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E-commerce - a largely untapped opportunity in Vietnam

How do you reach 87 million aspiring consumers with strongly growing incomes when the retail market is highly fragmented and quality retail space is rare and expensive? More and more people believe that e-commerce could be the answer. PwC has conducted extensive research to find out how big the Vietnamese e-commerce market will be, what the most popular business models are and which specific challenges and opportunities companies need to understand when they build their e-commerce strategy.

E-commerce market to reach USD 2.8 billion by 2015

Our research suggests that Vietnam's e-commerce market value (gross merchandised value) was approximately of USD 300 million in 2011 and is expected to grow at an average 75% p.a. in the period 2011-2015 to reach USD 2.8 billion by 2015. While this increase appears huge, there are several factors on the demand and supply side which make us optimistic about the market's growth potential.

On the demand side the average disposable income is expected to grow from USD 570 to more than USD 820 p.a. While we are aware that a large part of the population will still have very limited funds for discretionary spending, it also entails that discretionary spending becomes possible for a growing number of people. Moreover the projected growth of internet users from 30m in 2011 to 37m in 2016 (BMI) and the expansion of broadband services will increase consumers' ability to shop online. Not only will there be more people online, but they will also spend more time on the internet. According to Cimigo's recent study time spent on Internet tripled to from 43 to 130 minutes per day between 2008 and 2011.

On the supply side the right online shopping business models are crucial to create awareness and transform potential demand into sales. In late 2010, the introduction of group-buying websites radically changed the pace of e-commerce in Vietnam. Our consumer survey of 1200 people shows that monetary benefits offered by group-buying websites have strongly encouraged customers to engage in e-commerce. We expect that the launch of more online businesses and the emergence of new business models will further stimulate online sales.



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. In Ho Chi Minh City: contact Richard Irwin or Nguyen Thanh Trung (Tax), Masako Tsunoi (Japanese Business), Seong Ryong Cho (Korean Business), Bee Han Theng (Asian Chinese Business Services) at phone (84-8) 38230796, fax (84-8) 38251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Satoshi Inoue (Japanese Business) at phone (84-4) 39462246, fax (84-4) 39460705.

There is no clear market leader yet

Vietnam's e-commerce sector is very fragmented and there are no clear market leaders in both the Consumer-to-Consumer (C2C) and Business-to-Consumer (B2C) e-commerce markets. The most popular business model in the Vietnamese e-commerce industry is market places. Notable players in this segment are local companies such as Vatgia.com, enbac.vn, 5giay.vn. Prominent e-tailers include solo.vn, yes24.vn and zalora.vn. Thegioididong.com, dienmay.com and nguyenkim.com, the online channel of Vietnam's leading specialist retailers are also very popular. However none of the players appears to have reached a market share of more than 5%. Newcomers who act quickly thus still have a fair chance to establish themselves as strong players in a relatively untapped market.

Adapting to local conditions is key

To achieve lasting success, companies need to understand the specific opportunities and challenges of the Vietnamese e-commerce market. A low credit card penetration rate and the limited popularity of bank transfers for instance mean that cash-on-delivery is still by the preferred delivery method. To adapt to this and other market conditions companies must tailor their offering and infrastructure accordingly. Based on our recent project experience PwC can support you to successfully tap into Vietnam's promising e-commerce market.

Our team of Vietnamese and foreign professionals can help with the full range of Strategy issues your company may be facing. As part of the PwC global network, we offer these services alongside our legal, tax, forensics and consulting services and are able to work alongside other PwC network firms finance teams. To have a conversation with our team, please get in touch with the persons named below.



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