
Vinamilk: A Case Study on Partnering Up to Expand on the World Market

Kim Nguyen

Abstract

Vinamilk has continued to be a pioneer in the food industry because of four reasons. First of all, Vinamilk's product research and technology development have been increasingly improved and updated to ensure food safety in their new products in order to change the domestic consumer behavior that exists in Vietnam, namely the consumer perception that dairy products made in France or the Netherlands would be the best choice. Secondly, Vinamilk has effectively invested in brand building and market expansion. The company pays attention to studies on local markets, and to consumer habits, age, and gender demands to let its retailer network grow and to promote each specific product in different areas of Vietnam. Moreover, Vinamilk also is spreading to overseas markets, including the difficult markets such as the USA, Australia, Cambodia, Laos, New Zealand, and Middle East countries. Thirdly, investing in people is the core of success for Vinamilk. Finally, in order to have sustainable development as well as preserve prestige in the market, respect for business ethics and the actions to bring sustainable values to the society and the community play a very important role.

1 Introduction

Vietnam Dairy Products Joint-Stock Company (Vinamilk) is the largest dairy company in Vietnam, with 39 % of market share, and was recognized as one of the 200 best enterprises in Asia in 2010, was fourth in 2012 VNR 500 ranking, and topped the list of 50 best companies on Vietnam's stock market in 2013

K. Nguyen (✉)

The Honor's Program of the International Business School, Hanze University OAS, Groningen, The Netherlands

e-mail: nguyen.thi.kim.khanh@st.hanze.nl

(Vietnamnet 2013a). Vinamilk is the most popular and pioneer brand name for dairy products, and their portfolio includes powdered milk, liquid milk, yogurt, condensed milk and fruit juices. Vinamilk's products are produced and distributed not only nationwide, but also around the world including New Zealand, Thailand, and the USA. It has 183 distributors and nearly 94,000 sales points covering 64 provinces in Vietnam. Exported products from Vinamilk, including infant formula, nutritional powder, condensed milk, fresh milk, soy milk, and yogurt, are now present in 26 national markets in the world including the USA, Australia, Canada, Russia, Japan, Thailand, South Korea, Sri Lanka, the Philippines, South China, and various Middle East countries (Vinamilk 2014a).

In 2013, Vinamilk established a factory in Poland with a charter capital of 3 million US\$. The company's main activity is wholesale of agricultural raw materials: trade in live animals, agricultural raw materials for the production of milk, food, and beverages (Vneconomy 2013). Vinamilk is expected to invest in depth in Europe to become one of the 50 largest dairy businesses in the world, with expected sales of 3 billion US\$ in 2017 (Bloomberg 2012).

Since its establishment 37 years ago, Vinamilk has developed a reputable brand in Vietnam and gradually penetrated the world market. The possibility for the company to expand to overseas markets in Europe would be high. In order to find out if this plan is realistic or not, this chapter presents an overview of the company's current position in the world and how it can enter into the competitive market in Europe.

2 Company Profile

2.1 History

Vinamilk was founded in 1976 under the name of Southern Coffee-Dairy Company, a subsidiary of the General Food Directorate, and had six factories in operation in Vietnam. In 1978, the company introduced powdered milk and cereal with milk powder for the first time in Vietnam. In 2004, it acquired Saigon Milk Joint Stock Company and increased its share capital to 430 billion US\$ (Vinamilk 2013a). In 2003, the company converted to a joint stock company and changed its name to Vietnam Dairy Products Joint Stock Company (Vinamilk). Ms. Kieu Lien Mai has been General Director of Vinamilk since 1992 and became one of 50 outstanding leaders in Asia in 2012–2013 (Bloomberg 2012). She was born in Paris in 1953, graduated from a prestigious university in Moscow, and joined Vinamilk as an engineer in charge of the production of condensed milk and yogurt in Truong Tho Dairy Factory, Milk Company—South Coffee (forerunner of Vinamilk). In 1983, Mai studied Economics at the University of Leningrad (Russia), and after that, she was appointed as Deputy Director of Vinamilk in 1984. She has held the position of General Director from 1992 to the present (Soha 2014). In 2014, Mai was cited by *Forbes Asia* magazine in its 2014 list of the most powerful business women in Asian and ranked 23 out of 48 (Vietnambreakingnews 2014).

