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Differentiation Competitive Strategy in Beverage Firms: Applying Public Policy

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Abstract

Law on preventing the harmful effects of alcohol and beer No. 44/2019/QH14 (National Assembly, 2019) ^[6] was promulgated by the National Assembly on June 14, 2019 and officially takes effect on January 1, 2020. It is one of the laws and regulations that have a strong impact on beverage firms and a large number of people. A differentiation strategy, or point of difference, is a strategy for a business's products and services, the purpose of which is to create differentiating factors, thereby increasing competitiveness with competitors in the same field while creating an impression. symbolize customers, making them remember your brand more. This study was conducted with the aim of

assessing the differentiation competitive strategy in beverage firms in Vietnam through survey results. The survey subjects are employees of beverage firms in Vietnam. We use both qualitative and quantitative research methods. Quantitative research methods were carried out with SPSS software, including descriptive statistics, cronbach' alpha coefficient analysis and EFA analysis. The study has identified and measured seven (7) attributes of the differentiation competitive strategy of beverage firms in Vietnam that have great effects on beverage firms and customers. Based on this result, the study proposes some recommendations for beverage firms and employees.

Keywords: Competitive Strategies, Beverage Firms, Differentiation Competitive Strategy, Public Policy (CLCS)

JEL codes: D49, M19, M21, J18, J88

1. Introduction

Law on preventing the harmful effects of alcohol and beer No. 44/2019/QH14 (National Assembly, 2019) ^[6] was promulgated by the National Assembly on June 14, 2019 and officially takes effect on January 1, 2020. It is one of the laws and regulations that have a strong impact on beverage firms and a large number of people.

Wine production and trading are conditional businesses. Beverage firms must meet a number of conditions specified in Decree 105/2017/ND-CP. In addition, the conditions for granting a license to wholesale wine products are specified in Clause 2 and Article 17 of Decree 94/2012/ND-CP on November 12, 2012.

With hundreds of factories across provinces or cities, the alcoholic beverage industry creates jobs for hundreds of thousands of direct workers in production facilities and supply chains such as raw materials, packaging, logistics, and distribution. distribution, service industries, and ensuring circulation in the product value chain (Thao Lan, 2023) ^[12].

A differentiation strategy, or point of difference, is a strategy for a business's products and services, the purpose of which is to create differentiating factors, thereby increasing competitiveness with competitors in the same field while creating an impression. symbolize customers, making them remember your brand more.

Thao Lan (2023) ^[12] affirms that beverages in general, including beer, wine, soft drinks, and alcoholic beverages in particular, are products that serve daily consumption needs and are both essential and associated with cultural characteristics. After being heavily affected by the COVID-19 epidemic since the beginning of 2020, the beverage industry is currently having to endure many difficulties in the new context. Many management regulations are not appropriate, and the risk can lead to a contraction of production and business in the industry, with consequences for society.

There are firms that always aim for sustainable initiatives and solutions to strengthen the company's strengths and ensure long-term growth goals. HABECO maintains 12 heroic Vietnamese mothers and builds dozens of gratitude houses. The corporation regularly donates clothes and food to poor households and policy families in many localities, such as Hanoi, Ha Giang, Quang Binh, Quang Tri, etc. At the same time, every year, it mobilizes workers who participate in contributing to support the Central

and local Social Funds and a number of other charitable activities such as the Humanitarian and Tet Fund for the Poor, the Crime Prevention Fund, the Hanoi Children's Protection Fund, supporting war invalids at the Ministry of Industry and Trade, and supporting the program meeting people with meritorious services to the revolution, with a total social charity amount of 1.28 billion VND in 2022.

Due to prolonged geopolitical tensions between Russia and Ukraine, the COVID-19 epidemic is still complicated in some areas, leading to the risk of a global economic recession and the risk of continued supply chain disruption, causing erratic fluctuations in the prices of goods and raw materials. Some main production materials, such as malt, hops, rice, sugar, etc., are forecast to continue to increase in price from the beginning of next year. Therefore, beverage firms need solutions to overcome difficulties and improve business efficiency, and one of those solutions is a competitive differentiation strategy.

