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The Study of Beef Market Structure and Channel Competition in Ho Chi Minh City, Vietnam

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In strong efforts to bring Japanese Wagyu beef with its outstanding characteristics to external markets, Japan is now paying high attention to exporting promotion globally. In Vietnam, after the official importing approval in April 2014 (Vietnam Custom), the value of Japanese beef is doubled in only one year (reached 158.341 million Yen in 2015). To penetrate into Vietnam market successfully, it is prerequisite for Japanese marketers to consider the Vietnam beef market. Despite Japanese Wagyu beef is an international brand, the response of consumers in each country is different; thus, specific marketing strategies, based on consumer culture and reaction to global brand for certain consumption pattern, is in need (Steenkamp, 2001; Keillor *et al.*, 2001). Moreover, the driving force of the success in exporting performance is to identify the competitors and grasping the proper market segments (Cooper and Kleinschmidt, 1984). Hence, compared with long-history domination of Australian and American beef, it is important for Japanese Wagyu beef to approach from the right step about particular distribution channel for selective beef. With an attempt to provide Japanese Wagyu beef exporters to Ho Chi Minh City (HCMC) market with guidance, this study tries to investigate, not only the general status of the beef market in HCMC but also the Wagyu beef niche market. Via the combination of the primary data from direct interviews and the secondary data, the full context of HCMC beef market is scrutinized from both supply and demand perspectives. Additionally, the intensity of competition between Japanese Wagyu beef and Australian Wagyu beef is clarified through revisiting the theory of competitive advantages (Porter, 1980). Subsequently, the relevant exporting strategy for Japanese Wagyu beef is discussed basing on the eclectic theory of country-entry mode (Dunning, 1999).

Key words: market structure, channel competition, beef, Japanese Wagyu beef, exporting channel

INTRODUCTION

With a huge population at around 90 millions of people, a continuous increase in GDP per capita and a significant improvement in living standard, Vietnam has become a promising host country of a number of exporters, especially in food industry. HCMC, the most dynamic economic zone in Vietnam, with the GDP per capita at about 5,100 USD (Statistics Office in HCMC, 2015), always is the priority of exporters. Up to the present, a bulk of research has been paying closer attention to the exporting outlook of Vietnam meat market. Agriculture and Agri-Food Canada (2010), in the guidance for Canadian exporters, indicated the overview of the market for imported meat (pork and beef) and poultry in Vietnam. Together with the examination of main exporters from 2004 to 2008, this research pointed out the retail channels and the characteristics of each party in the channels for all kinds of meat. Similarly, studies of USDA (2013, 2015) investigated imported meat situation in Vietnam by describing the imported data by country/commodity and the Government regulation/procedure for exporters. One might expect that these studies focus on practical purposes such as exporting success in

Vietnam market instead of giving academic discussions. Nonetheless, it is essential to understand the competitive advantages in abroad markets (Piercy *et al.*, 1998). Additionally, export performance is of course a function of product adaption and segmentation in destination (Cooper and Kleinschmidt, 1984). Therefore, regards to exporting Japanese Wagyu beef to HCMC, there is a call for a comprehensive image of imported beef in HCMC, not only trade data of each exporter but also the flow of goods, along with the proper markets for each beef item.

From the aggregate data of OECD (2016)², it is rational to conclude that the importance of beef in Vietnamese intake has increased considerably in 5 years recently. After reaching the same level as the World in 2012, the beef consumption of Vietnamese has been in upward trend and accounted for 9.6 KG/capita in 2015 (compared with the World at 6.6 KG/capita). Despite of the majority of beef, there is an absence of research on beef from economic standpoints. Previous studies in this domain tend to specialize in beef cattle production or dairy farm management (Huyen *et al.*, 2010, 2011; Lam *et al.*, 2013; Su and Binh, 2002; Burns *et al.*, 2002). Nam (2013) in the study of beef market in HCMC until 2013 is one of few researchers on beef market in economic scope. However, as previous studies of imported meat in Vietnam, the author merely provided the descriptive data for each beef exporter/item instead of synthesizing the

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² OECD (2016), Meat consumption (indicator). doi: 10.1787/fa29fd0-en (Accessed on 09 February 2016)

circulation of imported beef, exporting competition, and segmentation adaptation.

In spite of a beef exporting country, in Japan, researches on Japanese Wagyu beef have concentrated on the physical characteristics of this beef from producer's standpoint instead of looking at the market by the eyes of sellers/consumers. Dyck and Arita (2014) stated that Wagyu beef, with distinctive features from others, held a large market share of beef consumption in Japan. The superior features of Japanese Wagyu beef were confirmed in the study of Hayes *et al.* (1990) when they rejected the null hypothesis of perfect substitution between Japanese Wagyu beef and other imported beef in Japan –meat demand. Specifically, marbling score (Wahl *et al.*, 1995) and aroma (Matsuishi *et al.*, 2001) are considered as the crucial value of Japanese Wagyu beef. However, the precious features are merely underpinned in the domestic market. Hence, it is necessary for Japanese exporters to examine exporting environment as well as take advantages of their product differentiation in order to dominate exporting markets.