In 2011, the Miraka Milk Powder factory in New Zealand, which accounted for 19 % of the equity of Vinamilk, came into operation, and this is the first investment abroad for Vinamilk.

In January 2014, Vinamilk invested in building a new factory, located in the Phnom Penh Special Economic Zone, with a total area of 30,000 m² in Cambodia, named the Angkor Dairy Products Company Limited Company. This plant was a total investment of 23 million dollars, which was contributed 51 % to Vinamilk (Vneconomy 2014).

Nowadays, Vinamilk is the leading dairy company and is in the top ten of the strongest brands in Vietnam. During more than 30 years, Vinamilk has built eight factories and three plants with a variety of products available from the 200 sterilized, pasteurized, and dairy products sold not only in Vietnam, but also around the world.

2.2 Employee Information

In 2012, the total number of employees in Vinamilk in Vietnam was 4853, almost half of whom ranged in age from 30 to 40, and 50 % of employees possess a bachelor degree. The workforce of Vinamilk is a consolidation of about 5000 people of different occupations, ages and areas of expertise. Together with expansion in production scale and operation areas, Vinamilk is always consistent in the viewpoint of respect for the employees. Each person, no matter what field or level he or she is, is given an equal chance to show his or her own value and contribute to the corporation's success (Tables 1, 2 and 3).

2.3 Products Range

Vinamilk offers over 200 products to satisfy different classes of income. Vinamilk presents extensive product lines under five brand names: Vinamilk (liquid milk, yogurt, and ice cream), Vfresh (fruit juice and soy milk), Dielac (powdered milk), Ridielac (nutrition powder) and condensed milk, all of which aim for higher margin value-added products. Due to health concerns, Vinamilk is now shifting to more products that offer an additional value for the customer. For example, for yogurt products, Vinamilk has introduced new value-added products such as Collagen milk and liquid milk with ADH, and powdered milk with more nutritional

Table 1 Number of employees in 2010–2012 (Vinamilk 2013c)

	2010	2011	2012
Total number of permanent employees	4510	4564	4853

Table 2 Profile of Vinamilk's labor force in 2013 (Vinamilk 2013b)

	Năm	2010	2011	2012
Number of employees		4510	4564	4853
Gender	Male	3282 72.8 %	3354 73.5 %	3605 74.3 %
	Female	1228 27.2 %	1210 26.5 %	1248 25.7 %
Categories	Manufacture-process	1604 35.5 %	1625 35.6 %	1703 35.1 %
	Sales	391 8.7 %	316 6.9 %	307 6.3 %
	Agricultural activities	152 3.4 %	185 4.1 %	235 4.8 %
	The support activities (purchasing, accounting, human resources, administration, IT, . . .)	2363 52.4 %	2438 53.4 %	2608 53.7 %
Age	<30	1468 32.5 %	1413 31.0 %	1448 29.8 %
	30->40	1902 42.2 %	1925 42.2 %	2046 42.2 %
	40->50	845 18.7 %	923 20.2 %	1009 20.8 %
	>50	295 6.6 %	303 6.6 %	350 7.2 %
Education level	Vocational/work training	2307 51.2 %	2275 49.8 %	2322 47.9 %
	College	339 7.5 %	357 7.8 %	396 8.2 %
	University	1816 40.3 %	1879 41.2 %	2075 42.8 %
	Postgraduate	48 1 %	53 1.2 %	60 1.1 %

ingredients. Also, Vinamilk has products for all income levels, with broad packaging, products size, and flavors. Main business areas:

- Producing and trading milk and dairy products
- Producing and trading beverages
- Breeding dairy cows, producing fresh milk materials (in 100 % capital owned companies)

Main products and brands:

Vinamilk has more than 200 products, divided into five main groups:

- Powdered milk and nutrition powder: Dielac, Ridielac.
- Condensed milk: Ong Tho Milk, Southern star Milk.
- Liquid milk: Vinamilk 100 % Flex, ADH.

