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### Developing Vinamilk's Dairy Products in Vietnam towards Green Products that Meet Green Export Requirements

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#### Abstract

Green consumption is already quite popular in developed countries and has made initial progress in developing countries as personal income and consumer consciousness are increasing. Environmental experts view green consumption as a measure to "save the earth" from negative changes in the global living environment. Therefore, the trend of producing and using environmentally friendly green products will grow strongly in the near future. Currently, consumers around the world are gradually moving towards green, environmentally friendly products and consider it as a standard for high quality products and services. Consumers are willing to pay higher prices for goods labeled as meeting sustainable production standards. Vinamilk's milk brand is considered to be in the Top 5 most sustainable milk brands globally and leads in Vietnam. In particular, Vinamilk's sustainability awareness score is rated highest, surpassing

many other big names in the world dairy industry. More than 10 years ago, Vinamilk was asked and was ready to provide a sustainable development report with partners' requests. Requirements related to environmental certification/certification, worker rights, animal welfare, etc. were quite new contents at that time. In addition to developing international standards such as ISO 9001:2015, FSSC 22000, BRC, ISO 17025, Halal, Organic EU, Organic China,... Vinamilk has completed reports on greenhouse gas inventory, energy use, ... Businesses are also accelerating the Net Zero process with the first factories and farms achieving carbon neutrality - an aspect that is of interest to many international markets. The author wrote an article about dairy products following the greening trend to recognize Vinamilk Vietnam's efforts to bring dairy products towards new market flows.

**Keywords:** Dairy Products, Green Consumption, Green Products, Vinamilk

#### 1. Introduction

Globally, the green consumption trend has become popular. This is no longer a niche market like before, but is gradually becoming a popular requirement in all segments and all markets. From there, creating new rules of the game in global trade, requiring businesses to quickly transform. Europe - a large export market of Vietnam, trade plans to neutralize climate such as Carbon Border Adjustment Mechanism (CBAM), Farm to Fork Strategy, Plan The circular economy action plan or Biodiversity Strategy to 2030 has created new requirements for sustainability, requiring adjustments in export activities of export enterprises (Linh, 2022) <sup>[1]</sup>. In challenges there are always opportunities, so regulations on green growth such as reuse, recycling, energy saving... create new development opportunities for Vietnamese businesses. For example, with the 15 free trade agreements (FTAs) that our country has signed and come into effect, compliance with the new rules of the game on quality and environmental standards is not only the responsibility of implementing the agreements but also Helps Vietnamese goods expand export routes. At the same time, it also enjoys tax incentives from the importing country with plus points showing "responsibility" such as "green", "sustainable", "environmentally friendly" production.

From another perspective, products overcome the "green barrier" to import into the market, the "green" and "sustainable" factors are also important criteria that consumers increasingly pay attention to when making decisions. choose to buy.

A KPMG consumer behavior survey across 11 countries shows that 64% of consumers want to understand a product's environmental impact before making a purchase, and 86% of consumers want to be informed. Use products that can be reused and recycled better. This trend is not only popular in developed countries, but is also growing strongly in Vietnam. Vietnam's Customer Experience Excellence (CEE) 2022 report published by KPMG shows that up to 93% of customers in Vietnam are willing to pay more for products and services that are integrated with ESG (measurement factors). Sustainable development

and business impact on the community).

Therefore, this transformation is inevitable. Strengthening green growth-oriented thinking and production will help Vinamilk Vietnam more effectively exploit the advantages of export products, and thereby enhance the value of both products and brands.

## 2. Theoretical basis

### *Green business concept*

According to a Nielsen survey released in the conference "Brand strategy associated with green development", 45% of global respondents are willing to pay more for environmentally friendly products, 41% are willing to pay more for environmentally friendly products. Willing to pay more for environmentally friendly packaging, etc. Vietnamese consumers in the 4.0 era are no exception to the above trend. They are increasingly interested in green food, green services and green businesses. Green businesses always attract consumers because of their concern and environmental protection, helping to improve the lives of workers. In particular, always constantly create and improve products to minimize negative impacts on the environment. Green Business is a business that does not cause negative impacts on the local environment or the earth, on the community or the economy. For a business to be rated "Green Enterprise" it must be based on 3 factors, the main criteria include <sup>[3]</sup>:

- Comply with laws on environmental protection;
- Comply with environmental regulations and standards;
- Compliance with environmental management records and other related issues.