This study, with a strong attempt to fulfill the gap in previous studies, investigates imported beef market in HCMC from both supply and demand sides. Additionally, the flow of each kind of beef and the characteristics of each player in commodity streams are clarified. Another effort is to indicate the relevant exporting channel for Japanese Wagyu beef based on the theory of country-entry mode and exporting competition intensity.

MATERIALS AND METHODS

Data collection

To provide the comprehensive insight into HCMC beef market, especially imported beef, data of this study came from both primary and secondary sources. Primary data consisted of the practical surveys and specialist interview. Secondary data were achieved mainly from imported data of Vietnam Custom; Statistic Office of HCMC, OECD data, and Japanese Livestock Association.

Analysis Methods

First, the descriptive method was applied to create a general status of HCMC beef market. Basing on the direct interview with major beef importers in HCMC, more specific market structure of imported beef was indicated. In the niche market of Wagyu beef, the intensity of competition between Japanese Wagyu beef and Australian Wagyu beef was considered via 4Ps in marketing strategy for exporting performance. Next, the study of control and involvement along with the flow of beef item, basing on the eclectic theory (Dunning, 1999), postulated the relevant exporting channel for Japanese Wagyu beef.

RESULTS

The general situation of HCMC beef market

The considerable change in demand due to the socio-economic variables

The upward trend in GDP per capita of HCMC in 5

years recently can be seen as a driving force of demand shift. As the result of income substitution effect, there is a gradually increase in beef consumption, from 2.21 KG/capita in 2004 to 3.46 KG/capita in 2012 (Nam, 2013).

Moreover, the improvement of living standard and the education system lead to the enhancement in consumers' perception of food quality and safety. To minimize risk in purchasing animal products due to the lack of authorities' regulation, consumers tend to pay closer attention to product origin, quality certificate, and seller's reputation. The widespread of food scandals and cheating behavior of salespersons in traditional markets causes the change in choosing beef suppliers and purchasing places. Urban consumers seem to prefer modern retail stores (e.g., supermarkets and food chain stores) to the butcher shops in wet markets and of course, seem to choose imported beef with quality certification in the former. This tendency also can be observed in other new open markets such as Malaysia or Thailand in ASEAN (Agriculture and Agri-food Canada, 2010).

The increase of supermarkets and other modern retail stores alternatively stems from the improvement in market structures and urbanization. In the period of 5 years, the number of supermarkets in HCMC is doubled (from 87 in 2009 to 185 in 2013) and always ranks the first position in Vietnam. This trend creates the modern purchasing pattern in which city dwellers enjoy shopping time rather than goods purchasing. The new consuming habit offers a lot of opportunities for food services sector such as restaurants, fast-food chains, cafeteria, and ready-to-eat meals.

One of the most important features of beef demand in HCMC market is the integration of culinary culture in purchasing behavior. The influence of Western lifestyle can be seen as the growing number of steakhouses in HCMC and the change in beef characteristics such as tenderness, aroma, and redness. However, in 5 years up to the present, the invasion of Korean and Japanese culture in HCMC is one of the main reasons of the significant increase of grill restaurants (BBQ) and Japanese style restaurants. The strongest impact of culture on purchasing habit can be observed in the younger with upper income and high education.

Briefly, the main shifters of beef demand are economic improvement and culture integration, especially culinary culture. Modern consumers become sensitive with beef quality and safety, and prefer shopping places that are more reliable as a method of risk reduction.

Imported beef dominates beef supply in HCMC market

Despite of the aggressive effort of government in enhancing capacity of livestock industry, beef production is a particular challenge for Vietnam farmers, especially in the context of global market liberalization and integration. Approximately 90% of the number of cattle comes from the household farms while the data for commercial producers is only 10%. The lack of resources, including land, capital, labor force, and management, prevents small producers from profitable beef operation (Huyen *et al.*, 2011). Burns *et al.* (2002) illustrated the beef

genetic and breeding strategies as the key points in livestock improvement. Additionally, upgrading the farmer's ability in raising beef cattle, operating production cost and market accessibility will bring small producers closer to the commercial orientation. However, it takes a great deal of time and effort to fulfill the fragmentation in producing areas and farmers' perception. As the results of these absences, the beef cattle population of domestic producers decreases significantly whilst the visible and latent demand dramatically soar up. The number of beef cattle in HCMC dropped from 32,124 heads in 2009 to around 24,000 heads in 2010 and remained at this level up to the present³.

