

International Journal of Social Science Exceptional Research

Analyzing macro environmental factors affecting Vinamilk's business activities. Advantages, disadvantages and proposed measures

Wachkowski Kazimierz

Warsaw University of Technology, Poland

* Corresponding Author: **Wachkowski Kazimierz**

Article Info

ISSN (online): 2583-8261

Volume: 03

Issue: 01

January-February 2024

Received: 04-12-2023;

Accepted: 07-01-2024

Page No: 22-27

Abstract

This article reexamines factors related to macro-environment, that affect business activities of Vietnamese enterprises based on the case study of Vinamilk, one of the largest corporation in Vietnam. The study points out to the advantages and disadvantages that each factor may cause to the daily business and operational activities of Vinamilk, at the same time it put forward a series of measures to weather both the advantages and disadvantages appearing in the business environment.

Keywords: macro-environment, advantages, disadvantages, business activities, Vinamilk

1. Introduction

Vinamilk is a very familiar brand to people across the country. When talking about Vinamilk, people remember dairy products. This is a long-standing brand, and is very popular with 90 million Vietnamese people.

Established in 1976, it is a state-owned company. Then moving to the market economy, the company had enterprise shares, of which 50.01% was state capital, the rest was sold in the Ho Chi Minh City stock market. Vietnam Dairy Products Joint Stock Company, other name: Vinamilk, stock code HOSE: VNM, is a company that produces and trades milk and dairy products as well as related machinery and equipment in Vietnam. According to statistics from the United Nations Development Program, this was the 15th largest company in Vietnam in 2007.

After existing in the market for more than 40 years, it is the leading enterprise in the dairy industry, accounting for 75% of the dairy market. Vinamilk was voted "Top 10 high quality Vietnamese products" from 1995 - 2007.

Vinamilk's product portfolio is mainly milk and products made from milk: leading products are powdered milk and liquid milk, more advanced products are yogurt, condensed milk, milk powder, ice cream and cheese. Vinamilk provides the market with products, flavors and packaging processes that ensure quality. Not only distributing in 64/64 provinces and cities in Vietnam but also expanding into countries such as the US, France, Poland, Canada,... thanks to that, Vinamilk has created a breakthrough for the domestic economy so that our country becomes "Asian Dragon".

Important events took place during the formation and development of Vinamilk

- 1976: formerly known as Southern Milk and Coffee Company, directly under the Food Corporation
 - In 1978: The company was transferred to the management of the Ministry of Food Industry and was renamed the United Enterprise of Milk, Coffee and Confectionery I.
 - 1988: Introducing the first powdered milk and nutritional powder products in Vietnam
 - 1991: Yogurt was first introduced in Vietnam
 - 1992: renamed Vietnam Dairy Company and under the management of the Ministry of Light Industry. Focus on milk production and processing.
 - In 1994: to meet dairy products for Northern Vietnam, the company opened a dairy factory in Hanoi.
-

- 1996: Joint venture with Quy Nhon Frozen Joint Stock Company to open Binh Dinh Dairy Joint Venture Enterprise to meet products in central Vietnam.
- 2000: In Can Tho, built a Dairy factory in Tra Noc Industrial Park, meeting the milk market in the Mekong Delta. In the same year, we also built a Logistics Enterprise in Ho Chi Minh City.
- 2003: Officially transformed into a joint stock company and changed its name to Vietnam Dairy Products Joint Stock Company.
- 2004: acquired Saigon Dairy Joint Stock Company, increasing charter capital to 1,590 billion VND.
- 2005: purchased the remaining shares of the joint venture partner company Binh Dinh Joint Venture Dairy Company.
- 2006: Vinamilk listed on the Ho Chi Minh City stock market on January 19, 2006, at that time the capital of the State Capital Investment and Trading Corporation had a holding rate of 50.01% of charter capital. company rules.

2. Impacting factors in the macro environment

2.1. Population characteristics

- The population in the macro environment of Vinamilk enterprise with a scale of 10,000 employees, 30 member units across the country along with subsidiaries, factories, and farms abroad has helped the business Vinamilk industry has been in the top of the largest milk producing companies for many years.