Table 3 Subsidiaries and Associates in 2013 (Vinamilk 2013c)

No.	Company name	Business line	Share capital (VND billion)	Vinamilk's ownership rate (%)
Subsidiaries				
1	Vietnam Dairy Cow One Member Co., Ltd.	Breeding dairy cows and producing fresh milk material	1550	100
2	Lam Son Dairy One Member Co., Ltd.	Producing, trading dairy products	80	100
3	International Real Estate One Member Co., Ltd.	Real estate business	160	100
Associate^a				
1	Asia Saigon Food Ingredients JSC	Producing cream powder used for foods	120	15
2	Miraka Co., Ltd.	Producing and trading dairy products	NZD 55 million	19.3

^aBased on the presence of Vinamilk's representative in Board of Management of associates

- Yoghurt, ice-cream, cheese: Yoghurt–ice-cream–cheese Vinamilk, Susu, Probi, ProBeauty.
- Soy bean milk and beverages: GoldSoy, Vfresh, Icy.

2.4 Revenues from 2011 to 2015

From Table 4, we can see that revenues have significantly increased from 2011 to 2015. The most remarkable point is that the operating profit in 2015 is expected to triple, from 196.2 million US\$ in 2011 to 501.1 million US\$ in 2015.

Export sales accounted for 10 % of company revenue. The main export markets of the company are: Middle Eastern countries, Cambodia, the Philippines, and Australia.

2.5 Vinamilk Revenues by Product

Vinamilk dominates the domestic yogurt and condensed milk market, with a market share of 71 % and 88 %, respectively, in 2011 (Vinamilk 2013a). Condensed milk has a low margin (est. gross margin of 13 %), low growth rate (volume growth rate about 2–3 %), and requires significant capital to manufacture. Friesland Campina seems to have given up on this product line and small players do not find it attractive enough to enter. Vinamilk, with its 88 % market share, has been the leader of this market. Yogurt involves heavy investment in coolers and chilled transportation vehicles, which creates a barrier for new entry. With 28 % revenue in 2011, and yogurt factories in the north, south, and central of Vietnam (Vinamilk 2013b), Vinamilk has an advantage for this product which guarantees its dominant market share (Fig. 1).

Table 4 Revenues from 2011 to 2015 (Vietcapital Security 2012)

Growth and valuation					
	11A	12E	13E	14E	15E
Revenues (VND bn)	21,627	26,441	32,101	39,166	47,433
Operating profit (VND bn)	4317	5818	6870	8718	11,025
OP margin (%)	20.00	22.00	21.40	22.30	23.20
Net Profit (VND m)	4218	5202	6047	7409	8877
EPS (VND)	5288	6236	7249	8882	10,641
EPS growth (%)	16	18	16	23	20
DPS (VND)	2000	3000	3000	3000	3000
BPS (VND)	15,641	19,193	26,776	31,658	38,299
PER (x)	24.6	20.8	17.9	14.6	12.2
PBR (x)	8.3	6.8	4.9	4.1	3.4
Dividend yield (%)	2.3	2.3	3.5	3.5	3.5
ROE (%)	33.8	32.5	27.1	28.1	27.8
Debt/(D + E) (%)	0.0	0.0	0.0	0.0 %	0.0
	2011	2012	2013	2014	2015
Revenues (Million Dollars)	983.0	1,201.9	1,459.1	1,780.3	2,156.0
Operating profit (Million Dollars)	196.2	264.5	312.3	396.3	501.1
OP margin (%)	20	22	21.40	22.30	23.20
Net Profit (Thousand Dollars)	191.7	236.5	274.9	336.8	403.5
EPS growth (%)	16	18	16	23	20
Dividend yield (%)	2.3	2.3	3.5	3.5	3.5
ROE (%)	33.8	32.5	27.1	28.1	27.8