The shortage of domestic supply provides gold opportunities to foreign players to penetrate HCMC market. Obviously, the similar trend can be seen in other metropolitans but the most apparent tendency belongs to HCMC because of three reasons. First, it is the large share of middle-class in HCMC due to economic growth in the last 5 years⁴. These groups demand high imported beef as the result of immature market in newly opening economies. Moreover, HCMC is the most attractive destination of foreign investors due to its macroeconomic environment compared with other major cities in Vietnam. Last, the increase of tourists and the cultural diversification are factors pulling the demand for imported beef in HCMC to the right hand side.

Main players in the beef market of HCMC

Based on the origin, beef in HCMC market can be classified into two kinds, including local beef (Vietnamese beef) and imported beef. There is no official data for market shares between domestic suppliers and exporters. However, from the gap between beef cattle self-supply and total beef demand, the domestic suppliers only satisfy about 10% to 15% the demand of HCMC beef market in the period from 2004 to 2012 (Nam, 2013). As the result, overseas suppliers will fulfill the large residual of domestic demand.

The local beef is Vietnamese fresh beef from produc-

ers in HCMC and the neighbor provinces. According to Nam (2013), Long An, Tay Ninh, and Dong Nai provinces, accounted for 74% total beef cattle and buffalos, are the main slaughtered destinations for HCMC market.

Imported beef, based on importing alternatives, can be divided into two types: beef cuts/carcass or whole beef cattle. In the past, basically Thailand, Laos, and Cambodia are the main suppliers of live cattle for HCMC market. From 2012, Australia has become the emerging supplier (in 2013, total volume is 22 million tons with value at around 46,6 million USD, Vietnam Custom) due to their competitive price. Being transported by ships into HCMC during 9 days and fattening in 2 weeks in local farms, Australian live beef cattle are slaughtered and sold directly to HCMC market as the fresh beef from domestic suppliers.

Imported beef cuts decompose into chilled beef cuts, and frozen beef cuts/carcass, with domination of frozen beef (at about 85%, Vietnam Custom). America is the leader in frozen beef with the market share at 81% in 2008 (Agriculture and Agri-food Canada, 2010) while the first position of chilled beef belongs to Australia. New Zealand, Canada, Brazil, and Argentina also are exporters in HCMC beef market with a small quantity.

Japan is the newest player in the beef market in HCMC since Japanese beef is officially approved to import into Vietnam market from April 2014. The data from Vietnam Custom indicates that during the last 6 months of 2014, chilled beef from Japan is imported in HCMC by airflow with total value of 192,820 USD.

One important point when investigating the beef market is the study of the closest substituted goods. In Vietnam market, buffalo meat is considered as the mostly perfect substitutable meat because of eating habit. Fresh buffalo meat comes from live buffalos imported directly from Laos, Cambodia and Thailand while frozen buffalo meat is merely provided by India (in 2014, total value accounted 758.5 million USD). This kind of meat is imported with large volume at cheap price (average CIF price is 2.8 USD to 3.5 USD per kg).

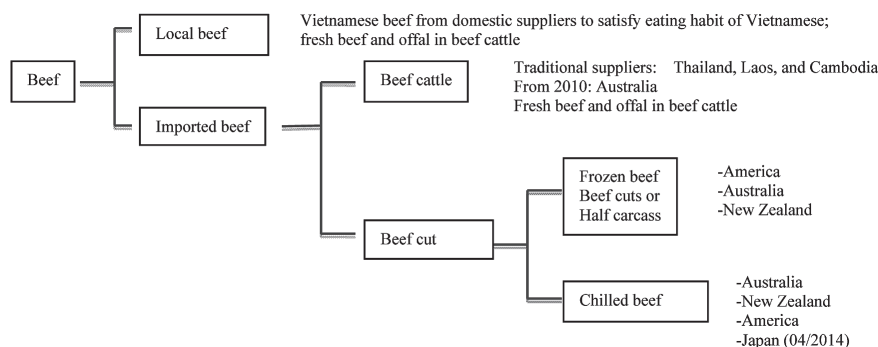


Fig. 1. Beef suppliers by beef type in HCMC. (Source: Own survey)

³ Data from Ho Chi Minh Statistics Office website, URL: <http://www.pso.hochiminhcity.gov.vn/web/guest/home.jsessionid=910ECF8A1062D178C79BF8B4A3DC02F6>

⁴ Nielsen consumer report, 2013: upper income in HCMC (~7,500,000 VND): 59%; high income (~15,000,000 VND): 21%

