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Cost Leadership Competitive Strategy of Beverage Firms: Applying Public Policy

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Abstract

In addition to complying with the current enterprise law (National Assembly, 2020) ^[11], beverage businesses must also comply with a number of regulations and laws, such as the Law on Prevention of Harmful Effects of Alcohol (National Assembly, 2019) ^[12], the Law on Advertising 2018 (National Assembly, 2018) ^[13], Decree No. 17/2020/ND-CP dated February 5, 2020 (Government, 2020) ^[1], Decree No. 105/2017/ND-CP dated September 14, 2017 (Government, 2017) ^[2], Decree No. 117/2020/ND-CP (Government, 2020a) ^[3], etc. Evaluation of the cost leadership competitive strategy of beverage firms in Vietnam was conducted based on theoretical background,

results of research studies in the world and domestic, and opinions of the experts. Both qualitative and quantitative methodologies were employed. Questionnaires were designed on a 5-point Likert scale. By using statistical analytical tools, i.e., descriptive statistics, Cronbach's alpha analysis, and EFA, the study has identified and measured six (6) attributes of the cost leadership competitive strategy of beverage firms in Vietnam that have great effects on beverage firms and customers. Based on the findings, some recommendations are given for beverage firms to improve business performance.

Keywords: Competitive Strategies, Cost Leadership Competitive Strategy (CICS), Beverage Firms, Business Performance, Public Policy

JEL Codes: M10, M41, L66, J18, J88

1. Introduction

In addition to complying with the current enterprise law (National Assembly, 2020) ^[11], beverage businesses must also comply with a number of regulations and laws, such as the Law on Prevention of Harmful Effects of Alcohol (National Assembly, 2019) ^[12], the Law on Advertising 2018 (National Assembly, 2018) ^[13], Decree No. 17/2020/ND-CP dated February 5, 2020 (Government, 2020) ^[1], Decree No. 105/2017/ND-CP dated September 14, 2017 (Government, 2017) ^[2], Decree No. 117/2020/ND-CP (Government, 2020a) ^[3], etc.

Vietnam's Beer, Alcohol, and Beverage Industry is an economic and technical industry that makes an important contribution to the country's socio-economic development. Each year, the whole industry contributes about 60 trillion VND to the state budget. The state, directly and indirectly, for millions of workers, fully meets the needs of domestic consumption and export (Thao Lan, 2023) ^[19]. The industry creates direct and indirect jobs for millions of workers, contributes about 3.2% of the total state budget revenue (in 2020), and promotes many other areas in the supply chain, including agriculture, logistics, mechanics, biochemistry, packaging, and services. Especially in the period of economic recovery and development (2022-2023), the beverage industry is an important factor for the recovery and development of tourism services (including accommodation and dining) (Thao Lan, 2023) ^[19].

Vietnamese beverage enterprises always give priority and care to spend a significant part of their budget to actively participate in sustainable development activities according to the criteria of Environment, Society, and Transparent Governance (ESG) through green production campaigns, raising social awareness, supporting welfare issues, and preventing the COVID-19 epidemic. Especially during the time of the pandemic raging from the end of 2019, industry enterprises actively supported funding for epidemic prevention and control activities.

Beverage firms are going through a difficult time since the global supply chain continues to break due to the impact of the COVID-19 pandemic and political and military conflicts, causing the prices of many goods and materials to rise. Production

increased from the beginning of the year due to strong fluctuations in exchange rates, interest rates, and capital flows at the end of the year. According to Mr. Nguyen Van Viet, Chairman of the Vietnam Beer, Alcohol, and Beverage Association (VBA), the beverage industry is especially difficult due to the impact of COVID-19, Decree 100/2019/ND-CP. Meanwhile, as demand decreased, the price of input materials increased by 50–60%, causing many stores to "go out one by one." Besides, the decrease in consumer income after the epidemic had a great impact on the economy. purchasing power, especially for non-essential products such as beer, wine, and soft drinks. In addition, the competitive pressure between beer brands is more intense. The main competitors of domestic beer enterprises such as Heineken, Sabeco, Carlsberg, etc. are multinational corporations with experience and financial resources many times higher than domestic beer enterprises, which are trying to promote brand development activities and expand market share.

Competitive strategy has the role of guiding and creating the way to achieve the goals of the business (Latifah *et al.*, 2020) [8]. At the same time, focus on improving the competitive position of the products and services of enterprises, promoting the creation of new ideas, and thereby improving business performance.

Competitive strategy plays an important role in encouraging value-added innovation and innovation activities and is an effective solution to promote innovation in enterprises (Fathali, 2016) [4].

The purpose of a forward-looking competitive strategy is to create a position for a business in its industry and to create an edge over other competing firms.

Building business strategies and implementing competitive strategies for businesses is always one of the most urgent tasks for leaders at all levels. Competitive strategy helps firms promote their competitiveness by mastering appropriate strategies to develop sustainable firms.

For the above reasons, this study evaluates, analyzes, and measures the cost leadership competitive strategy of beverage firms in Vietnam in order to contribute to helping these enterprises improve their cost leadership competitive strategy, thereby improving business efficiency.