Note: Exchange rate 1 US\$ = 22,000 VND

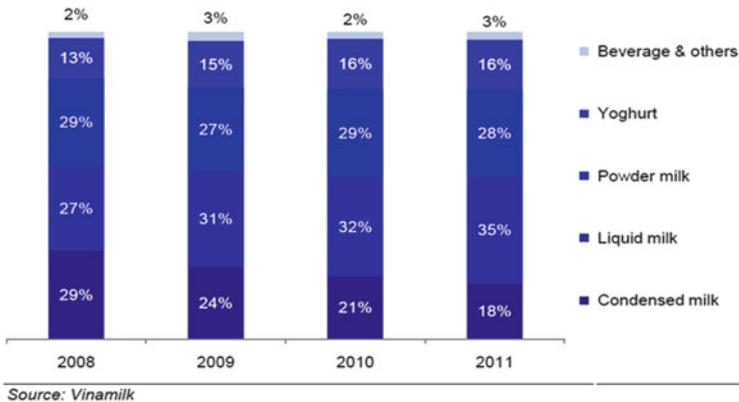


Fig. 1 Revenues by product (Vietcapital Security 2012)

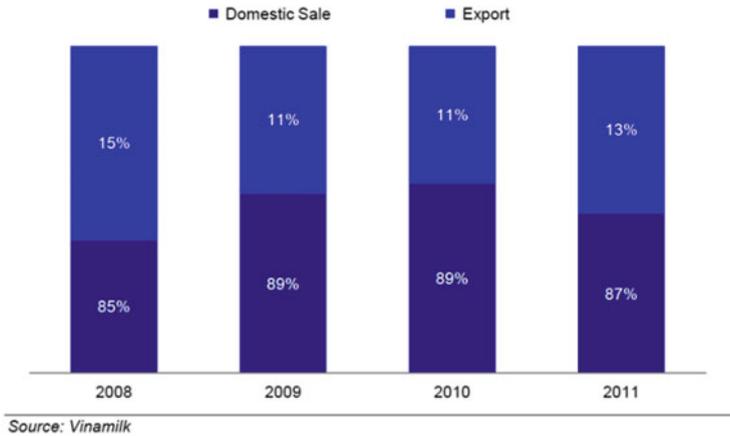


Fig. 2 Revenues by segments (Vietcapital Security 2012)

2.6 Vinamilk Revenues by Segment

Revenues from the domestic market made up almost the entire revenue from 2008 to 2011. However, it decreased slightly in 2011, to 87 %. Apparently, Vinamilk’s revenue mainly came from the domestic market; however, its overseas market also increased significantly from 11 to 13 % from 2009 to 2011 (Fig. 2).

3 Vinamilk’s Business Strategies

Vinamilk’s objective is to maximize shareholder value and pursue strategic business development based on the following principal components. Firstly, the company will develop a comprehensive portfolio of dairy products to target a broader consumer base and expand into higher margin value-added dairy products. Then, development of new product lines to satisfy different consumer preferences would be carried out. Secondly, Vinamilk will develop raw material sources to ensure a reliable and consistent fresh milk supply base. Finally, enhancing supply chain management should be highly considered to help the company reach a broad foreign market.

Furthermore, Vinamilk plans to expand into other overseas markets over the next 5 years, according to Chairwoman and General Director Kieu Lien Mai (Vinamilk 2014a). Vinamilk may export products to the USA and invest in depth to become one of the 50 largest dairy businesses in the world with sales of 3 billion US\$ in 2017. To prepare for this strategy, Vinamilk has continued to invest in factories to mass produce high-quality products to meet market demands and focus on expanding the domestic market as well as speeding up exporting to other markets.

3.1 Position in the Home Market

In Vietnam, Vinamilk and Dutch Lady are the largest dairy companies; their combined market share is up to nearly 80 %. Milk imported from companies such as Mead Johnson, Abbott, and Nestle attain about 15 % market share based mainly on milk powder. The remaining 5 % market share is distributed over 20 small-scale milk producers, such as Nutifood, Milk Hanoi, Ba Vi, etc.

Both Vinamilk and Friesland Campina have products in all of the product lines, from UHT (Ultra High Temperature) milk to powdered milk. Others try to penetrate the drinking milk segment, but still their market share is less than 5 % each. Dairy companies locate their factories mostly to be able to supply their large northern and southern markets in Vietnam, and Vinamilk is the only one that has factories located in a central part of the country.