- Vinamilk Enterprise wishes that its products can appear in many countries and they have achieved that. Many foreign investors, organizations and large customers have created opportunities, helping the enterprise. Vinamilk is growing more and more. And Vinamilk's business policy is to always consider customers as the center, take care of, and carefully advise on product quality, satisfying the needs of all customers.

2.2. Natural features

Vinamilk's milk is known to be extracted from 100% natural dairy cows without any chemicals in the milk because:

- Have a suitable geographical location
- There are favorable natural conditions suitable for raising dairy cows
- Having real machinery creates benefits for the cows that operate 24/7
- When raising cows, they do not use any chemicals or stimulants to help dairy cows grow
- They let the dairy cows live freely without being forced into the barn.

2.3. Economic characteristics

In Vietnam, many businesses, especially small and medium-sized enterprises, are often caught up in the whirlwind of daily work such as production, communication, finding customers, capital recovery... These jobs are often handled and resolved instinctively, rather than planned or included in any formal strategy. Therefore, systematic management as well as measuring results becomes more difficult, complicated and time-consuming for businesses. A company that wants to stand firm and grow in the market always needs correct and wise business strategies. In an increasingly competitive market situation, Vinamilk, with its slow but

steady business strategy, has affirmed its position and brand. Vinamilk dairy company's business strategy begins with technology investment as well as product development. The company started with 3 factories specializing in milk production: Thong Nhat, Truong Tho, Dielac. Right from the initial stages, Vinamilk has focused on building and developing a product distribution system.

The company is very focused on diversifying its product categories. Vinamilk has researched and developed many new product lines, thereby best meeting consumers' needs. This also partly helps reduce risks for the company. Up to now, Vinamilk has over 200 dairy products made from milk. The company has also cooperated with the National Institute of Nutrition, which has helped consumers gain more confidence in the products produced by the company. In addition, applying appropriate pricing strategies helps increase product competitiveness. Thanks to a reputable and methodical business strategy, Vinamilk's milk and dairy products have, up to now, been sold everywhere in the domestic market, from urban to rural areas. With the operating motto "focus on making good, high-quality products, going through scientific and practical inspections and tests, then we can convince potential customers".

Vinamilk always has the ambition to expand its market and increase its market share. To achieve this goal, the company has constantly strived to achieve all three core issues at the same time, which are quality, price and service style. The company focuses on investing in building a good brand, as well as expanding the market further.

Vinamilk Dairy Company always spends time and effort researching each area and each branch of the market. The company tries to deeply understand consumer characteristics by surveying and collecting information related to consumer habits, age, gender, and tastes of customers. This helps develop the retail network for each respective item, as well as promote them in each different region and locality.

2.4. Technology characteristics

The application of automation systems and artificial intelligence (AI) in farm management and operation has helped Vinamilk's happy cows always be cared for and cared for even though the management staff is busy. anywhere.

Vinamilk Tay Ninh Dairy Cow Resort is the opening farm for the wave of applying modern technology 4.0 to dairy farming in Vietnam. This means that at Vinamilk Dairy Cow Resort, the management and operation systems of activities inside the farm are automated, employees can closely monitor farm work no matter where they are. where. Foreseeing difficulties in natural conditions, Vinamilk was determined to invest in applying modern science and technology to open up a new look for this land, turning Tay Ninh into a Dairy Resort with fresh grasslands. covers an area of hundreds of hectares. In addition, the air conditioning system is also designed around the livestock area with a total area of 180,000 m², helping to keep the climate fresh and cool, dispelling the harsh sunlight here. Inside Bo Sua Resort is a cow barn area equipped with an automatic cooling system through internal and external climate sensors to ensure the environment inside the barn is always cool and comfortable. This entire system is programmed and operated automatically to achieve the most optimal results. Thanks to that, a living environment characterized by a temperate climate has been established right in Vietnam, helping 8,000 cows enjoy themselves as if

they were in their homeland.

The cows at Dairy Cow Resort wear electronic chips in their necks. From there, the system will collect information about performance indicators, [health status](#) and milk productivity of each cow and send it to the management center. Here, the automatic analysis system will evaluate and provide reports on the condition of individuals that need attention, check and provide specialized care. This ensures that each cow gets the best care and produces high quality milk.

After receiving the report, the diet management system will directly measure and provide [nutritional solutions](#) suitable for each stage of the cow's development. At each cow barn, the Lely Juno robot, based on the food mixing requirements from the system, will automatically feed an amount of food appropriate to the given ration. In addition, Juno also brings soft, gentle music to help the cows relax and have a more delicious meal.