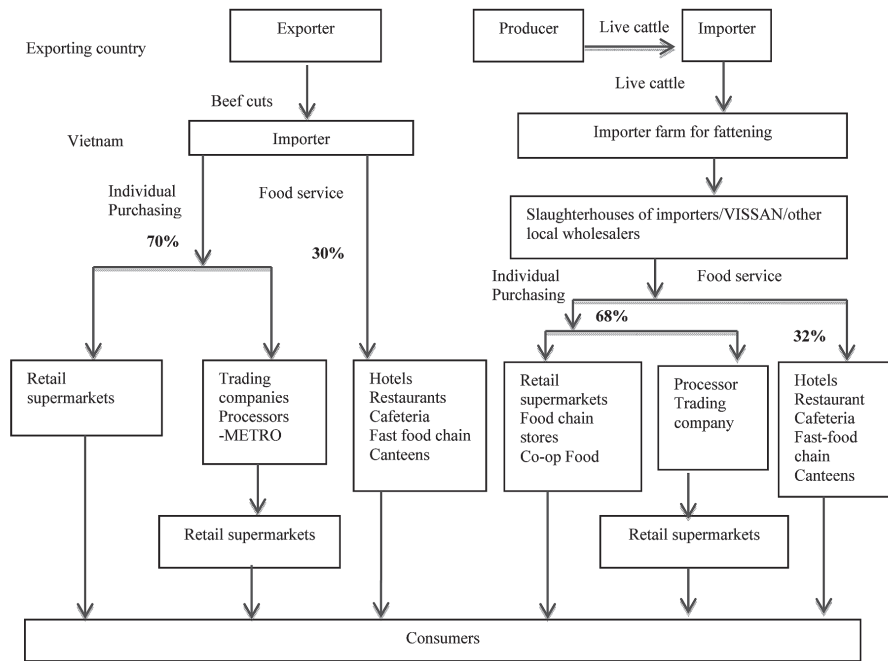


Fig. 2. Physical distribution system of imported beef in HCMC. (Source: Own Survey)

Physical distribution system and the vertical integration of partners in imported beef market

The report of USDA (2010) considered the flow of imported beef in the food service instead of generating a whole picture. This study tries to investigate the flow of beef according to beef kinds, ownership, and purchasing purposes.

Basically, both beef cuts/carcass and beef from live cattle imported are distributed from importers to end-users in two sectors, retail sector for individual purchasing and hotels/restaurants/other establishments for food service. Due to the lack of secondary data for market share evaluation, our conclusion is based on the combination between subjective estimation of the major importers in HCMC, and beef market survey.

In term of beef cuts/carcass, there are approximately 26 local importers in Vietnam (Vietnam Custom, 2014) with three main characteristics: small and medium-size; mostly limited liability companies, and private capital. About 70% of total amount is distributed for individual direct purchasing by the mediated role of retail supermarkets/trading companies, and food services accounted for 30%.⁵ Frozen beef cuts, mainly from America, can be found in most of supermarkets while chilled beef cuts

(Australian one dominates) are sold in the foreign supermarkets such as LOTTE Mart, METRO Vietnam, BIG C and AEON⁶.

In the distribution system of beef cuts, METRO Vietnam with strong financial effort and infrastructure plays a various roles including wholesaler, slaughter, and processor. They can satisfy consumers with both local and imported beef, from grass to grain-fed beef, and from beef prime to cattle offal.

Obviously importing live beef cattle is not a hot topic in HCMC market due to long exporting history from Thailand, Laos, and Cambodia; however, Australian live cattle importing is the different story. Emerging from 2012 with the beginning value at about 2.4 million USD, this kind of beef is getting popular in HCMC for two reasons. The first is its price competitiveness compared to Australian chilled beef cuts directly imported. Another importance comes from the engagement of governmental companies in the distribution network. VISSAN⁷, the largest state-owner enterprise (SOE) in the livestock industry takes part in this system as slaughters, wholesaler, and retailer. Two big companies in distribution, SATRA⁸ and Co.op Mart⁹ act as the processors/retailers.

General speaking, the length of distribution channel

⁵ Data was from direct interviews. In January 2015, direct interviews with directors of three big importers in HCMC separately: Hao private company, Trung Dong limited liability company, and Unimeat Vietnam. These companies mainly import American beef and Australian beef. We asked the particular distribution channels in each company. After that, we required each director to evaluate the general situation in beef market in HCMC. Basically, they share the same idea in the answers.