Meanwhile, market leader Vinamilk currently accounts for 80 % of the domestic condensed milk market, 90 % of the yogurt market, 50 % of the processed milk market, and 25 % of the fresh milk market.

3.1.1 Vietnam dairy market share.

Vinamilk and Friesland Campina account for 64 % of the total market share (Fig. 3). The remainder is shared by a number of small players. Vinamilk dominates most markets such as yogurt, condensed milk, and liquid milk. Imported/foreign brands are leading the powdered milk market segment.

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3.1.2 Liquid milk market share.

With rich and pioneering products, Vinamilk is a market leader in this segment, with almost the half of market share (42 %), followed by Friesland Campina with 27 % (Fig. 4).

Fig. 3 Dairy market share in Vietnam in 2012 (Vietcapital Security 2012)

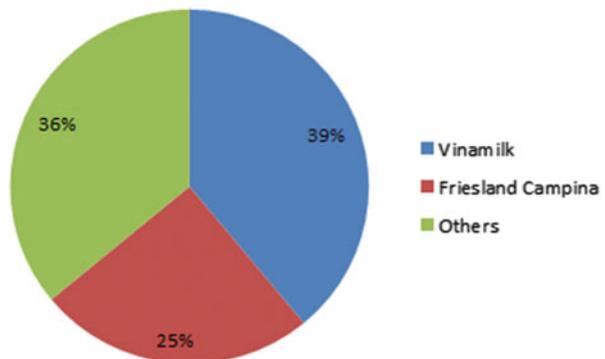
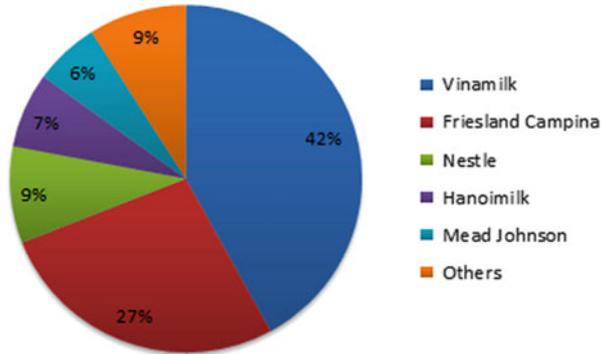


Fig. 4 Liquid milk market share in 2012 (Vietcapital Security 2012)



3.1.3 Powdered milk market share.

The milk powder segment is currently a fiercely competitive market between domestic products and imports. Milk powder and dairy products market accounted for 65 % of the import market share, and Dutch Lady (Friesland Campina) and Vinamilk currently occupies 14 % and 19 % of the market share, respectively. The most profitable product line, powdered milk, is lead by Abbot Vietnam with a market share of 24 % in 2012, followed by Vinamilk with 19 %. Foreign companies still dominate the market, accounting for a 65 % market share. Vietnamese perception on imported/foreign brands is the key reason for the popularity of foreign brands. Vinamilk aims to increase market share by offering a significantly lower price (10–30 % lower compared to international brands) and by gradually educating customers using advertisement, conventions, and events. Vinamilk is expecting to gain its target of 35 % market share (Vinamilk 2013c) but it seems it might take much longer to change customers’ view or require a different strategy.

3.2 Position in the World Market

Vinamilk not only dominates the domestic market, but has also affirmed its position in the world market and its products are now present in 26 countries. Export sales in 2012 reached 1687 million US\$, which is an increase of threefold from 2008 (over 560 million US\$). In 2013, Vinamilk’s export revenues were estimated at 230 million US\$ (Vietnamnet 2013b).

In 2013, revenue exports of Vinamilk amounted to about 230 million US\$, for which Cambodia accounted for 40–50 million US\$; this has sufficient market potential for companies who are considering building a plant here. In addition, the company has a stake in a dairy plant in New Zealand, and has invested in UHT milk production lines for the Vietnam market. This demonstrates that they are diversifying and not only producing milk powder serving local markets.

