder milk of Vinamilk and Nutifood

Companies	Adults		Children		Pregnant women		Total (SKU)
	<i>Total</i>	<i>High class</i>	<i>Total</i>	<i>High class</i>	<i>Total</i>	<i>High class</i>	
Vinamilk	9	0	102	31	7	3	118
Nutifood	26	14	99	24	8	2	133

Source: Collected by the author from Vinamilk and Nutifood 2018

2.3.3.2. Value creation for liquid milk

- *Product features, quality:* Many domestic milk products are certified for exports including liquid milk with various flavors.

- *Brands:* TH Milk and MC Milk use brand houses of Moc Chau, TH true milk and apply the brand extension strategy by attaching their brands with flavors and nutrition ingredients. Vinamilk and IDP use house of brands with individual product brands while Nutifood applies the hybrid model of part of company name (NU) and product names.

- *Services:* Vinamilk and TH Milk have the chains of stores and online sale system, door-to-door delivery in Hanoi and Hochiminh City.

- *Packaging:* Tins (Powder milk, condensed milk), Cartons (liquid milk, condensed milk), Plastic containers/ plastic bottles (Yogurt / drink). Common specification of 110ml, 180ml, 1L. The information on the packaging of dairy products is still unclear, causing confusion for consumers.

- *Product mix and product lines:* Domestic dairy enterprises are aiming at high-class segment and organic milk, but the output is very small. They have developed diverse packaging specifications (110ml, 180ml, 200ml, 500ml, 1L) and flavors (orange/ strawberry/ grape/ blueberry/ coconut/ glutinous rice/ unsweetened/ sugar/ low sugar/ walnut, etc.).

2.3.3.3. Value creation for yogurt

They create many different flavors and uses: Beautifying, providing calcium, helping digestion, etc. with various flavors (sugar/ no sugar/ fruit/ pineapple/ pomegranate/ blueberry, etc.) for different customers (Premium/ common/ children/ women, etc.). Yogurt has liquid and solid types. Companies provide refrigerators for retail points, MC Milk also partially takes back the out-of-date products. Yogurt is packaged in a 100g plastic container, enamel drinking yogurt is packaged in plastic jars of 65ml, 130ml, 700ml. Vinamilk has 34 SKUs, TH Milk owns 24 SKUs with many new and different flavors. Nutifood, IDP and MC Milk own less complex combinations with around 10 SKUs. Currently, Vinamilk and IDP apply the upward line stretching strategy with high-class products such as Organic yogurt, Vinamilk Probeauty pomegranate/ blueberry/ aloe vera (Vinamilk); premium yogurt LIF (IDP). Line filling strategy was also applied by Vinamilk and TH Milk.

2.3.3.4. Value creation for condensed milk

According to StoxPlus (2016), condensed milk accounts for 7% of the total value of the dairy industry, in which Vinamilk holds 80% market share,

followed by FCV 17.1%, Nestlé 2%. Condensed milk is saturated, but still popular in the rural areas. Vinamilk owns more than 20 SKUs, and Nutifood owns 6 SKUs.

2.3.4. Coordinating marketing tools to implement and communicate values to customers

2.3.4.1. Communication of values

According to the survey results (2018), domestic dairy businesses usually spend at least 20% of revenue on advertising, promotion, display and sales support for distribution channels. Domestic dairy enterprises combine various means such as Advertising, PR, Exhibitions, Display, Sales Support, Online Media, Promotion

2.3.4.2. Distribution channels and sales methods

Distribution channels are basically a competitive advantage of Vietnamese dairy enterprises compared to foreign competitors thanks to their coverage, variety of channels, geographical advantage and domestic market knowledge. However, the density and the market coverage of each Vietnamese dairy company are dissimilar due to the size of the market and the resources.

2.3.4.3. Pricing strategies

The prices of market offerings of domestic companies are lower and more competitive than foreign brands.

2.3.5. Providing resources and marketing activities

2.3.5.1. Marketing budget

Survey results of 5 dairy companies on providing resources for product marketing strategies (Appendix 07) are specifically presented as follows: Regarding the budget, 8/20 respondents agree that “The budget and financing to product marketing strategies are implemented fully, synchronously and effectively”, 10/20 respondents partly agree and disagree.

2.3.5.2. Marketing human resources and organization

Survey results on middle managers of 5 dairy companies (Appendix 07), are specified that in terms of human resources and marketing organization, 6/20 respondents agree with the comments “Ensuring human resources for marketing executives and middle-level marketing managers with professional qualifications and effective decision-making ability”, 11/20 partly agree and 3/20 disagree; 9/20 respondents agree that “The sales force is full in quantity and quality to meet the job requirements”, 7/20 respondents partly agree, and 4 disagree with the comments.

2.3.5.2. *Marketing information system and technology*

According to the results of the 2018 survey, the information system does not work effectively; the information is not adequate and timely. The coordination between the functional departments is uniformed and relatively efficient.