Becoming a green business helps the business itself have a clean working environment, minimizes the consequences on the living environment and society, and contributes to creating brand and consumer support.

### *Green product concept*

#### **Box 1: Products of Green Growth**

##### **Economy**

1. GDP increases and distributes equitably in a sustainable way.
2. Increased production of valued ecosystem services.
3. Economic security, for example, improved economic risk management.
4. Innovation, openness and adoption of green technology, for example, improved market confidence.

##### **Environment**

5. Increase production efficiency and natural resource use efficiency.
6. Natural capital is used within ecological limits.
7. Increase other types of capital through the use of natural capital from non-renewable resources.
8. Reduce negative environmental impacts; improved hazard and quality management.

##### **Society**

9. Increase the opportunities, income and quality of life of the poor.
10. Good jobs that benefit the poor are created and sustained.
11. Enhance social, human and knowledge capital.
12. Reduce inequality.

Source: OCED (2010) <sup>[2]</sup>

### *Criteria to determine green products:*

**Firstly**, the product is made from environmentally friendly materials. If the product contains recycled materials instead of using new, raw materials, it can be considered a green

product. For example, a rapidly recyclable product such as bamboo or cork (used for lining umbrellas) is an environmentally friendly product because it is made from agricultural waste materials such as straw or agricultural oil. **Second**, the product provides safe solutions for the environment and health instead of traditional toxic products. For example, materials that replace wood preservatives such as creosote, are known to be a carcinogenic compound.

**Third**, the product reduces environmental impact during use (less waste, uses renewable energy, low maintenance costs). Over the years, European consumers have returned to using glass milk bottles and reduced the rate of using milk in plastic bottles that are used once and then thrown away. Glass bottles can be used many times and are easily recycled.

**Fourth**, the product creates a friendly and safe environment for health. Environmentally friendly construction materials are products that create a safe environment in homes and living spaces by not releasing important pollutants such as paints with low volatility organic solvents, strong adhesions, Eliminate or prevent the spread of contaminants such as by-products from ventilation or air conditioning filters (dust, mold, bacteria, etc.) and improve lighting quality. With environmentally friendly materials, product selection is aimed at minimizing pollution, reducing resource consumption and reducing the amount of waste generated during product use.

One method of purchasing environmentally friendly products is to buy local products when possible. Products purchased from local or regional sources reduce transportation costs and boost the local economy.

### *The benefits of green products*

According to the Cyclope Materials Institute and Veolia Propreté, the world's second largest waste management company, the amount of waste collected in the world is from 2.5 to 4 billion tons/year, of which 1.2 billion tons is concentrated in urban areas. Urban areas, and 150 million tons of especially dangerous waste. On average, every minute, 1 truckload of plastic waste is dumped into the ocean. Not only does it directly affect the natural environment such as water sources, land sources, air, etc., waste also causes more than 1 million marine creatures to die because of trash. Most of that waste is hard-to-decompose types such as plastic bottles, jars, boxes, and single-use nylon bags.

Environmentally friendly products will decompose quickly. When decomposing, organic matter is created to help regenerate the soil, starting a new life cycle without harming the environment.

Products made from recycled materials will limit the amount of waste generated each year, reducing soil, water and air pollution. Air and water quality are improved, reducing pathogens that cause human diseases.

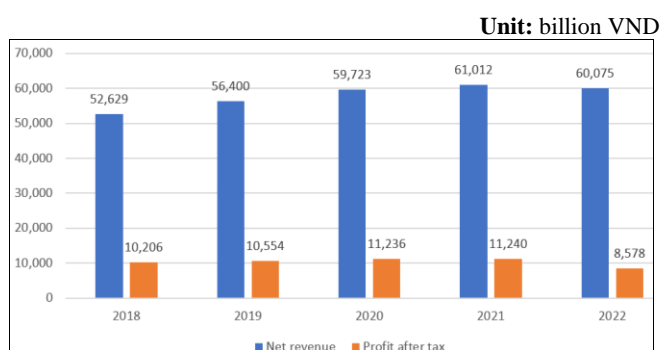
Currently, Vietnam is known as one of the countries in the development stage with rapid urbanization development. Because of such rapid development, Vietnam is facing the risk of environmental pollution. For example, when using green detergent products, the amount of toxins in the product is very small but cannot affect the cleaning effectiveness of the product. According to some studies, improving indoor air quality in the work environment can help improve overall performance by 8 - 10%. The stuffy atmosphere, filled with dust and smoke, is one of the