⁶ LOTTE Mart: retail super market of LOTTE Corporation from Korea
METRO Vietnam: Metro Cash and Carry Vietnam from Thailand
BIG C Vietnam: Retail supermarket of Casino Corporation from France
AEON Mall: Shopping Mall of AEON Corporation from Japan

⁷ VISSAN: Vietnam Meat Industry Limited Company, a member of SATRA

⁸ SATRA: Saigon Trading Group

⁹ Co.op Mart: the retail supermarket chains of Saigon Commercial Cooperative (Saigon Co.op)

Table 1. VISSAN distribution network in Ho Chi Minh City

Number	Type of store	Number of selling spots
1	VISSAN chain store	10 stores in urban area
2	VISSAN outlet	75 outlets
3	Supermarket	37 supermarkets (SATRA and Maximark)
4	Food store	62 stores (SATRA and Co.op Mart)

(Source: Own survey and VISSAN homepage)

Table 2. Marketing margins of local and imported beef cut

Unit of measure: VND/KG

Portion	Local beef cut				Australian beef cut			
	Wholesale price	Retail price	Margins	Rate	Wholesale price	Retail price	Margins	Rate
Tenderloin	260,000	310,000	50,000	19.23%	299,900	390,000	90,100	30.04%
Strip loin	260,000	290,000	30,000	11.54%	279,900	350,000	70,100	25.04%
Topside	210,000	235,000	25,000	11.90%	259,900	290,000	30,100	11.58%
Knuckle	190,000	224,000	34,000	17.89%	249,900	350,000	100,100	40.06%

(Source: Own survey in January 2015)

can be seen as one of factors leading to the higher average marketing margins of imported beef compared to local one. While local beef is at hand of consumers mostly via the mediated role of butchers in traditional markets, the distribution of imported beef requires more partners and operating resources. Apparently, price leadership is not the relevant strategy for the imported beef because of high marketing expenses compared to the domestic ones. However, the shortage of local supply and the change in taste of consumers can be reasonable explanations of imported beef's domination in HCMC market.

The niche market for high-grade imported beef and the hurdles for Japan

It appears to be difficult to define high-grade imported beef precisely because of the perspectives' differences. The local importers, basing on the standard of exporting country, consider high-grade imported beef with two main features: grain-fed and marbling score. For American beef, choice and selected beef are applied while Australian beef used 9 point-marbling scale. For Japanese Wagyu beef, A1–A5 is the standardized scale. On the other hand, consumers, with budget constraint and utility maximization, mainly depend on price and brand name (in case of imported goods, country-of-origin) to evaluate beef.

The economic growth leads two main changes in beef demand, the latent demand for high-grade beef of upper income class, and the rapid increase of food service (Linh, 2009; Agriculture and Agri-Food Canada, 2010). The subjective estimation of directors indicated food service consumed about 30% of total imported beef, mostly high-grade beef. Hence, food service becomes the promising niche market for high-grade beef.

About 15 years ago, Kobe beef was considered as

the most desirable beef in Vietnam market. At that time, Kobe beef was brought into Vietnam market by hand-carrier and immediately became the legendary beef from Japan. In Vietnam, up to the present, Kobe beef is so popular that people understand Japanese beef must be Kobe beef. Australian Wagyu beef has been imported into HCMC market from 2009 by the local importers officially. Another interesting issue associated with Wagyu beef is the result of the wide spread of Australian beef. Due to the long integration of Australian beef in HCMC market, when Australian Wagyu beef is supplied, consumers understand that Wagyu beef only comes from Australia.

In conclusion, as the new comer in HCMC market, two serious problems put pressure on Japanese Wagyu beef including the misunderstanding of Kobe beef and the brand advantage in Australian hand. These obstacles make the niche market for high-grade beef become the insensitive battle between Australian Wagyu beef and Japanese Wagyu beef (Kobe beef is not considered since no official imported data from Vietnam Custom yet).

Wagyu beef market in HCM, the intensity of competition, and the relevant strategies for Japanese Wagyu beef

Competitive advantages of Australian Wagyu beef and Japanese Wagyu beef

During a period of 6 years (2008 to 2013), Australian Wagyu beef was the monopolist in the Wagyu market in HCMC. Indicated by Vietnam Custom, there are few importers, with strong arms-length in import and distribution, playing in this niche market (about 3–4 companies). From April 2014, Wagyu beef market has become the stage of two players including Japanese Wagyu beef and Australian Wagyu beef. The participation of Japanese Wagyu beef in this domain leads to the considerable

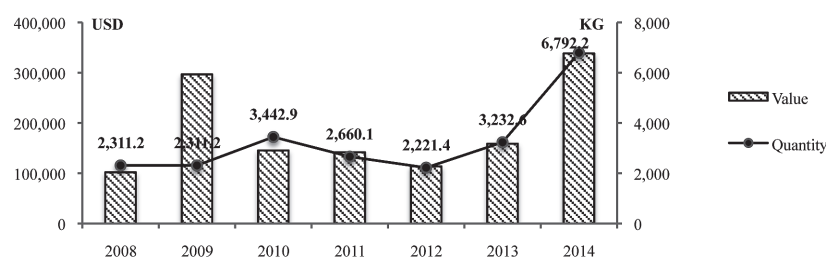


Fig. 3. Wagyu beef in HCMC market (Source: Vietnam Custom)