2. Literature Review

The research aim is to analyze the possible influence of implementing Porter's generic strategies (1980, 1985, 1988, 1996) [7, 8, 9, 10] (a) low-cost strategy, (b) differentiation strategy, and (c) focus strategy on the firm's performance in the production sector, and also to find out which of these three strategies is more significant in increasing firm performance.

The differentiation strategy is one of Porter's key business strategies (Reilly, 2002) [11]. Differentiation refers to the development of a unique product or service (Kume, 2010; Porter, 1996) [5, 9]. A differentiation strategy is a strategy in which an organization seeks to distinguish itself from competitors through the quality of its products or services (Griffin, 2005) [1].

Business strategy is needed by a firm to conduct its business operations in order to improve its profitability. Differentiation strategy is one of Porter's typology of business strategies that focuses on creating unique and high-quality products to differentiate their products from their competitors, giving advance benefits to the customers, offering their products at a premium price, and investing more in research and development activities (Porter, 1980) [7].

A higher profit margin indicates that a firm is more likely to use a differentiation strategy (Wu *et al.*, 2015) [14].

A competitive differentiation strategy is a strategy in which firms need to maintain unique product features in the market to create a difference from other product types. With a successful strategy, a firm's products can create a breakthrough, be different, and make a more special impression on customers than similar products from competitors. It could be the difference in product quality, price, diverse features, reasonable costs, etc. This is one of the competitive strategies that can bring long-term effectiveness to businesses. From the difference in products and services, firms can make a difference in the brand and characteristics of the business that customers remember. However, firms should regularly update industry trends and consumer needs to maintain differentiation and avoid products that are outdated or copied from competitors.

The differentiation strategy has the following advantages: it promotes continuous innovation of products and services to thereby attract the attention of consumers; it helps your

business survive and avoid threats from competitors in the market thanks to product prominence and differentiation; it brings a better experience to users, from which businesses can take advantage of customer loyalty. However, the differentiation strategy also has disadvantages: it costs a lot of money and time to research, develop, and differentiate products, especially in the early stages, and competitors can learn from your differences and win customers at better prices.

3. Research Methods

3.1 Sample Selection

This paper uses sample of beverage firms in Hanoi, Vietnam from 2021 to 2023. Criteria for sample that used in this paper are firms that consistently publish their annual and financial reports during the observation periods. We narrow down our sample to 25 beverage firms with total of 195 firm-year observations.

3.2 Variable Measurement

We based on the results of previous studies, expert opinion, and tailor it to the context of beverage firms. The differentiation competitive strategy of beverage firms includes 7 observed variables (scales) (see Table 1).

3.3 Analysis Tools

Quantitative research method through SPSS software with descriptive statistics, reliability analysis of scales (Cronbach' alpha) and EFA analysis.

Table 1: Observed variables of the differentiation competitive strategy in beverage firms

Code	Scale
Differentiation competitive strategy (DCS)	
DCS1	Beverage firms have good market and customer research capabilities and extensive knowledge of customers and target markets.
DCS2	Beverage firms have the ability to manage quality and stable raw material sources.
DCS3	Beverage firms have quality management systems, food safety management systems, and environmental management systems.
DCS4	Beverage firms have modern and advanced production technology capabilities to create superior products.
DCS5	Beverage firms have the ability to manage long-term and effective customer relationships.
DCS6	Beverage firms own prestigious and well-known brands.
DCS7	Beverage firms have effective distribution capabilities and good multi-channel integration capabilities.

4. Results

4.1 Descriptive Statistics

Table 2 indicates that the respondents agree with the variable of the differentiation competitive strategy in beverage firms, where seven attributes were quite high. All seven attributes were rated at an average of 3.89 or higher.

