



**CRACKING THE CODE OF
VIETNAM'S
RISING RETAIL MARKET**

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CONSUMER



CHANNEL



COMPETITION

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SUMMARY

VIETNAM – A THRIVING RETAIL MARKET

Being top ten in the Global Retail Development Index, Vietnam has become one of the most attractive retail markets for investment. This paper will provide more insights of the dynamic changes inside this market including overall market outlook along with a deep dive into 3Cs (Consumer, Channel and Competition)

Vietnam retail market, aided by multiple positive conditions, is projected to reach 221 billion USD by 2020, with CAGR of 7%. This market has 97 Million consumers with higher spending power to serve. Vietnamese consumers purchase more in stores but have been adopting e-commerce into their shopping behaviors. The opportunities to capture these consumers exist for both domestic and foreign retailers, which in turn makes the market highly intensified.

For brands to be successful in Vietnam, aside from finding right approaches to enter the market and capture the new trends, it is critical to provide value relevant to Vietnamese consumer culture.

WEAVE THOUGHT LEADERSHIP

OVERALL OUTLOOK

EMERGING VIETNAM

THRIVING MARKET

20 years ago, Vietnam is nowhere to be found in the top 30 most-attractive retail markets according to Global Retail Development Index (GRDI) conducted by AT Kearney. However, the market has changed rapidly to be one of the top 6 countries with highest GRDI.

Top 10 Global Retail Development Index 2017



Source: AT Kearney

SMALL IN SIZE, BIG IN POTENTIAL

While Vietnam retail market is still at a small size, with projected sales value to be at 221 Billion USD in 2021, it has adequate conditions to set it as one of the high potential markets for the investment.



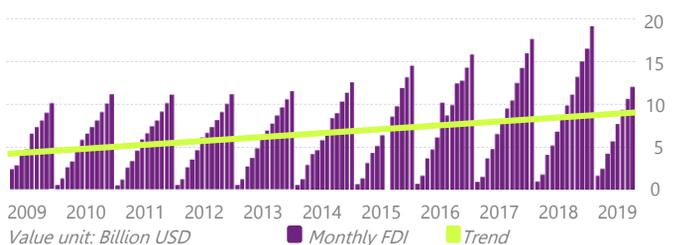
Source: AT Kearney, EMarketer, General Statistics Office of Vietnam, Statista

- ➔ High growth rate in retail, with CAGR between 2017-2021 at 7%, on par with China and SEA leading market Indonesia.
- ➔ High confidence from consumers, with CCI Index ranked 3rd in Asia Pacific driven by strong job prospects, financial security, and spending readiness.
- ➔ Multiple FTAs in place, including CPTPP and the EU and Vietnam FTA (EVFTA), with liberalized policies that allow the foreign investment to own 100% of capital in retail sector.

SUSTAINED AND FAVOURABLE FDI INFLOWS

True to its potential, Vietnam has witnessed a positive trend of inflow investment in the past 11 years. In the first half of 2019, retail and wholesale were one of the top 3 sectors receiving FDI.

Foreign direct investment into Vietnam



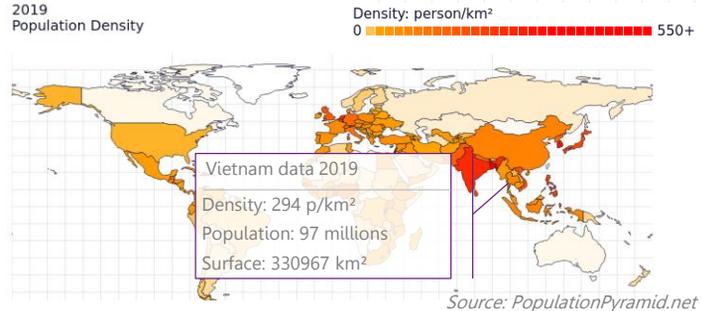
Source: Tradingeconomics.com, Ministry of Planning and Investment Vietnam

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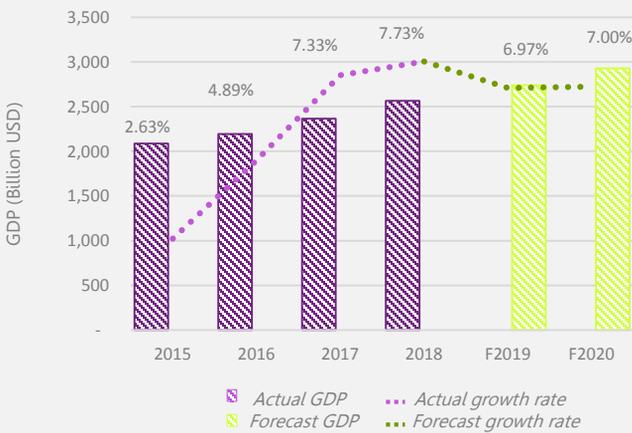
YOUNG AND IN FAVOR TO SPEND MORE

LARGE POPULATION, HIGH DENSITY

Vietnam is ranked 15th by population and 32nd by density in the world, with 97 Million consumers in 2019 and forecast to reach 100 million by 2025. In SEA, Vietnam's population is only behind Indonesia and the Philippines.



Vietnam GDP and YOY growth rate



Source: Tradingeconomics.com

SPENDING POWER INCREASING

Vietnamese consumers have stronger spending power deriving from increasing GDP and disposal income.

The modern lifestyle with higher living quality is expected to be the trend, connecting with the rise of middle class from 13% of population in 2019 to 26% by 2026 and a high rate of urbanization.

In terms of expenditure, a survey in Q1-2019 shows that Vietnamese consumer spending increased in clothing, travelling, new gadgets, and health care.