Table 3. Competitive advantages of Japan and Australia in Wagyu beef market

Category		Japanese Wagyu beef	Australian Wagyu beef
Product	Characteristics	Full-blood Wagyu	Cross-breeding Wagyu
	Average CIF price	81.7 USD/1KG	72.8 USD/1KG
	Tariff	13%	7%
Distribution	Importers	Subsidiaries of Japanese corporations	Mostly local importers
	Distributors	The chain of Japanese companies	Networks of local importers
Non-price competition	Culture	Japanese culinary culture	No

(Source: Own survey)

increase in the quantity as well as the value of imported Wagyu beef in HCMC. It can be seen from Fig. 3 that the exporting value of Japanese Wagyu beef in the last 6 months of 2014 is equivalent to the total value of Australian Wagyu beef in 2013.

It is reasonable to state that Japanese Wagyu beef cannot pursue cost leadership strategy in order to compete to Australian one. Generally, Australia has strong advantages in agriculture, not only in beef production, in comparison with others in the globe. Specifically, in HCMC market, Australian Wagyu beef can take their price advantage derived from the beneficiary tariff and the extensive distribution networks of local importers.

Moreover, the prolonged participation of Australian beef in HCMC market provides Australian Wagyu beef with a momentum while the misunderstanding of Kobe beef establishes the barrier of entry for Japanese Wagyu beef. As shown in the retail report of Deloitte (2014), Consumer Confidence Index (CCI) of Vietnamese in the second quarter of 2014 reached 99 points while the data of Philippines was 120 and 123 for Indonesian. Since the impact of consumer's uncertainty becomes more serious in international markets than in domestic place, one might expect that production differentiation, strongly related to export performance, can be a relevant strategy for Japanese Wagyu beef in HCMC market (Madsen, 1989). Obviously, considering the genetic characteristics, Japanese Wagyu beef seems to be the leader in the beef market with its outstanding features and health benefits. The most importance is market adaptation in order to utilize its strength (Christensen *et al.*, 1987; Piercy *et al.*, 1998; O'Cass and Julian, 2002). Sasaki and Mitsumoto (2004) indicated the "Wagyu oriented" group (more marbling favorable) was the particular characteristic of

Japanese consumers. Alternatively, selecting relevant physical products to consumer's taste and preference in host country can be one of the key points of exporting success. Suggestion from chefs of beef restaurants illustrates the less marbling and tenderness beef are more suitable with Vietnamese flavor. Data of Australian Wagyu beef imported into HCMC market shows the determination of tenderloin with marbling score 6/7 in Australian beef items (around 44% in 2014, Vietnam Custom).

However, flavor adaption is not enough to ensure the success of exporting performance in HCMC market. Piercy *et al.*, (1998) indicated product differentiation and services after use had strong correlation with performance of exporting enterprises. The leading role of non-price competitiveness in international markets is emphasized by a bulk of previous research. However, most of the researches focus on manufacturing industry with industrial goods. In case of beef, service after purchasing such as assurance or maintenance is impossible to apply. Thus, sensory impacts appear to be the focal point of differentiation. Up to the present, no one can deny the extremely strength of the phrase "Made in Japan" in a wide range of domains. Hence, Japanese Wagyu beef can create its own alternative of tasting while Australian Wagyu beef is the same as other kinds of imported beef. This distinction will become the intangible asset of Japanese Wagyu beef in this niche market.

Japanese Wagyu beef and Australian Wagyu beef exporting channel

Regarding to the distribution system of each kind of beef, it appears to be reasonable when considering in the light of Ownership–Location–International theory (OLI). Local intermediaries supply Australian Wagyu beef to

the market while Japanese exporters now are trying to establish their own distribution systems. The exporting instruction of USDA (2015) and Agriculture and Agri-food Canada (2010) illustrated the importance of capable domestic distributors in successful exporting performance. Specifically, the closer relationship with parties in distributing channel, the more benefit for each member (Madsen, 1989; Reid, 1986). Using domestic distributors/agents seem to be relevant for Australian Wagyu beef rather than Japanese Wagyu beef because of three main reasons. First, due to the far distance between exporting market and home market (named psychic distance), local firms are the best choice of foreign market adaptation. Moreover, the level of product uniqueness is not strong enough to outweigh the extra transaction cost in foreign market. Last, Australian Wagyu beef can take the locational advantage brought from pioneer of Australian beef. Hence, optimal solution for Australian Wagyu beef is to cooperate with local firms.

