

# The importance of building brand for agricultural sector in Vietnam

Prof. Dr. Ngan Hoang Vu

Faculty of Human Resources Economics and Management, National Economics University, Hanoi, Vietnam

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## ARTICLE DETAILS

### Article History

Published Online: 15 July 2020

### Keywords

Branding, Agricultural sector, Vietnam.

### \*Corresponding Author

Email: [nganhv@neu.edu.vn](mailto:nganhv@neu.edu.vn)

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## ABSTRACT

*Agriculture is fading as the most important economic sector in Vietnam. Although agriculture still employs more than half of the population and manufacturing accounts for a mere 8 percent of all employment, the output value of both manufacturing and services surpassed that of agriculture in the early 1990s. However, it still lack of branding in the world export and import, compared to many agricultural-based country. In this review, the author will focus on evaluate the importance of building brand for agricultural sector in Vietnam and give some recommendations for improving branding and enhancing the branding level of agricultural sector in Vietnam.*

## 1. Introduction

A lack of branding for agricultural products makes it difficult for Vietnamese commodities to gain advantages and footholds in foreign markets. For that reason, building brands for agricultural products is highly necessary to increase competitiveness for agricultural commodities produced in Vietnam. According to the Department of Agro-product Processing and Marketing, under the Ministry of Agriculture and Rural Development (MARD), around 90% of Vietnam's agricultural products are still exported in raw forms at lower prices than those of other countries. Notably, over 80% of agricultural products have not been integrated with a brand, sold without logos or labels and sold internationally using foreign branding. Statistics from the National Office of Intellectual Property, under the Ministry of Science and Technology, show that in more than 90,000 trademarks of all kinds registered for protection in Vietnam, only about 15% of them belong to domestic enterprises. This is a big disadvantage, weakening Vietnamese agricultural products' competitiveness and forcing the sector to face many disadvantages.

The cause of this situation is partly due to limited awareness on branding strategies from agro enterprises. They have failed to clearly understand the role and significance of building and protecting agricultural product brands, while still implementing branding strategies without cooperation or consensus.

At the same time, conditions for branding have not been determined for most agricultural products, such as products must be in a large enough volume with stable productivity, uniform quality, and ensured food hygiene, as well as at

competitive prices. Distribution channels must be organised in harmony with reasonable interests for all participants. However, at present, even Vietnam's major agricultural products, such as rice, seafood, and coffee, are still struggling with the issues related to planning raw material areas and quality assurance. Currently, the quality of agricultural products is not just being spread through word-of-mouth, but more importantly, the product must be clearly labelled and packaged, showing sources of origin. Thus, signing exclusive trademarks and branding should be prioritised to win the trust of consumers.

Farmers themselves cannot do the work alone without the important role and participation from the business community. The latter need to coordinate with farmers in agricultural product branding, linking all stages of production, processing and consumption, especially quality control. At the same time, businesses also need to "shake hands" to jointly invest in science and technology, while gradually restricting the export of raw materials and gradually shifting to processed export to improve products' value and create sustainable brands.

Vietnam has lagged behind many other countries in building brands for agro products, however it is better late than never, particularly in the context of deepening international economic integration. The orientation will facilitate functional agencies to develop reasonable policies to help businesses and farmers improve branding conditions, thereby giving them the opportunity to expand branding to other agricultural products in the coming time.

2. Suggest the main steps or methods or ideas of BRANDING

	Purpose	Examples	Ownership	Legal device
Producer brands	Distinguish between different products and their producers	<ul style="list-style-type: none"> <li>• Chiquita bananas</li> <li>• Jablum coffee</li> <li>• Plantation Reserve sugar</li> </ul>	Typically primary producers or processors	Trademark
Varietal brands	Distinguish between different varieties of product type	<ul style="list-style-type: none"> <li>• Pink Lady apples</li> <li>• Tenderstem broccoli</li> <li>• Zespri kiwi fruit</li> </ul>	Typically the owner of the variety in question	Trademark with associated patent
Geographical brands	Distinguish products through their geographical origins	<ul style="list-style-type: none"> <li>• Darjeeling tea</li> <li>• Champagne</li> <li>• Idaho potatoes</li> </ul>	Typically public sector bodies or regional associations	Geographical Indicator or Appellation of Origin
Certification brands	Distinguish products through ethical or social standards	<ul style="list-style-type: none"> <li>• FairTrade</li> <li>• Rainforest Alliance</li> <li>• Organic</li> </ul>	Typically certification bodies	Trademark