According to Vinamilk representative, the comprehensive application of the 4.0 technology revolution such as automation systems and artificial intelligence (AI) in farm management and operation will ensure that cows are always optimally and thoroughly cared for. The individuals are in good health, produce high productivity and the quality of raw fresh milk meets high standards. The entire farm uses a lot of management software, from ration management, nutrition management, cow-calf health management, herd management, machinery and equipment management... this software are integrated, linked and uploaded to cloud computing, making storage, analysis and access always easy and convenient. From the moment of construction, Vinamilk has paid attention to investing in modern equipment systems from around the world. During operation, these farms will be regularly updated with the most advanced technology in the world by Vinamilk to ensure optimal dairy farming efficiency, bringing products [of](#) national standard quality. international. According to Bureau Veritas confirmation letter dated October 26, 2018 and Intage company's market research results dated May 10, 2019, Vinamilk has been confirmed to own the largest Global GAP standard farm system in Asia in terms of quantity. farm quantity.

2.5. Sociopolitical characteristics

Political environment, policies and laws Enterprises need to master political and foreign affairs trends, Party and State policies that affect the development of enterprises. Politics: Vietnam's stable political situation is decisive in economic development, creating jobs, increasing income for workers, and increasing social consumption demand. This also has a positive impact on the creation and implementation of strategies of Vietnamese businesses in general and Vinamilk in particular. Since the reform period, Vietnam officially normalized relations with China in 1992. and with the United States in 1995, joining ASEAN in 1995. Currently, Vietnam has established diplomatic relations with 171 countries on all continents.

Political and legal factors also have a major impact on the level of environmental opportunities and threats.

2.6. Cultural characteristics

Related to social attitudes and cultural values. Cultural values and social attitudes form the foundation of society i. Technological, political-legal, economic and demographic changes and conditions. Social change also creates

opportunities and threats. Demographic environment.

Demographic segmentation in the macro environment involves:

- Population.
- Age structure.
- Geographic distribution.
- Community of ethnic groups.
- Income distribution.

3. The influence of the macro environment on Vinamilk enterprises

3.1. How the characteristics affect the business

a. Economic environmental factors

Understanding the economic environment helps companies learn about people's desires and needs and their spending ability, such as people's income, savings needs, and financial conditions. Main.

b. Political and legal factors

Vietnam's political and legal situation is decisive in economic development, increasing income for workers, and increasing social consumption demand. This also has a positive impact on the creation and implementation of strategies of Vietnamese businesses in general and of Vinamilk in particular.

c. Sociocultural factors

One of the physical characteristics of Vietnamese people is that their weight and height are lower than those in the world. For that reason, Vinamilk has formed a healthy lifestyle, fully developed physically and intellectually, an active and creative person, an ideal model, of course the results achieved are extremely big. Honoring a country's image through a strong brand in front of foreign product lines also has some meaning for consumers.

d. Scientific and technological elements

As one of the input factors in the production process, this is an important factor that determines whether a business's production is effective or not. That's why it also affects Vinamilk's business activities.

e. Natural elements

Although the climate is hot and humid, in general the natural conditions are quite suitable for the development of dairy farming. Thus, the company will easily obtain raw materials to serve production needs at a much lower cost than importing raw materials. Furthermore, the ingredients are very diverse and always fresh without losing nutrients.

f. Residential factors

The continuously increasing population is a favorable factor for the development of the dairy industry in our country with annual milk consumption increasing by 30%. This creates great opportunities for businesses producing and trading milk in the market with great potential and growing in Vietnam like Vinamilk.

g. Ethical factors

Vinamilk has affirmed its position and reputation in the market over the past many years. In response to the companionship and support of consumers, Vinamilk has developed a "Code of Conduct" which is a commitment to

promote integrity, promote respect, ensure fairness, and maintain compliance, and values ethics.

h. International environmental factors

Many dairy companies have simultaneously increased prices due to poisoning incidents at many major dairy companies. Vinamilk has invested in a milk processing factory in New Zealand to prepare raw materials for production to serve the Vietnamese market towards the common benefit of consumers. Helps have more choices of high quality products produced from a country with a developed dairy industry. Meet consumers who prefer imported milk while still developing Vietnamese brands.