conditions that can easily be seen in big cities in Vietnam. Economic promotion makes us forget about future sustainability. In recent years, people's environmental awareness has gradually increased, green products have begun to attract more attention and people are also more responsible for the surrounding environment<sup>[1]</sup>.

### 3. Current status of green dairy product development at Vinamilk

#### 3.1 General situation of Vinamilk's business activities in the period 2018-2022

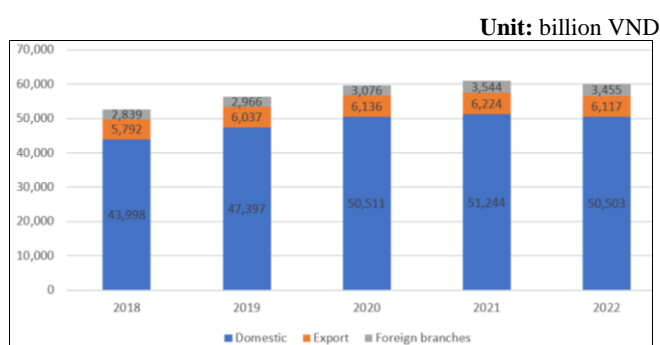
International economic integration has helped Vietnam's dairy industry successfully participate in the global value chain. Vietnam has become an important link in the global dairy product value chain, among the top group of countries exporting dairy products.



Source: Vinamilk annual report, 2018-2022<sup>[6]</sup>

Fig 1: Net revenue and profit after tax at Vinamilk in the period 2018-2022

Vinamilk's net revenue and profit after tax from 2018-2022 both increased over the years. Revenue reaches 61,012 billion VND in 2021 and reaches 60,075 billion VND in 2022. This shows that Vinamilk has always improved quality and diversified products. Exported dairy products are increasingly diverse, focusing on improving quality, increasing processing content and increasing value.



Source: Vinamilk annual report, 2018-2022<sup>[6]</sup>

Fig 2: Vinamilk's revenue structure in the period 2018-2022

In the revenue structure of 2018-2022, domestic revenue, exports and overseas branches all tend to increase. By 2022, revenue will stagnate due to the impact of the global economy after the epidemic. In crisis. In particular, Vinamilk has promoted export activities, accounting for an increased proportion compared to previous years. Among them, Vinamilk's dairy products are present in many countries around the world.

#### 3.2 Current status of developing dairy products towards greening in Vietnam

Faced with the strict requirements of the import market, Vietnamese dairy enterprises, in addition to changing their thinking and methods, also put "green" at the forefront of the supply chain. Solving this problem is an issue that many dairy businesses are concerned about. Vinamilk, the dairy brand ranked 5th globally in terms of sustainability, is strongly transforming towards "green" and sustainability to increase its strength in the export segment<sup>[4]</sup>.

Currently, successful exports and increased output into many demanding markets have proven the right direction of persistent businesses implementing sustainable production and business strategies. A typical example is Vinamilk, one of the Vietnamese enterprises that has market share in nearly 60 countries and territories around the world, especially meeting the strict import requirements of Singapore, Japan, and New Zealand. Zealand... Vinamilk is also considered among the Top 5 most sustainable milk brands globally and leading in Vietnam. In particular, this business's sustainability awareness score is rated highest, surpassing many other big names in the world's dairy industry.