2.4 General comments

2.4.1 *Successes*

First, the business performance of the dairy industry in general and of Vietnamese dairy enterprises in particular is quite good. Enterprises have been able to maintain their revenue and market share through the years; *Second*, Vietnamese dairy enterprises have strategies to improve product quality to enhance their competitiveness as well as meet the increasing customer demand; *Third*, the competitiveness of domestic dairy enterprises is increasingly improved and dominant, especially in the segment of liquid milk, yogurt and condensed milk; *Fourth*, Vietnamese dairy enterprises have well developed the school channel through the School Milk Program; *Fifth*, the quality of milk products is increasingly stable and many domestic brands have reached export standards. *Sixth*, dairy businesses have invested in R&D; *Seventh*, nationwide distribution system, including traditional, modern and online channels; *Eighth*, Building brand reputation; *Ninth*, The awareness and trust of consumers are high; *Tenth*, many Vietnamese dairy brands have successfully built up positioning strategies, created images in the consumers' minds; *Eleventh*, the portfolio of dairy products is diversified for different customers; *Twelfth*, the cow herd size is expanding.

2.4.2. *Limitations and causes*

First, about determining the situation and goals of product marketing strategies: Some dairy companies have not fully implemented marketing research. Collected information is not complete. The targets that dairy companies have set are not really consistent with the strategic situation as well as the resources of enterprises, some businesses fail to achieve the set targets; *Second*, regarding the selection of customer values: Companies have not focused and left some potential segments. Many positioning statements are general, which tend to be similar and often based on the product functions, and are easy to imitate; *Third*, in terms of value creation for each product, there have not yet diversified structure of powdered milk products, labelling, names of liquid milk products also cause confusion for consumers, domestic condensed milk has not kept up with consumer trends; *Fourth*, on the

coordination of marketing tools to implement and communicate values to customers: Enterprises have not focused on online sales and distribution channels for corporate customers. Some advertising messages have not really clarified the value positioning of products, resulting in low communication efficiency; *Fifth*, regarding resources for product marketing strategies: The budget for implementing the product marketing strategies of Vietnamese dairy enterprises is limited; *Sixth*, Milk material supply depends on HCN and imports; *Seventh*, market research and expansion are limited. Except for Vinamilk, which is a strong enterprise with many advantages, most domestic dairy companies have not implemented or implemented infrequently marketing research due to financial constraints; *Eighth*, progress of catching up with consumption trends and market responses are slow.

CHAPTER 3

SOLUTIONS TO PERFECTING PRODUCT MARKETING STRATEGIES OF VIETNAMESE DAIRY ENTERPRISES

3.1. Forecasts of development trends of dairy market and views on perfecting product marketing strategies of Vietnamese dairy enterprises by 2025

3.1.1. Forecasting development trends of dairy market in the world and Viet Nam

3.1.1.1. In the world

a) Dairy production

By 2030, the production will increase by 35%. According to the Organization for Economic Co-operation and Development, fresh milk production will increase by 25% over the next 9 years, the output of butter, cheese, skimmed milk and whole milk powder will increase by 22%, 14.7%, 20.8% and 24.4% from now until the end of 2026.

b) Dairy consumption

The world's market for low-fat and non-fat yogurt has a high growth prospect of 25% in the period of 2016-2025. The global trend of organic milk consumption has grown with a CAGR of 11.56% for the period of 2015-2021. Regarding Southeast Asian dairy industry growth rate, yogurt will lead the growth rate of 7.4% for the period of 2018-2022, liquid milk with 6.8%, condensed milk at only 4.1%.

c) Prices

From 2018, prices of dairy products will recover and increase steadily by 2026.

3.1.1.2. In Viet Nam

a) Supply: Domestic fresh milk output will reach 1 billion litres, satisfying 38% of demand by 2020 and 1.4 billion litres for 40% of demand by 2025.

b) Demand: Demand for milk will continue to grow with increasing consumption for fresh milk, high nutrition, organic milk and plant-based milk towards reducing starch, sugar, fat, and increasing fiber, Omega-9, Probiotics from plants).

c) Competition: The market will attract many local and global companies, leading to fiercer competition in the domestic market.

d) Imports and exports: Viet Nam will continue importing milk materials. Besides, milk exports of Viet Nam will develop and expand to regional and international markets.

3.1.2. Development plan of Vietnamese dairy production by 2025

3.1.3. Development orientation of Vietnamese dairy enterprises in the coming time

3.1.4. Views on perfecting product marketing strategies of Vietnamese dairy enterprises by 2025

(1) Product marketing strategies are at the functional level in the strategy hierarchy of companies. (2) Solutions given in the thesis can serve as orientation for Vietnamese dairy enterprises in perfecting product marketing strategies in the coming time; (3) Solutions to perfect product marketing strategies are established for each strategic item towards increasing customer values.