The analysis results also show that the skewness and kurtosis coefficients are in the range of -1 to 1, 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
DCS1	195	1	5	3.90	0.773	-0.835	0.174	1.184	0.346
DCS2	195	1	5	3.92	0.852	-0.854	0.174	0.907	0.346
DCS3	195	1	5	3.89	0.840	-0.692	0.174	0.416	0.346
DCS4	195	1	5	3.97	0.792	-0.761	0.174	1.219	0.346
DCS5	195	2	5	4.00	0.725	-0.246	0.174	-0.393	0.346
DCS6	195	2	5	4.10	0.753	-0.611	0.174	0.223	0.346
DCS7	195	2	5	4.06	0.734	-0.326	0.174	-0.392	0.346
Valid N (listwise)	205			3.96					

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

Cronbach's Alpha	N of Items			
.891	7			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
DCS1	23.94	13.357	0.740	0.869
DCS2	23.92	13.127	0.694	0.874
DCS3	23.94	13.332	0.669	0.878
DCS4	23.87	13.075	0.774	0.864
DCS5	23.84	13.756	0.717	0.872
DCS6	23.73	14.155	0.603	0.885
DCS7	23.78	14.173	0.621	0.883

4.2 Cronbach’s Alpha

The differentiation competitive strategy in beverage firms has been measured by Cronbach's alpha. The results of testing Cronbach’s alpha for attributes are presented in Table 3 above. The results also show that attributes of the 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 variables are statistically significant (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [4, 2, 3].

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

0.840, 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) [4, 2, 3].

After implementing the rotation matrix, seven components of the differentiation competitive strategy in beverage firms with a factor load factor greater than 0.5 and eigenvalues greater than 1 were identified, and the variance explained was 60.772% (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 seven components of the differentiation competitive strategy in beverage firms (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [4, 2, 3].

Table 4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.840
Bartlett's Test of Sphericity	Approx. Chi-Square	768.537
	Df	21
	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	60.772	60.772	4.254	60.772	60.772
2	0.894	12.777	73.549			
3	0.529	7.556	81.105			
4	0.497	7.099	88.204			
5	0.358	5.113	93.318			
6	0.304	4.342	97.660			
7	0.164	2.340	100.000			

Extraction Method: Principal Component Analysis

Table 6: Component Matrix^a

DCS	Component
	1
DCS4	0.852
DCS1	0.818
DCS5	0.807
DCS2	0.781
DCS3	0.761
DCS7	0.722
DCS6	0.706

5. Discussion and Implications

Creating differentiation in sales and marketing activities will greatly help businesses. However, businesses should not overdo it and create too many differences, which will cause them to lose certain standards of the product, thereby losing a large number of potential consumers.

Beverage firms should focus on building brands, promoting products, and increasing consumer connections; invest in expanding and diversifying distribution channels; and research and develop new product lines. In addition, beverage firms should be proactive in their financial and business plans in the short, medium, and long term.

Creating price differentiation by offering a lower or higher price than competitors is a strategy that many firms are applying. Offering low prices will attract many buyers. Also, offering higher prices attracts customers, especially upper-class customers.

The principles of focused differentiation differentiate certain features of competitors in the market. However, this strategy will only focus on a specific segment of a certain sector of the market.

To achieve product differentiation, a business's products must have more outstanding and unique features than competitors' products in the market. Or is it the only product with special features for users? This is one of the effective differentiation strategies that can turn a firm into a leader in the market.

According to Thu Huyen (2022) ^[13], Habeco is one of the beverage firms that has achieved positive business results, which reflects efforts to find and implement solutions to remove difficulties, protect, and enhance Increase the market share of the corporation and its member units, such as by promoting product consumption on the e-commerce platforms Tiki, Shopee, and Lazada, launching a store to introduce and sell Hanoi draft beer products, and opening the Hanoi Beer Garden chain in localities. Along with that, Habeco also continuously organizes promotional programs during peak summer sales and Tet... to enhance brand promotion and increase accessibility to target customers. In parallel with market work, Habeco also focuses on upgrading packaging design and innovating designs, creating more prominence and appeal for product lines. In 2022, Habeco will launch sleek can packaging for Truc Bach, Hanoi Bold and Hanoi Light, and Hanoi Beer Premium products. Keeping abreast of supply and demand in the market for supplies and raw materials to calculate the appropriate time to import goods and efforts to negotiate prices with suppliers also brought positive results for Habeco, not only helping to ensure an adequate source of raw materials for production but also reducing input cost pressure.

Facing challenges and difficulties in 2023, beverage firms want the state to stabilize special consumption tax policy,

streamline import and export procedures, reduce paper records, and move towards applying full, flexible online customs. active in credit policies and stable interest rates to support firms to recover and develop (Thao Lan, 2023) ^[12].

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