Fig 1. Four ways of building brand

1. Producer brands
2. Varietal brands
3. Geographical brands
4. Certification brands

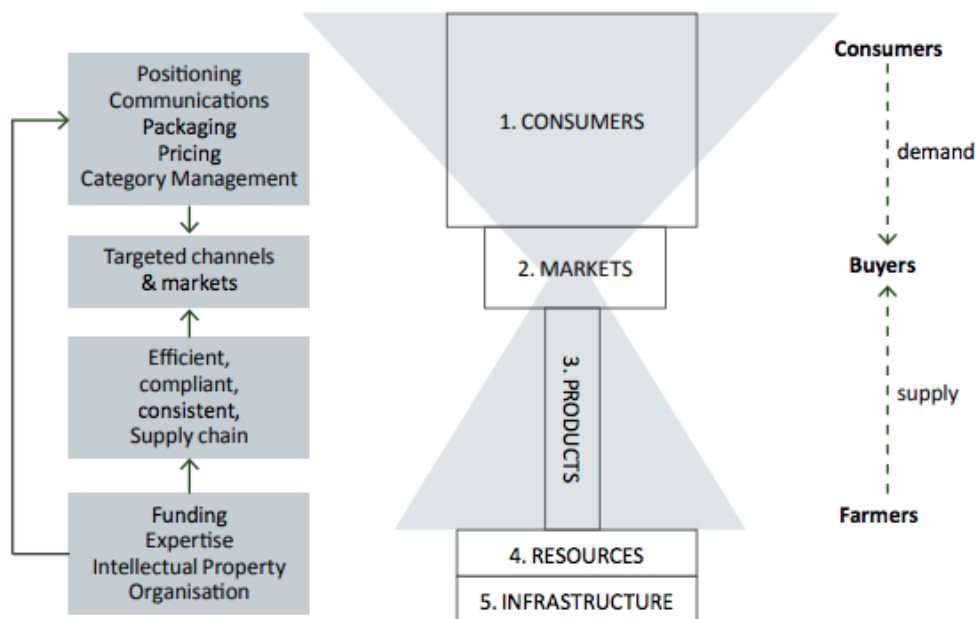


Fig 2. Building block of branding

Effective branding requires basic infrastructure at the producer level, including clear intellectual property ownership and organizational capacity; the human and financial resources to carry it out; a supply chain to deliver products effectively to targeted markets; and consumer demand at the point of sale.

a) Consumers

**The barrier:** Commodities do not represent a sustainable branding opportunity because of their physical similarity with competing products and the expertise gaps in producer countries.

To succeed, brands must convince consumer that the product is special — distinct in some way from similar competing products. Many development professionals assume that basic commodity products cannot be profitably branded, given that they can easily be substituted by competitors' offerings and that high levels of marketing expertise and experience in new product development are required to build attractive brands that compete profitably with established global players.

**The solution:** Use expertise from other categories to develop commodity brands that are genuinely distinct.

The commodity categories of highly competitive markets are typically defined by a lack of consumer interest in the differences between different products or brands. It therefore requires a creative approach to offer customers something genuinely distinct.

#### b) Products

**The barrier:** Products from developing-world producers will not be of consistent quality or will fail to meet export standards.

The governance and processing required to boost the value of branded products is expensive and requires expertise in procurement, purchasing and supply chain development, as well as an ability to manage suppliers over time. To gain access to markets and acceptance from buyers, producers also need to offer a consistent supply and comply with export market standards.

**The solution:** Use outsourcing to gain competitive advantage and circumvent quality or standards constraints even where a physical product is not fundamentally different from competitors, it still needs to be clearly distinctive through packaging, availability, origin, consistency, quality, ethics, positioning or services.

The successful brands described above are all supported by an efficient supply chain that is commercially viable at all levels from producer through to exporter, importer, wholesaler, distributor, customer and end consumer, that effectively conforms to appropriate regulations in export markets and that consistently delivers on brand claims.

#### c) Markets

**The barrier:** Buyers will not purchase commodity brands from the developing world in sufficient volume to make a difference.

Regardless of their potential value to the consumer, producer-branded commodities are hampered by competition with much larger multinational companies and the difficulty of engaging with major buyers in retail, food service or manufacturing channels. Although branded agricultural commodities are already sold in large volumes by existing importers and processors, there are real market limits. Direct branded sales through retail stores account for a relatively small part of commodity markets; in the UK sugar market, they represent less than 25 per cent of the total, with the remainder in food service (e.g. restaurants) and ingredients (e.g. manufacturers) channels, where products are typically not branded to the end consumer. In addition, the dominance of large retailers and their own-label brands means that 38 per cent of food is now sold under these labels.