2. Literature Review

According to Porter (1985) [16], competitive strategy is an enterprise's efforts to attract customers and improve its competitive position in the market. Mintzberg *et al.* (2003) [10] argue that competitive strategy comes from the positioning of the business activities of enterprises, followed by long-term development orientation, and then competitive analysis to decide how to do business. compete with competitors in the market. Olson *et al.* (2005) [15] affirm competitive strategy related to the company's products and services, combined with differences in capabilities and resources to achieve market objectives.

Zahra & Covin (1993) [20] presented a study of the relationships among select business strategy dimensions, technology policy dimensions, and firm performance. They sought to identify how these variables interrelate at the bivariate and multivariate levels. Data were collected from 103 manufacturing-based firms, representing 28 mature industries. Results show that technology policy choices vary widely across firms with different business strategies and that business strategy affects the strength of the relationship

between firm performance and particular technology policies.

Competitive strategy includes all actions taken by a firm to attract buyers, cope with competitive pressures, improve its competitive position in the market, and improve business performance (Porter, 1985; Lester, 2009) [16, 9].

Competitive strategy integrates the use of competencies to achieve the goals of the firm (Sanchez & Pavez, 2021) [17]. In the context of a dynamic and innovative business environment, competitive strategies need to be built on the basis of effectively exploiting existing capabilities and constantly innovating to develop the competitive advantages of enterprises (Sanchez & Heene, 2004) [18].

The current competitive strategy, or low-cost competitive strategy, and the differentiated competitive strategy are based on the firm's capabilities (Ogot, 2014) [14].

Thus, competitive strategy is like a long-term plan that an enterprise outlines to improve its competitive advantage over competitors after going through the process of analyzing competitors in terms of strengths, weaknesses, opportunities, and threats in the industry and comparing them with your own firm.

Competitive strategy is also understood as a combination of different decisions about the fundamental factors—products, markets, and special capabilities—of the enterprise.

A cost leadership competitive strategy is a strategy that aims to help firms become the lowest-cost manufacturer and supplier in the industry or in the current market.

The competitive advantage of firms is reflected in two aspects: differentiation and cost leadership. Combining these two with the scope of activities of a firm will help the company formulate three general strategies: differentiation competitive strategy, cost leadership competitive strategy, and focus strategy.

Today, there are many firms selling different products and services. Building this strategy will help firms promote the unique features of their products and help smart shoppers have a new view of the product they are aiming for in order to surpass other competitors. on the market.

Inheriting the results of the above studies and through expert opinion, we define six scales (attributes or observed variables) of the cost leadership competitive strategy of beverage firms in Vietnam as follows (see Table 1):

Table 1: Observed variables of cost leadership competitive strategy of beverage firms in Vietnam

Code	Scale
Cost leadership competitive strategy (CLCS)	
CLCS1	Beverage firms have efficient, integrated logistics capabilities.
CLCS2	Beverage firms have the capacity to manage relationships with suppliers of effective, stable, and low-cost raw materials.
CLCS3	Beverage firms have low and flexible product pricing capabilities.
CLCS4	Beverage firms have production capacity of appropriate scale, achieving performance as to scale.
CLCS5	Beverage firms have good human resource management capacity and high labor productivity.
CLCS6	Beverage firms possessing effective financial management capacity

3. Methodology

3.1 Analytical Techniques

Assessing the reliability of scales: the commonly used

reliability test is the internal consistency of the scale reflecting the relationship of observed variables in the same scale. The reliability of the scale used in this study is Cronbach's coefficient Alpha. The collected data is entered into the computer via SPSS 22.0 statistical software. After coding and cleaning the data, it is acceptable since according to Hair *et al.* (2009, 2014) [5, 6] a Cronbach's Alpha coefficient of 0.6 or more is desirable.

3.2 Research Methodology

The process of data collection includes tasks such as: Data validation, data editing, spreadsheet creation, identification and calculation of data characteristics, data entry into computers and we use suitable software for processing and analyzing data to meet research objectives. Specifically, to process the primary data collected, the authors used software such as Google Docs, SPSS 22 software and Microsoft Excel. In addition, the study also used other professional technical analysis methods such as comparison, comparison,

synthesis, evaluation and expert methods to judge appropriately with dialectical thinking and history.

4. Results

4.1 Descriptive Statistics

Table 2 indicates that the respondents agree with the dependent variables of the cost leadership competitive strategy in beverage firms, where six attributes were quite high. All five attributes were rated at an average of 3.79 or higher.

The analysis results also show that the skewness and kurtosis coefficients are in the range of -1 to 1, except that the observed variables CLCS1 and CLCS1 are not significantly higher, so the survey data ensures a relatively standard distribution. Therefore, the evaluation levels of the employees participating in the survey are relatively uniform and concentrated, with little dispersion, so the analysis results have high statistical significance.