3.2. Solutions to perfect product marketing strategies of Vietnamese dairy enterprises by 2025

3.2.1. Analyzing situation and identifying targets

3.2.1.1. Identifying targets

Vietnamese dairy enterprises need to set specific goals for each strategic item: Powder milk, condensed milk, yogurt, liquid milk. Currently, most dairy enterprises only provide the general target market share for the entire portfolio.

3.2.1.2. Applying TOWS in analysing marketing situation for decision-making

3.2.2. Choosing values to target customer by strategic items

3.2.2.1. Developing new attractive market segments for strategic items

Developing organizational segments (Airlines, Factories, Preschools, Primary schools, University canteens, Hospitals, Restaurants, Hotels, Event centers, Cafes and Beverages, etc.); *Developing consumer segments* (adult women from 16 to 30 years old, fitness trainers, professional athletes, elderly customers, old people from 50 years old); *Developing rural market and maintaining urban market*; *Developing high-income segment for powder milk and liquid milk*; *Orienting development of export markets*.

3.2.2.2. Completing value positioning for strategic items in target segments

3.2.3. Creating values for target customers by strategic items

3.2.3.1. Powder milk

(1) Diversifying product types; (2) Completing quality and benefits of products for each group of customers; (3) Completing brand strategies for powder milk by Brand – Product or Brand – Customer matrix; (4) Completing services before, during and after sales; (5) Completing product line development strategies; (6) Expanding product mix for powder milk.

3.2.3.2. Liquid milk

(1) Diversifying quality level; (2) Developing products with plant-based nutrition; (3) Improving labelling on the packaging and traceability; (3) Applying contrast packaging to fully store nutrition values; (4) Completing brand development strategies for liquid milk by the Brand – Customer matrix.

3.2.3.3. Yogurt

Developing yogurt products made from pure fresh milk with low sugar and low fat. Producing new and unique flavors

3.2.3.4. Condensed milk

Improving and researching new products towards changing nutrition ingredients, reducing sugar and fat, introducing sugar-free condensed milk and new flavors.

3.2.4. Coordinating marketing mix tools

3.2.4.1. Distribution channels

Developing distribution through supermarkets and convenience stores; Developing e-commerce and door-to-door delivery; Financing intermediary distributors to enhance market coverage; Applying technology in managing sales forces; Developing direct sales for organizational customers.

3.2.4.2. Pricing strategies

Implementing penetration pricing strategy; Customer-based pricing; Bundle pricing

3.2.4.3. Media

Organizing customer conference; Improving brand identity at points of sales; Organizing seminars; Participating in trade fairs and exhibitions; Advertising in many channels; Developing PR activities; Enhancing promotion.

3.2.5 Providing resources and marketing organization

Developing human resources for business operations and marketing, especially those with marketing management for Vietnamese dairy enterprises; Developing financial resources for product marketing strategies; Completing marketing information system.

3.3. Solutions to support the development of product marketing strategies of Vietnamese dairy enterprises by 2025

3.3.1. Developing milk material supply for production and consumption

3.3.2. Improving capacity in research and development of new products

3.3.3. Promoting M&A to exploit the finance, production, technology and market development of partners

3.3.4. Enhancing corporate commitments and responsibility in product quality, origin, information transparency on packaging

3.4. Recommendations on perfecting marketing macro environment to improve the effectiveness of product marketing strategies of Vietnamese dairy enterprises

3.4.1. Completing legal documents on production and trade in dairy industry to create a fair environment for companies, distributors and consumers

3.4.2. Facilitating companies to access preferential capital sources

3.4.3. Building policies to boost cow raising industry for domestic input for companies

3.4.4. Boosting State administration on dairy market in Viet Nam

3.4.5. Issuing incentive policies for scientific research and technology transfer related to dairy industry

3.4.6. Promoting the role of Association of dairy industry in communicating products, brands, companies and connection with foreign partners

3.4.7. Enhancing the role of General Department of Customs in controlling informal imported products

CONCLUSION

Dairy market in Viet Nam is developing robustly with the stable growth rate over years. Besides, there is the fierce competition of over 300 domestic and foreign brands with opportunities and challenges from regional and international economic integration. In this context, Vietnamese dairy enterprises need appropriate product marketing strategies in specific periods and market states in order to deliver more customer values at lower costs than competitors. Based on the analysis of dairy industry, the author selected the topic *Perfecting Product marketing strategies of Vietnamese dairy enterprises* for her Doctoral thesis.

Results: (1) The thesis systemized theories on product marketing strategies of dairy enterprises, clarified the nature and issues of product marketing strategies, environmental factors affecting product marketing strategies; (2) The thesis summarized practices of product marketing strategies of such foreign dairy companies as Abbott, Nestlé, FCV and drew lessons for domestic enterprises; (3) The thesis analysed the impacts of macro environment, industry and internal factors on product marketing strategies of dairy enterprises; (4) The thesis analysed the current situation of product marketing strategies of five typical dairy enterprises; (5) The thesis suggested two groups of solutions to complete product marketing strategies of Vietnamese dairy enterprises; (6) The thesis presented seven recommendations at macro level.