In case of Japanese Wagyu beef, it is necessary to separate the orientation of exporting performance in short-term and long-term. Based on OLI theory (Dunning, 1999), it is rational to indicate that in HCMC market, Japanese Wagyu beef has both advantages named product differentiation, and locational benefit. The strong influence of “Made in Japan” and the salient features of Japanese Wagyu beef itself will provide Japanese exporting firms with promising opportunities in long-term. Therefore, choosing the most relevant exporting channel in order to utilize its benefits appears to be the driving force of successful performance.

Previous studies in manufacturing industry (Bello and Gilliland, 1997; Brouthers *et al.*, 1996) or services (Ekeledo and Sivakumar, 1998) concluded that strong integrated alternative such as joint venture or a wholly subsidiary is rational choice for high-technology product due to the risk associated with domestic distributors such as product's secret information leaking; counterfeit markets, and opportunistic attitude. Therefore, high degree of control is more efficient for product with highly com-

plexity (Anderson and Gatignon, 1986). However, apply the previous research in beef needs adjusting due to two reasons. The first reason stems from the difference of product category. Industrial goods such as computer or machineries can be standardized globally while consumer goods are influenced considerably by tastes/habits/customs in destination market (Cavusgil and Zou, 1993). Hence, considering the case of Japanese Wagyu beef in HCMC, the current mode of market-entry appears to be relevant because of market adaptation. Product uniqueness, as a coin has two sides, can become risky when distributed by local distributors. The misinterpretation or cheating behavior of domestic suppliers¹⁰ to consumers can diminish the positive effect of this brand. Additionally, with the initial story of Kobe beef in HCMC, distributing through local importers/agents can be harmful to Japanese Wagyu beef in long-term due to the misuse of intermediaries. In case of high risk, process control is more important than output control since optimal decision is made basing on trade-off between risk and returns in the future.

The current choice of Japanese Wagyu beef exporters can be relevant in the light of transaction cost and agency theory. The appearance of retail groups from Japan, along with the flow of exporting commodity in Vietnam market can be seen as the motivation of market expansion of Japanese firms (Dunning, 1999). Exporting to foreign market requires a great deal of resources, especially in case of vertical integrated mode; human resource and financial commitment push up the transaction cost of exporting firms. However, in associated with market attractiveness, transaction cost can be depreciated in a long time and benefit from future outlook can overwhelm the set out cost of firms.

In the light of agency theory (Jensen and Meckling, 1976), due to the conflicts between exporters and local distributors, Japanese firms have to bear the agency cost in order to ensure the reputation of brand. Thus, high-integrated mode can be the suitable solution for this problem. Nonetheless, the current alternative is possible for

Table 4. Exporting channel of Japanese Wagyu beef and Australian Wagyu beef

Category	Japanese Wagyu beef	Australian Wagyu beef
Exporting channel	Joint venture or full ownership subsidiaries	Local importers/agents
Model of entry	Vertical integrated marketing channel	Cooperate with foreign firms
Level of control	High	Low
Exporter's responsibility	High	Low
Investment (Capital and labor)	High	Low
Risk	High	High
Type of management	Behavior-based/Process result	Final result based

(Source: Mainly based on Ekeledo and Sivakumar (1998); Brouthers *et al.*, (1996); Bello and Gilliland (1997); Madsen (1989); Hill *et al.*, (1990))

¹⁰ Since Wagyu beef now is distributed in food services by high-grade restaurants and hotels, consumers cannot classify between final dish from Japanese Wagyu beef and Australian Wagyu beef. Calculated by the authors, the average margins rate for Australian Wagyu beef importers is 14.3% while the data for Japanese ones is 35.4%.

big corporations because it takes time and effort. More investigation is called for the small and medium size exporters from Japan, not only in HCMC but also in the globe.

Previous study also indicated the role of host market learning when exporting (Cavusgil and Zou, 1993; Bello and Gilliland, 1997; Brouthers *et al.*, 1996; Peng and York, 2001). The more market understanding is, the deeper market penetration is. Hence, the other key point for Japanese Wagyu beef in HCMC market is marketing communication. Since the segmentation of Japanese Wagyu beef composes upper income class, less vulnerable by economic factors yet sensitive with negative information, the major risk of Japanese Wagyu beef is moral hazard or information asymmetry. Australian Wagyu beef uses local informants while Japanese Wagyu beef bases on their own broadcasters. Therefore, communication intensify with downstream members will encourage the bilateral benefit in the distribution channel.