By these achievements, Vinamilk is ranked 17th among its peers in Southeast Asia in terms of market share (Vietcapital Security 2012) (Table 5). Furthermore,

Vinamilk is expected to expand its market not only in Poland, but also in other European countries over the next 10 years.

Despite facing many challenges in crisis times, Vinamilk has been ranked eighth out of the ten leading Vietnamese companies paying the most in income tax in 2013, according to the V1000 Ranking, which is a list of 1000 companies with the highest corporate income tax paid in 2013 (VNeconomy 2013). Also, Vinamilk has been considered as the most efficient domestic company and has a huge impact on business operation of Vietnamese enterprises.

Laying the foundation for business ethics and contributing to the development of education, Vinamilk has supported ten thousands of Vietnam elementary school students during the past 10 years along with the Ministry of Education. Vinamilk has helped bring up the Vietnamese talent generation, motivate Vietnamese young pupils, and improve the outdated educational system. Also, Vinamilk has contributed billions to many charitable organizations and community development programs in Vietnam. For example, the scholarship program “Vinamilk—Nurturing young talent Vietnam” has awarded 1000 scholarships worth 1 billion US\$ to elementary pupils who have outstanding achievements. Furthermore, the company has organized “Towering Vietnam Dairy Foundation” and “Fund one million trees for Vietnam”, as well as spending 5 billion US\$ on providing more than 300,000 children with free milk (Vinamilk 2014b).

4 Future Developments

Vinamilk has faced many challenges in the development and expansion of its products. Firstly, the unavailability or shortage of supply of raw materials affect the ability of on-going operations and increase product costs. Since Vinamilk has mainly used imported raw materials from New Zealand, its products depend on the market price in the world and the company has been faced with fluctuations in prices during the crisis period. Secondly, safety issues regarding dairy quality are one of the factors that will impact the dairy industry in the future. In 2012, the melamine milk scandal made the consumption of milk and milk products decrease dramatically in Vietnam. Therefore, overcoming the widespread negative perception of Vinamilk and the mis-management of printed information and social media will be a challenge for the company in the coming years. Furthermore, Vinamilk needs to find a way to change the consumer perception and buying behavior that only foreign dairy brands can produce quality dairy products at a competitive price. Vinamilk has to prove that the company can totally raise the quality of domestic milk by investing enormous amount of money on modern equipment and by applying the most advanced technology to their new products. Finally, the biggest challenge for Vinamilk is probably maintaining innovation in the domestic market while foreign companies continually expand their market in Vietnam. For example, the biggest competitor for Vinamilk in Vietnam is Friesland Campina, which has 23 % of the market share. For overseas markets, the reputation of the company and its financial strength could become challenges since Vinamilk is originally from a

Table 5 Rankings of peers in Southeast Asia (Vietcapital Security 2012)

Index	Short name	Market cap (USD mn)	Div. yield (%)	P/E	P/ B	ROE (%)	ROA (%)
1	UNI-PRESIDENT	8411	1.8	21.2	3.2	15.4	3.5
2	CHAROEN POK FOOD	8323	3.6	11.0	2.6	26.2	9.6
3	THAI BEVERAGE	8214	3.6	15.9	3.9	26.3	10.8
4	LUZHOU LAOJIAO-A	7455	4.2	12.0	5.6	53.1	34.1
5	KUALA LUMPUR KEP	7240	3.1	19.9	3.1	17.1	10.8
6	CHAROEN POK INDO	5445	1.3	18.3	6.7	42.3	29.5
7	SHANXI XINGHUA-A	5147	0.7	24.3	9.2	44.7	27.0
8	INNER MONG YIL-A	5131	1.2	18.1	4.6	27.8	8.9
9	INDOFOOD SUKSES	5103	3.1	14.9	2.4	16.9	6.0
10	CHINA MENGNIU DA	4997	1.1	21.5	2.6	12.9	7.2
11	PPB GROUP BERHAD	4646	1.7	19.0	1.0	5.3	4.9
12	NISSIN FOODS HOL	4585	2.4	24.8	1.2	5.0	3.5
13	INDOFOOD CBP SUK	4417	2.3	20.4	3.9	20.4	13.5
14	UNIVERSAL ROBINA	4198	1.9	20.3	3.4	12.7	7.8
15	YANTAI CHANGYU-B	4188	3.6	12.0	4.0	37.1	25.9
16	CJ CHEIL	3967	0.5	15.1	1.5	11.1	3.5
17	VIET NAM DAIRY P	3438	3.1	13.8	5.1	40.8	33.2
18	NIPPON MEAT PACK	3313	1.4	23.6	0.9	3.8	1.8
19	NISSHIN SEIFUN	3211	1.9	19.2	0.9	4.7	3.3
20	ASTRA AGRO LEST	3089	4.9	13.4	3.6	27.9	19.6
21	OLAM INTERNATION	3049	2.6	10.2	1.1	11.7	2.8
22	TOYO SUISAN KAI	2998	1.8	13.1	1.3	10.0	7.1
23	KIKKOMAN CORP	2979	1.3	25.0	1.5	6.0	3.1