Table 2: Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
CLCS1	195	1	5	3.91	0.880	-0.964	0.174	1.324	0.346
CLCS2	195	1	5	3.95	0.924	-0.810	0.174	0.681	0.346
CLCS3	195	1	5	3.96	0.876	-0.768	0.174	0.766	0.346
CLCS4	195	1	5	3.96	0.938	-0.874	0.174	0.699	0.346
CLCS5	195	1	5	3.85	0.945	-0.871	0.174	0.749	0.346
CLCS6	195	1	5	3.79	0.845	-0.673	0.174	0.552	0.346
Valid N (listwise)	195			3.90					

4.2 Cronbach's Alpha

The cost leadership competitive strategy of beverage firms in Vietnam have been measured by Cronbach's alpha. The results of testing Cronbach's alpha for attributes are presented in Table 3 below. The results also show that attributes of the dependent variables have Cronbach's alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the dependent variables are statistically significant (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [7, 5, 6].

Table 3: Results of Cronbach's alpha testing of attributes and item-total statistics

Cronbach's Alpha			N of Items	
.917			6	
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CLCS1	19.51	14.581	0.795	0.898
CLCS2	19.47	14.302	0.794	0.898
CLCS3	19.46	14.662	0.786	0.899
CLCS4	19.46	14.157	0.802	0.897
CLCS5	19.57	13.885	0.840	0.891
CLCS6	19.63	16.090	0.575	0.926

4.3 Exploratory Factor Analysis (EFA)

Next, Tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of factor analysis in Table 4 show that KMO is 0.906, which is greater than 0.5 but less than 1. Bartlett's testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [7, 5, 6].

After implementing the rotation matrix, six components of the cost leadership competitive strategy of beverage firms in Vietnam with a factor load factor greater than 0.5 and eigenvalues greater than 1 were identified, and the variance explained was 70.901% (see Tables 5 and 6). These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified six components of the cost leadership competitive strategy of beverage firms in Vietnam (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [7, 5, 6].

Table 4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.906
Bartlett's Test of Sphericity	Approx. Chi-Square	802.990
	Df	15
	Sig.	.000

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.254	70.901	70.901	4.254	70.901	70.901
2	0.623	10.384	81.285			
3	0.376	6.268	87.553			
4	0.276	4.600	92.154			
5	0.266	4.433	96.586			
6	0.205	3.414	100.000			

Extraction Method: Principal Component Analysis

Table 6: Component Matrix^a

CLCS	Component
	1
CLCS5	0.897
CLCS4	0.872
CLCS1	0.866
CLCS2	0.863
CLCS3	0.859
CLCS6	0.676

5. Discussion and Implications

Most beverage firms have a method of organizing a supply chain that includes all activities in the chain, integrating many parts and resources, applying technology, and linking them together to operate. Improve work efficiency, thus ensuring integrated logistics capacity.

Most beverage firms establish an efficient chain of operations from product procurement to delivery consisting of stages: procurement, distribution, order fulfillment, and shipping.

The association between beverage firms and farmers, cooperatives that grow malt, houblon flowers, rice, sugar, etc., as well as suppliers of malt, houblon flowers, rice, sugar, raw malt, houblon flowers, rice, sugar, etc., are absolutely necessary. With a small, scattered supply from many small, single farmers and cooperatives with a scale of only a few hectares, supply management is even more difficult for beverage businesses. Therefore, supplier relationship management, from the process of setting goals, selecting supplier relationships, and evaluating long-term relationships, is the content that beverage businesses should pay full attention to. In addition, beverage firms should raise awareness about the role of suppliers in their business activities. Moreover, beverage firms should have a plan, be aware when building a long-term strategy, establish stable and sustainable raw material areas, and take advantage of the benefits and opportunities from this relationship for customers. The collection of rice, sugar, etc. is convenient, cost-effective, and of better quality.

To achieve this goal, enterprises need to invest in production on a large scale because the effectiveness of the strategy focuses mainly on the size of the business. Therefore, small-scale enterprises should consider choosing this strategy. It is difficult to implement and pursue this strategy because it also involves contracts for supplying products in large quantities at low prices, both lower than the market.

The cost-leadership competitive strategy of beverage firms in Vietnam can be effectively applied to manufacturers and distributors because the core feature of this strategy is mainly to provide products and services with lower costs in the region of the industry. To implement this strategy successfully, enterprises need to pay attention to factors such as large-scale production, low-cost raw materials,

quality management processes, and efficient distribution processes.

When the business market becomes more and more fierce, building strategies will help firms create advantages that other competitors do not have. Besides, in business, competition is considered an inevitable trend that helps firms once again affirm their brand and position before other competitors doing business in the same field.

Today, when society is increasingly developing, firms must constantly update and change technology to replace equipment that has become outdated and not technically responsive. This will have a very serious impact on cost reduction. If you do not know how to come up with a pricing strategy based on the actual situation of the firm, it will make the business lose money in the long run, and the risk of facing bankruptcy is great.

Offering the lowest possible price after deducting all costs for production, transportation, and product promotion will help your products reach many potential customers.

The year 2023 is forecast to have more and more difficulties and challenges, directly affecting firms, including those in the beverage industry. In order to create favorable conditions for firms to recover and develop, enterprises in the industry wish that the state should not consider raising the Special Consumption Tax (Thao Lan, 2023) ^[19].

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