DISCUSSION

The study found that HCMC was the best market selection of beef exporters due to the large shortage in the domestic supply and the dramatically increase of demand via economic shifters. Moreover, a wide range of beef products and exporters in HCMC illustrated the market diversification and infrastructure. The leading position in chilled/fresh beef market belonged to Australia while American beef dominated frozen beef market. The emerging tendency in HCMC beef market was live beef cattle imported from Australia. This kind of beef, with the combination of two advantages named imported beef and fresh beef, is increasingly favorable by consumers despite of higher price than domestic one.

The new trend in life style and cultural integration lead to two major changes in beef purchasing behavior. First, urban consumers prefer shopping in modern stores to traditional markets since the beef quality is assured. Additionally, the popularity of dinning out, especially in younger, offers a promising opportunity to food service sector.

Beef retail sector is the collaboration of SOEs and foreign retailers while only private enterprises play in the importing field. Due to the strong arms-length in distribution, three big SOEs in livestock industry including VISSAN, SATRA, and Co.op Mart, become three pillars of Australian fresh beef distribution.

Currently, food service only accounts for 30% of total imported beef; however, this domain will be potential niche market for high-grade beef in the near future due to the increase in the number of middle income class. The latent demand for high-grade beef brings a lot of opportunities to high-grade beef exporters, especially Australian Wagyu beef and Japanese Wagyu beef.

Via the competitive advantages and the mode of entry theory, this research illustrates product uniqueness can be relevant strategy for Japanese Wagyu beef instead of cost leadership. Moreover, due to the strong integration of Australian beef as well as Australian Wagyu beef in

HCMC market, optimal mode of entry for Japanese Wagyu beef is high-integrated mode via joint venture or wholly ownership subsidiaries. This alternative with a great deal of finance and human resources can be helpful in ownership's risk reduction. It appears that in HCMC market, big holding companies from Japan operate their own exporting channel rather than small and medium size ones.

Relationship strategies with other members in the flow of beef play the highlighted role in the success of Japanese Wagyu beef exporting performance in the long-term. Host market adaption requires the intensive communication with downstream members in order to mitigate information asymmetry and moral hazard. Hence, it is reasonable to indicate that process-based operation, rather than output-based management is effective alternative of penetrating into HCMC market.

This research, based on subjective evaluation of managers and secondary data from various sources, tries to investigate the general status of HCMC beef market as well as the niche market for Wagyu beef. Despite of strong effort to study, there are some gaps for fulfillment of future scholars. First, specialist informant's perspective is not comprehensive enough to conclude and empirical results are in need. In addition, the requirements of consumers for beef in HCMC markets, especially in food services should be clarified by empirical research instead of direct interview with the small sample. Another limitation is derived from the absence of objective data for exporting channel evaluation, e.g., the revenue of retailing and services along with each chain. Previous studies mostly indicated the enter strategies of manufacturing industries which exporting is one alternative of foreign direct investment (FDI). Based on this conceptual framework, the mutual flows of Japanese Wagyu beef and capital in retail sector in HCMC can be seen as an evidence of this tendency. However, this prediction needs empirical evidences.

Furthermore, there is a call for a relevant exporting channel for small and medium-size enterprises in Japan. This group, without strength in finance resource as big companies in Japan and economic of scale like Australian ones, has to overcome a great deal of obstacles to achieve its goal in exporting to HCMC market or the globe.

Hotels and restaurants are stated as the focal niche market for Wagyu beef in HCMC market. However, in case of B2B marketing, exporters have to struggle with the problem of benefit conflicts in decision-making between two parties, manager, and chef. Exception the particular Japanese style restaurants, at most of the high-grade hotels and restaurants, chefs have tendency of Japanese Wagyu beef rejection since they follow Western cooking style. This consideration one more time emphasizes the highly importance of communication and relationship in Japanese exporting promotion.

CONCLUSION

With the strong attempt to generate and clarify the situation of beef market in HCMC, this study investigates

the beef market structure of HCMC from supply and demand side. The large shortage in domestic supply and the changes in demand are key points of the domination of imported beef in HCMC. Moreover, the market segmentation is brought in the light by classification of product and consumer's need. Australian beef is the leading player in chilled/fresh beef segment while frozen sub-market belongs to America. Being a new entrant in the imported beef market, Japanese Wagyu beef becomes the main competitor of Australian Wagyu beef in the ground for luxury beef items. Each party now is paying attention to its own relevant exporting strategy. Australian Wagyu beef maximizes their profit by using local distribution network and price competitiveness while Japanese Wagyu beef takes advantages of product uniqueness and financial strength. Long-term survival requires intensive communication and cooperation of Japanese exporters with downstream members in exporting channel because of information asymmetry and moral hazard.

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