(continued)

Table 5 (continued)

Index	Short name	Market cap (USD mn)	Div. yield (%)	P/E	P/ B	ROE (%)	ROA (%)
24	CHINA AGRINDUS	2852	1.5	14.1	0.8	5.9	1.7
25	FIRST RESOURCES	2656	1.8	10.5	2.5	25.7	15.1
26	THAI UNION FROZE	2626	2.4	13.1	2.2	18.8	6.5
27	YAMAZAKI BAKING	2581	1.7	17.4	0.9	5.2	1.9
28	BEIJING DABEIN-A	2446	0.8	23.8	3.9	17.5	12.9
29	KEWPIE	2262	1.6	14.3	1.1	7.8	4.4
30	FRASER & NEAVE	2191	3.6	24.2	4.3	17.6	10.8
31	GRAINCORP LTD-A	2111	3.9	11.6	1.6	14.1	7.5
32	GENTING PLANTATI	2089	1.2	18.0	1.9	11.2	8.7
33	BEIJING YAN-A	2050	2.1	15.1	1.3	9.0	4.8
34	ANHUI GUJINGD-B	2028	1.4	10.8	2.5	26.1	17.4
35	SMART TBK	2027	2.9	10.4	2.3	24.4	12.5
36	CP POKPHAND CO L	2017	4.1	13.6	2.5	26.5	13.2
37	KAGOME	2007	1.1	23.8	1.7	7.5	4.1
38	HITE JINRO CO	1929	4.3	21.1	1.4	6.8	2.8
39	LOTTE CONFECTION	1918	0.3	21.1	0.8	3.8	2.5
40	BIOSTIME INTERNA	1896	2.0	19.4	6.1	32.9	25.6
41	GUANGDONG HAID-A	1842	0.8	25.5	4.0	16.6	8.8
	Average	3733	2.2	17.4	2.8	18.5	10.7

Source: Bloomberg

poor country with low-skilled employees. However, if Vinamilk wants to turn itself into a leading company in food and beverage, the company will have to expand its product portfolio as the giant group Danone has done in France.

The biggest competitor for Vinamilk in Vietnam is Friesland Campina which products have been available under the Dutch Lady brand for more than 85 years. Friesland Campina's condensed milk has grown to be the best-known consumer brand in the country. Also, the Dutch Lady brand has a range of dairy products for different types of consumers; for instance, Friso is a market leader in infant nutrition product. Its market share is approximately 27 %. In addition, Friesland Campina Vietnam has two production locations in Vietnam (Ha Nam and Binh

Duong) and these dairy farms can produce 60 million liters of fresh milk annually, accounting for around 25 % of the domestic demand for raw material (Vietnamnews 2012). Therefore, in the future, Friesland Campina will become the main competitor for Vinamilk. Also, the domestic market is crowded with domestic competitors such as Bavi, Moc Chau, Dalat, but those companies do not hold a significant percentage of market share.

Since the Netherlands is famous for its dairy products and Friesland Campina, the market leader is established in Leeuwarden in the Netherlands, it would seem unwise for Vinamilk to enter the Dutch market with daily products such as milk and cheese. However, the demands for healthy products such as diet drinks or anti-ageing green tea could increase in the Netherlands due to the fact that the population is ageing rapidly (OECDobsever 2014) and one-third of the population is overweight or obese (Iamexpat 2012). Vinamilk has a valuable chance to reach this potential market with its new generation products such as Lincha tea with honey, which the company says helps improve the health of people.