Vinamilk became the first dairy brand to have a factory and a farm certified as carbon neutral and announced a roadmap to Net Zero 2050. This result proves the journey of developing agriculture-oriented farms green and sustainable of the "giant" of the dairy industry. This is also a long journey that leading dairy enterprises in Vietnam have prepared very early and methodically. With the goal of minimizing "Carbon footprint", Vinamilk farms have minimized greenhouse gas emissions into the environment, saving resources and promoting a circular economy. To do this, Vinamilk applies the principle: The output of one process is fully utilized as input for another process; thereby not only reducing emissions but also reducing resource exploitation, waste treatment costs and limiting environmental pollution during farm construction and operation. This has facilitated the company's dairy product export activities<sup>[5]</sup>.

Milk, a product is not Vietnam's strength, but Vinamilk is an enterprise with more than 25 years of experience exporting this product. Since exporting only powdered milk and cooking powder to the Middle East, Vinamilk has now exported a series of diverse products to nearly 60 countries and territories around the world. Vinamilk representative cited evidence for developed markets like New Zealand: Vinamilk is providing products with "green and sustainable" requirements such as no plastic straws or plastic lids under an agreement to reduce plastic waste. Out into the environment. These "green" products are also of interest to partners in the Australian market and are implementing import plans in 2024. Early identification and evaluation of the importance of green product development factors help Vinamilk achieved relatively positive initial results. The Australian market is growing in sales by more than 10% each year. Products produced by Vinamilk are being distributed at major supermarket chains Costco, Woolworths, Coles, Aldi, Foodstuff... and there are continuous development projects. New product for this market.

Or like the live yeast drinking yogurt product (130ml) that Vinamilk has converted to packaging with environmentally friendly materials and is ready to supply to the export

market, and at the same time researched conversion for other product lines. Other.

Vinamilk and its export partners expect that from 2025, all products exported to Australia and New Zealand will use packaging from recyclable, environmentally friendly materials. In addition, Vinamilk will also develop in high-income market groups in Asia, America and traditional market groups that have been exploited in the recent period. Early identification and evaluation of the importance of the "green passport" and the sustainable development factor in high-end markets such as Australia and New Zealand helped Vinamilk achieve relatively positive initial results. The Australian market has grown in sales by more than 10% each year. Products produced by Vinamilk are currently being distributed at major supermarket chains Costco, Woolworths, Coles, Aldi, Foodstuff... and there are continuous projects. On developing new products and enhancing this market.

### *3.3 Advantages and difficulties for dairy products following the greening trend at Vinamilk*

#### *Advantages for dairy products following the greening trend at Vinamilk*

**First**, even when import taxes are gradually reduced, transportation and storage costs still make the prices of imported products significantly higher (30% or more) than domestic products. Therefore, consumers using these products are mainly concentrated in the high-income and urban customer segment.

**Second**, Vinamilk has an understanding of consumer tastes and flexibly offers product lines, including high-end lines. The company also has an extensive distribution system of domestic companies. While imported goods are mainly sold in modern channels (supermarkets, ecommerce...)

**Third**, Vinamilk is a domestic enterprise that takes products from production to consumers faster, about 2-4 weeks, while the fastest time for imported products is 3-4 months. This is especially meaningful for products that require preservation and a high level of "freshness" such as fresh milk and yogurt.

#### *Difficulties for dairy products following the greening trend at Vinamilk*

Competition from imported products from Europe will increase the most in the whey powder, butter, and cheese segments, when import taxes are at 10-20% and will gradually decrease to 0%. However, due to Vietnamese eating habits, the market for these products is still very small (1,000-2,000 billion VND a year), and this is not the group of products that Vinamilk is focusing on exploiting in Vietnam. Present.

Dairy is one of the most developed agricultural industries in Europe, annually accounting for about 20% of total global output. Europe has many protection measures, tariff and non-tariff barriers to support the industry. Accordingly, very few countries can export milk to Europe. Currently, this bloc has not licensed the import of dairy products from Vietnam. Products imported by Vietnam are mainly skimmed milk, whey powder, butter, and cheese. According to the EVFTA agreement, import taxes on milk and dairy products from Europe will be gradually reduced according to the roadmap. Vietnam's dairy market before EVFTA was also considered open with many other free trade agreements such as the ASEAN-Australia/New Zealand Free Trade Agreement

(AANZFTA), the Comprehensive and Progressive Agreement for Trans-Thailand Partnership. Binh Duong (CPTPP), ASEAN Trade in Goods Agreement (ATIGA), Vietnam Free Trade Agreement - Eurasian Economic Union (VN-EAEU). This causes dairy products imported from partner countries to have tax rates reduced to 0%. On the other hand, the imported milk market has also been bustling in Vietnam for many years with big names such as Abbott, Meads Johnson, Nestle...