**The solution:** Create a portfolio of brands for appropriate markets and channels.

Branding of a commodity need not be restricted to export or retail markets, and in fact it can help producers to access alternative channels for their goods. Although this paper does not focus on business-to-business brands, we note that brands offering quality, provenance, service or other attributes backed by an effective supply chain can cut out middlemen and enter those segments of industrial markets that are not driven purely by price. Upscale restaurant chains are interested in Branding Agricultural Commodities new products and tastes, ingredient branding is becoming more widespread (e.g. a pizza 'made with Sunblush tomatoes'), and premium variants of supermarket own-label brands (e.g. Tesco Finest) will pay more for high-quality products. Nevertheless, it is difficult to generate a critical mass of volume sales in markets with well established, well-financed competitors, so producers need to think strategically about introducing their brands. New brands typically start by considering the needs of their business on one hand and of their potential customers on the other, and work toward aligning these to deliver something distinctive to the market. Simply replicating the offers of existing, much larger incumbents is not a realistic option for developing country brands. There is always a risk, however, that a brand strategy targeting a distinctive audience or set of needs will become a small, niche operation without the volumes to make a substantial difference to industries in producer countries. This risk varies by market, and it can be hedged with a portfolio approach similar to that followed by existing commodity brands, mixing nichemargin products with mainstream ones that generate large volumes.

#### d) Resources

**The barrier:** Lack of financing in developing countries prevents effective development, launch or management of brands.

Building strong downstream branded operations is both expensive and risky, requiring substantial ongoing financing. It can take years of brand building to generate a profit; many companies spend large sums on developing and launching a new product, only to fail when they are not prepared for long-term investments in communications, design and promotional activity. It has been argued that investment in infrastructure and processing offers better and more secure returns.

**The solution:** Invest in branding that fits producers' appetite for risk and sources of funding. In the examples above of successful commodity branding, building a brand has required both up-front and ongoing investment.

Because branding is risky, seed funding from development institutions, foundations or the public sector is crucial to encourage private-sector partners to get involved. And as various branding strategies carry different risks and rewards, matching these to producers' needs is another critical consideration. Using a certification brand such as Fairtrade, for example, typically requires substantially less investment than establishing a proprietary producer brand. Funding and professional management are needed to establish strong relationships with consumers, customers, partners and the distribution chain, as well as for regular innovation to stay ahead of the competition. But these same examples show it

can be done in developing countries, with returns that represent an attractive alternative to traditional supply chains.

#### e)Infrastructure

**The barrier:** *Brand development is not a priority in developing countries and has limited potential to impact smallholders.*

For states and communities struggling with basic needs such as safe water, sufficient food, infrastructure and health care, branding a product that has been sold in the same way for decades may simply not be a priority. Even where this is not true, without clear organization and transparent mechanisms to pass on the benefits of added value to farmers, branding could boost overall economic activity but fail to alleviate poverty.

**The solution:** *Build on existing organizations, using third parties to fill expertise gaps.*

Branding initiatives can often draw support from the long-established supply infrastructure of traditional commodity industries — but they also rely on several other basic systems, not all of which can be outsourced. These include a relatively stable business environment and legal system that ensures the security of both physical and intellectual property, good telecommunications and internet links, a reliable supply of raw materials, access to a labor force with the necessary skills, and consistent taxation policies. Still, most countries do possess

sufficient infrastructure to brand their commodities. The fact that brands exist in, and are exported from, almost all countries in the world — even if ownership of the brands in question is often by mature market companies — shows that this basic infrastructure is in place. Branding programs may, however, need help from third-party facilitators such as development institutions to ensure the branded products find a profitable niche and that primary producers benefit from this. Facilitators can help in-country organizations realize the key benefit common to branded supply chains through a variety of models, they allow producers to capture a larger portion of the total retail value of their product.

Other barriers to commodity branding are driven by classic mindsets about commodities, a traditional approach to capacity constraints and a belief that consumer-led branding operations in commodity sectors require significant expenditure and risk with little potential for real rewards. We argue throughout this paper that many of these traditional assumptions are fundamentally mistaken. Branding as a means of ensuring that a product is distinctive and owned by producers can add measurable value to agricultural commodities if approached from a consumer driven commercial perspective. This is best demonstrated by the results from two specific commodity brands.

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