3.2. Market assessment of the enterprise's products:

Introduced in the program as a typical representative of Vietnam's dairy industry, Vietnam Dairy Products Joint Stock Company - Vinamilk has received high appreciation from authorities, trade partners, and the media. information and especially Chinese consumers. At the program, the Vietnam Dairy Association introduced Vinamilk, a member of the Association and also a typical representative of the Vietnamese dairy industry with nutritional products of international quality.

Chairman of the Vietnam Dairy Association, Mr. Tran Quang Trung assessed: *"Vinamilk not only has a history of development of more than 43 years but is also the first and only dairy enterprise in Vietnam in the Top 50 largest dairy companies. world. I believe Vinamilk will be an excellent representative of the Vietnamese dairy industry to introduce to Chinese consumers, and at the same time affirm the development of the Vietnamese dairy industry to countries around the world."*

Vinamilk was once again recognized as the most chosen manufacturer in Urban for eight consecutive years. This domestic manufacturer has reached more than 80% of Vietnamese households thanks to advertising and communication activities that emphasize the nutritional value of their products as well as constantly innovating their image with many customers. New products are launched to meet new consumer needs.

4. Conclusions

4.1. Favourable

4.1.1. Population environment

- Our country's population increased by 1,098 million people compared to 2019
- Today, not only children but all ages can use milk.
- People's demand for milk is increasing day by day

4.1.2. Economic environment

- After Vietnam joined the WTO, it has brought many opportunities for Vinamilk to cooperate with foreign businesses, have access to new technologies, and have more opportunities to export to new markets.
- People's income is increasing, so not only is the demand for milk increasing, but milk products are also used by many people.

4.1.3. Natural environment

1. Vietnam's climate has humid monsoon conditions, but there are temperate climate regions such as Tuyen

Quang, Lam Dong, Ba Vi,... which are especially suitable for growing high-quality grass and raising productive dairy cows. The first European standard Organic dairy farm in Vietnam was inaugurated by Vinamilk in Lam Dong.

4.1.4. Technology environment

- Applying modern machinery and technology systems, new management systems, and importing processes and raw materials has contributed to improving milk quality.

4.1.5. Social and cultural environment

- The level of education is increasing, so consumers will look towards products that are good for health, provide nutrition.
- The domestic population is increasing, so the tendency to use domestic goods is high
- Because it is a company that mainly produces products to serve domestic people, it is easy to understand and meet the needs of Vietnamese consumers.

4.1.6. Legal and political environment

- Because our country has a relatively stable political system, the policy of reducing import tax to 0% creates peace of mind for foreign businesses to invest, supporting learning and development.
- System of policies and laws on consumption and milk price stabilization.

4.2. Unfavourable

4.2.1. Population environment

- People's income level is still low, so they will choose cheaper products.

4.2.2. Economic environment

- Inflation leads to increased product prices and reduced consumption
- In particular, the acute respiratory infection (NCOV) epidemic has seriously affected the economy, so the consumption of lemongrass products has decreased sharply compared to previous years.

4.2.3. Natural environment

- Our country's climate makes it difficult to preserve milk and process milk.

4.2.4. Technology environment

- Food sources are limited and must be imported, so costs are under high pressure and milk quality is not high, only meeting 22-25%.

4.2.5. Social and cultural environment

- There are still many people who have the mentality of using foreign products and have little trust in domestic products. One of them is Duchth Lady.

4.2.6. Legal and political environment

- Milk inspection only stops at food safety.
- Market price management is still lax.

4.3. Solutions to overcome difficulties for businesses

Due to fierce competition, selling through modern trade channels is a challenging area for dairy companies with milk

raw material prices and average selling prices increasing. Spending levels on FMCG products of Vietnamese consumers are stabilizing when their basic needs are met.