SSI side said that Vinamilk has prepared for many years to adapt to the opening of the milk market. The company has launched high-end products to compete with imported milk. Vinamilk has organic fresh milk, or actively imports fresh milk products from Europe, through a subsidiary in Poland, to anticipate milk consumer demand. The company also has a strategy to export milk to demanding markets such as the US and Japan.

### **4. Solutions to develop dairy products at Vinamilk towards greening**

To remove "bottlenecks" in the process of developing the dairy market in Vietnam to meet green exports, aiming for long-term and sustainable development, the solutions that need to be implemented include:

- Regarding price: In the recent period, Vinamilk implemented a policy to support milk prices. This is an effective solution in the short term, but in the long term, this policy will affect Vinamilk's finances. Therefore, Vinamilk needs to review to be able to offer a suitable price so that consumers can feel the correspondence between the quality provided when they spend money to use it and Vinamilk itself still receives benefits. Ensure revenue for this fresh milk industry. In other words, consumers besides paying attention to price, they also require quality corresponding to the price of a product when deciding to buy it for use.
- About products: Currently, Vinamilk has succeeded as the brand most frequently used by consumers. From the consumer's perspective, Vinamilk needs to offer fresh milk products that both ensure quality and fully meet the required nutrients. In fact, with many conflicting opinions about the true quality of fresh milk products in Vietnam, whether they are really 100% fresh milk as advertised, Vinamilk needs to have a clear message to answer people's doubts. Consumption, increasing trust in the Vinamilk brand, which is considered a "Trusted" brand by consumers. First, one of the reasons why purchasing power decreased in the dairy industry in general but Vinamilk still achieved growth, including fresh milk products, is because Vinamilk has implemented a series of stimulus programs. Consumption, increase revenue such as: improving product quality, promoting distribution channels with the goal of increasing exports.
- Regarding input factors: Vinamilk needs to carefully select inputs. Practicing regenerative agriculture and applying advanced technology to sustainable agriculture. The factories are designed with modern waste treatment systems, ensuring 100% of wastewater is treated to standards before being released into the environment. Green energy systems such as: Biomass, CNG, and solar energy are equipped at Vinamilk Green Farm ecological farms to reduce carbon emissions, striving towards the goal of achieving net zero

emissions by 2050.

Every year, companies should make statistics and calculations on the consumption rate of resources, energy or emissions in production or per product unit to have a specific roadmap to implement green development goals.

Vinamilk needs to promote implementation and participation in activities to propagate and spread green lifestyle, build awareness and habits of environmental protection to the community.

- **Optimize product packaging:** Vinamilk brings green consumption experiences to consumers through the use of environmentally friendly fabric and biodegradable bags, to reduce plastic waste; Change packaging to protect the environment such as: Remove the plastic ring around the water bottle cap, reduce the number of spoons of yogurt in the product box, reduce the use of shrink film, reduce the amount of plastic used for product packaging,... At the same time, deploy the use of biodegradable plastic bags and reusable bags. All Vinamilk's "Vietnamese Milk Dream" stores say "No" to the use of regular plastic bags.

Vinamilk uses paper packaging using Tetra Brick Aseptic technology, which is fully recyclable and FSC certified - a product certification that brings environmental, economic and social benefits."

At the same time, to minimize negative impacts on the environment, Vinamilk needs to research towards limiting the use of environmentally unfriendly raw materials such as changing the material of PET bottle caps, from using change the color to colorless as well as add a recycling symbol on the packaging.

## 5. Conclusion

Green products are known to be one of the trending products in the market today. Green products are made from environmentally friendly materials, minimizing toxic substances that can affect the environment. Currently, businesses in developed market groups have specifically mentioned requirements related to sustainable development. Determining early on that high environmental and social standards also create corporate advantages in the export market, Vinamilk has continued to proactively transform its operating methods, increasing investment in equipment and training. Create human resources, actively transform digitally and greenly to adapt to new conditions.

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