MILLENNIALS DRIVE NEW SHOPPING BEHAVIORS

More than 80% of the population is under 50 years old, with 30% of the population are Millennials.

According to surveys from Kantar and Nielsen, millennials spend more than 7 hours per day connected online, 90% of them still access television daily. They expect more convenient shopping, have strong demands for quality and greater concern about their health. They are more open to experience new ideas.

Brands that are authentic, culturally centered and offer unique value would have a higher chance to convert millennial consumers. The reality is that more than 53% of them are still waiting to be engaged by brands.

CASE STUDY

Local brand connects consumer hearts and minds with Vietnamese value and reform

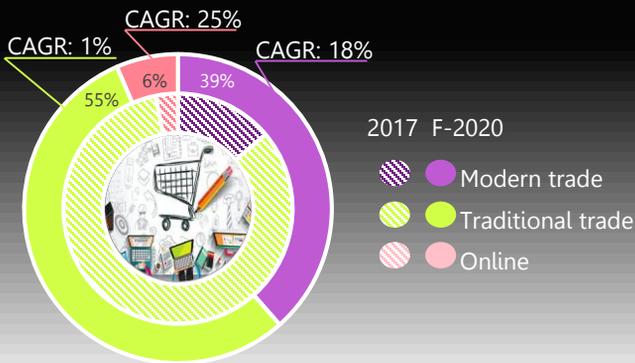
The changes in shopping behaviors of new generations raised the alarm to Biti's, one of the prestige brands in Vietnam with 35 years of history. To address the challenges, Biti's selected ambassadors who had inspiring stories and high influencing power to the younger generations and of local society. They drove many campaigns with meaningful messages that resonated with new generations such as; "Girl empowerment", "Kids discovery without boundaries", "Return home young travelers – once on the roam".

CHANNELS

BRICK AND MORTAR IS VERY MUCH ALIVE IN VIETNAM

CONSUMERS SHOP MORE AT PHYSICAL STORES

Vietnam's channel split is skewed heavily towards Brick and Mortar, where sales account for more than 80% of the total sales value



Source: Speeda, Ministry of Trade, Asia Plus Inc.

MODERN TRADE STANDS OUT

While traditional trade is dominant but stabilized, modern trade becomes the next grooming channel. At 25% value contribution, this channel in Vietnam still has more room to grow compared to other countries in the region such as Singapore at 90%, Malaysia at 60% and China at 51%.

Convenience stores show significant growth in 2019 as many retailers rapidly expand their footprints. Top of the list, Vinmart already has 1500 stores, covering 44 cities and provinces.

Stores by type and main players



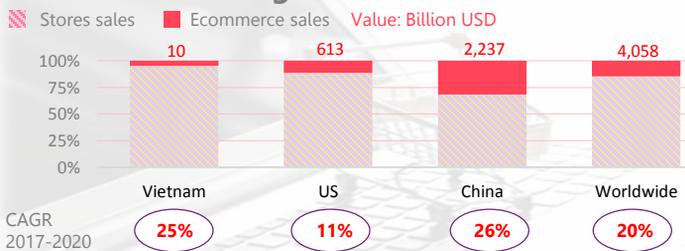
Source: Speeda, Ministry of Trade, Asia Plus Inc.

ONLINE TRADE IS AT EARLY STAGE WITH ROSY PROSPECT

The online channel in Vietnam is underdeveloped compared to other countries, where digital payment systems contain high risks in security. Currently 91% of Vietnamese consumers prefer Cash on Delivery (COD). However, it has a huge potential with supporting conditions at par with other mature countries. These include high mobile usage and internet coverage. More than 7 out of 10 Vietnamese people have smartphones, 92% with internet access. Strong online platforms in Vietnam such as Lazada, Shopee, Tiki and Sendo help enable online shopping behavior. In addition, Vietnam currently has the highest rate of online conversion in SEA region, with electronics, toys and fashion as three main ecommerce shopping categories.

Brands that capture these online trends and embarks on a digitalization journey will have a huge competitive advantage.

Ecommerce sales growth



Source: Iprice Insights, eMarketer, vitanamfinance.vn, vir.com.vn

A drug chain, Pharmacy is a brand that commenced their digitalization early.

By launching their Extracare application, they captured >1 million members within a year and increased ecommerce sales. This sales growth triggered its expansion plan to 200 stores and targets to reach 1000 stores in 2021.



Source: <https://vietnaminsider.vn>

COMPETITION

THE HEAT IS ON

CHANGING RETAIL LANDSCAPE WITH M&A

In the past 3 years, the market observes the rise of M&A activities with the retail sector from many players both international and domestic. These activities allow companies to step into the market with certain ground foundations and establishment when the market rivalry becomes tougher and intensive.



Source: vir.com.vn

M&A by others

LOCAL BRANDS IN NUMBER ...

Number of foreign brands in Vietnam



FDI share vs. Local share



... FOREIGN BRANDS IN VALUE

Even though foreign brands keep increasing their presence in Vietnam, local retailers are still dominant in number.

However, value contribution of FDI entities compared with local players is contrary

Source: vietnamnews, e.theleader.vn, congthuong.vn

LOCAL BRANDS

Not just to survive but keep growing, local brands need to focus to build brand identity, to connect the consumers with its value and culture while leveraging local preferences. Digitalization is a must to stay competitive.

CONSUMERS



FOREIGN BRANDS

Though possibly enjoying global popularity, foreign companies need to assess their market entry strategies, whether through M&A, franchise, joint venture or internal set up.

Nevertheless, creating local experiences will be critical for brand business.



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