- Population environment: The demand for milk in urban markets is almost saturated, but the rural market is extremely volatile, so the price of raw materials to make milk is not suitable for the rural market because of the income level in rural areas. The difference between urban and rural areas is quite large, so the way to help increase the consumption market in rural areas is that dairy products must be evaluated on average in accordance with the whole market and industrial departments. The company must evaluate the product above the average salary of people, do not declare the price and rate the product too high, the purchasing power will be sharply reduced, take advantage of available raw material sources to increase the ability of the product to reach the market. more user hands.
- Natural environment and technological environment: Vietnam is a country located in the tropics, affected by erratic weather changes, so requiring preservation is extremely essential because if not preserved carefully, the product quality will be affected and will directly affect consumers. Therefore, to prevent this situation from happening, it is necessary to have advanced equipment to increase the ability to preserve the product without causing harm. harmful to human health. Preservation models as well as production models require advanced equipment, which will also lead to the need to increase product costs, and solving both of the above situations is a priority. Prioritize the selection of high-quality domestic production and preservation models, find reasonable sources of foreign investment capital to reduce the cost of importing technological equipment and expand foreign relations. assign countries to learn more about economical production lines while still ensuring quality, or to monitor and support the use of new and useful inventions and develop them into a model that benefits the company.
- Economic environment: For nearly 2 years now, the COVID epidemic situation has caused confusion among all people, leading to customer fear, affecting the purchasing power of products, decreasing compared to previous years. To solve this situation, the company should devise promotional activities to encourage consumer purchasing power with reasonable product strategies or can create in-kind promotional activities such as gifts. with items that can be used every day in people's lives.
- Social and cultural environment: Strengthen and promote the reputation of each type of dairy product, ensure food safety for each product, use the company's reputation to influence the psychology of customers using the products themselves. quality to reach consumers
- Political and legal environment: To avoid the situation where agents or retail retailers arbitrarily increase product prices, affecting consumer psychology and reducing purchasing power, company leaders need to set out reasonable terms and ensure consumers' right to buy at the right price when purchasing products in sales contracts for agents or product wholesalers.

Product testing must be followed in the correct order and must not be overlooked. The company needs to coordinate and cooperate with reputable testing teams and must have provisions to ensure the interests of the company. companies as well as consumers if there is a product situation that is not carefully inspected.

References

1. General introduction to Vinamilk Company. [Internet]. Hanimexchem.com. Available from: <https://hanimexchem.com/gioi-thieu-chung-ve-cong-ty-vinamilk/> [Accessed June 10, 2021].
2. The impact of the macro environment on Vinamilk's business activities. Academia.edu. Available from: [Accessed June 15, 2021].
3. Anh DBH. CSR Policy Change – Case of International Corporations in Vietnam. *Polish Journal of Management Studies*. 2018; 18(1):403-417.
4. Trang TTT. Sustainable Development of Higher Education Institutions in Developing Countries: Comparative Analysis of Poland and Vietnam. *Contemporary Economics*. 2022; 16(2):195-210.
5. Zheng WL. Impact of Energy Efficiency, Technology Innovation, Institutional Quality and Trade Openness on Greenhouse Gas Emissions in Ten Asian Economies. *Environmental Science and Pollution Research*. 2022; 30:43024-43039.
6. Ahmad AF. The Nexus among Green Financial Development and Renewable Energy: Investment in the wake of the Covid-19 pandemic. *Economic Research*. 2022; 35(1):5650-5675.
7. Tuong Vi. Vinamilk's dairy products are highly appreciated in the Chinese market. *Thanh Nien Magazine*. Available from: <https://thanhvien.vn/tai-chinh-lanh-doanh/san-pham-sua-cua-vinamilk-duoc-danh-gia-cao-tai-thi-truong-trung-quoc-1129368.html> [Accessed June 15, 2021].
8. Bańka M, Salwin M, Waszkiewicz AE, Rychlik S, Kukurba M. Startup Accelerators. *International Journal of Management and Economics*. 2022; 58(1):80-118. DOI:10.2478/ijme-2022-0002.
9. Ye F. The Impact of Corporate Social Responsibility on the Sustainable Financial Performance of Italian Firms: Mediating Role of Firm Reputation. *Economic Research*. 2022; 35(1):4740-4758.
10. Feng SC. The Role of Technology Innovation and Cleaner Energy towards Sustainable Environment in ASEAN Countries: Proposing Policies for Sustainable Development Goals. *Economic Research*. 2022; 35(1):4677-4692.
11. Duc LDM. Enhancing Auditor Independence in Auditing Enterprises in Vietnam. *Cogent Economics and Finance*. 2019; 7(1):1-16.
12. Mai NP. Social Entrepreneurship and Corporate Sustainable Development. Evidence from Vietnam. *Cogent Business and Management*. 2020; 7(1):1-17.
13. Thuong TM. Enhancing Independence of Local Auditing Services by Profiting from International Experiences of the Big4 Group (KPMG, Deloitte, PWC E&Y) Operating in Vietnam Market. *Cogent Business and Management*. 2019; 6(1):1-14.
14. Bańka M, Salwin M, Masłowski D, Rychlik S, Kukurba M. Start-up Accelerator: State of the Art and Future