Furthermore, a significant amount of dairy companies exist in the Netherlands including Simdico Food. Uniekaas Vastgoed have proved that they can operate a dairy business and even make a profit in the Netherlands by producing products that are good and cheaper than domestic ones. Another example is the German brand Crownfield, whose milk can be found in Lidl supermarkets in the Netherlands. Vinamilk, therefore, has an advantage in that the company can produce products using inexpensive labor and raw materials in Vietnam.

5 Conclusions

Vinamilk has continued to be a pioneer in the food industry in general and in the dairy and beverage industry in particular because of the following main reasons. Firstly, Vinamilk's product research and technology development have been increasingly improved and updated. Vinamilk has used the latest technology to ensure food safety in their new products in order to change the domestic consumer behavior that exists in Vietnam, namely the consumer perception that dairy products made in France or the Netherlands would be the best choice. Vinamilk uses the most advanced technology in the world in its dairy factories. All processes in the plant are fully automated, and are controlled by Tetra Pak Group's integrated robots (Vinamilk 2014b). In addition, many experts from Germany and Switzerland are invited to work directly in the factory to analyze the nutritional demand of the Vietnamese and to launch the blended formula for new products which are suitable for each group of customers. Secondly, Vinamilk has effectively invested in brand building and market expansion. This is considered as the most outstanding performance of Vinamilk in Vietnam. The company pays attention to studies on local markets, and to consumer habits, age, and gender demands to grow its retailer network and to promote each specific product in different areas of Vietnam. Moreover, Vinamilk also reaches overseas markets, including the difficult markets such as the USA, Australia, Cambodia, Laos, New Zealand, and Middle East

countries. Thirdly, investing in people is the core of success for Vinamilk. The company has tried to create an attractive, dynamic working environment for their employees in order to improve the quality of life and raise skill levels for each member of the company. Vinamilk aims to build a working environment that ensures the following aspects:

- Setting up safe working conditions and healthcare.
- Developing a diversified labour line-up, where personal differences are respected and discrimination is not allowed.
- Setting up labour relationship based on free will and legal compliance.
- Recognizing and rewarding employees' performance.
- Providing training and opportunities for career promotion.
- Promoting a harmonious working culture.

(Vinamilk 2013b).

Finally, in order to have sustainable development as well as preserve prestige in the market, respect for business ethics and the actions to bring sustainable values to the society and the community play a very important role, in addition to implementing proper business operation strategies. For years, Vinamilk has been known as a leading community-oriented enterprise with charitable activities. In 2013, along with the Trade Union, the Communist Youth Union, and all employees of the company, Vinamilk organized a lot of activities to support the community with practical and meaningful activities in a spirit of solidarity. In addition, Vinamilk has coordinated with the Ministry of Education to support primary school children in remote places by providing free drinking milk for 10 years.

By entering a co-operative agreement with three leading European partners at the same time, Vinamilk not only strengthened its position as a leading nutrition company in Vietnam but also has crossed borders to become a world brand of the future. Vinamilk is cooperating with DSM (from Switzerland), Lonza (also from Switzerland) and Chr. Hansen (from Denmark). These all are leading European nutrition groups with over 100 years experience in development and ownership of important scientific nutrition contributions from all over the world. These partners, which have been in close cooperation with Vinamilk during the past years, specialize in researching, developing and applying micro-substance and microbial science for Dielac Alpha, Dielac Mama, and Ridielac. Therefore, Vinamilk products have high quality and meet international standards on nutrition product for infants and children which are accepted in the markets of developed countries such as the USA, New Zealand, and European countries. The growth strategy of Vinamilk is based on the understanding of nutritional demands of Vietnamese children, supplying products which meet specific international standards and nutritional needs, and establishing a prestigious milk brand for Vietnamese consumers. This global co-operation helps to implement the aforesaid strategy and to make Vinamilk a successful global brand.

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