- Directions. *European Research Studies Journal*. 2022; 25(1):477-510. DOI:10.35808/ersj/2865.
15. Go Con Truong. Analyzing the impact of the micro and macro environment on the business activities of Vietnam Dairy Products Joint Stock Company - Vinamilk. Available from: <https://text.123docz.net/document/2552384-phan-tich-su-tac-dong-cua-moi-truong-vi-mo-vi-mo-den-hoat-dong-kinh-doanh-cua-cong-ty-co-phan-sua-viet-nam-vinamilk.htm> [Accessed June 10, 2021].
 16. Bańka M, Daniłowski J, Czerliński M, Murawski J, Żochowska R, Sobota A. A Feedback Analysis Automation Using Business Intelligence Technology in Companies Organizing Urban Public Transport. *Sustainability*. 2022; 14(18):1-28. DOI:10.3390/su141811740.
 17. Bańka M, Boulange P, Kukurba M, Miklaszewicz S, Trzebiński AA, Waszkiewicz A. Crowdfunding research & practice. DIFIN. 2022.
 18. Ka YC. Exploration of Green Energy and Consumption Impact on Sustainability of Natural Resources: Empirical Evidence from G7 Countries. *Renewable Energy*. 2022; 196(August 2022):1241-1249.
 19. Ngoc NM. Solutions for Development of High-Quality Human Resource in Binh Duong Industrial Province of Vietnam. *International Journal of Business and Globalisation*. 2023.
 20. Salwin M, Jacyna-Golda I, Bańka M, et al. Using Value Stream Mapping to Eliminate Waste: A Case Study of a Steel Pipe Manufacturer. *Energies*. 2021; 14(12):1-19. DOI:10.3390/en14123527.
 21. Nguyen Kim Khang. Vinamilk's slow but steady business strategy. Available from: <https://hbr.edu.vn/marketing/chien-luoc-lanh-doanh-cham-ma-chac-cua-vinamilk.html> [Accessed June 15, 2021].
 22. Bańka M. Crowdfunding and funding sources for startups in corporate acceleration programs. In: *Crowdfunding: research and practice*. DIFIN. 2022.
 23. Huong LTM. Factors Impacting State Tax Revenue in ASEAN Countries. *International Journal of Public Sector Performance Management*. 2023.
 24. Ngoc NM. Impact of Accreditation Policy on Quality Assurance Activities of Public and Private Universities in Vietnam. *International Journal of Public Sector Performance Management*. 2023.
 25. Ngoc NM. Quality of Scientific Research and World Ranking of Public and Private Universities in Vietnam. *International Journal of Public Sector Performance Management*. 2023.
 26. Boulange P, Bańka M. How Participants of Share Economy Use Elements of Crowd Economy, such as coworking, crowdfunding, and crowdsourcing. In: *Crowdfunding: research and practice*. DIFIN. 2022.
 27. Czerliński M, Bańka M. Ticket tariffs modelling in urban and regional public transport. *Archives of Transport*. 2021; 57:103-117. DOI:10.5604/01.3001.0014.8041.
 28. Bańka M, Gołembski F (red.). *Fundusze Unii Europejskiej a Rozwój Społeczno-Gospodarczy Polski*. 2010; 203. ISBN 978-83-7545-208-2.
 29. Bańka M, Gołembski F (red.). *Fundusze Unii Europejskiej jako instrument wsparcia konkurencyjności regionów oraz małych i średnich przedsiębiorstw*. 2010; 239. ISBN 978-83-7545-209-9.
 30. Thuy Trang. Vinamilk applies 4.0 technology to dairy farming. Available from: <https://healthplus.vn/vinamilk-ung-dung-cong-nghe-40-vao-chan-nuoi-bo-sua-d65733.html> [Accessed June 14, 2021].