ALCOHOLIC DRINKS IN VIETNAM

Euromonitor International

February 2012

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ALCOHOLIC DRINKS IN VIETNAM

EXECUTIVE SUMMARY

Alcoholic Drinks Continues To See Strong Growth Despite the Gloomy Economy

In 2011, the Vietnamese economy was suffering from a high inflation rate. However, alcoholic drinks still performed well and saw strong growth in all categories. Double-digit growth was observed in both the on-trade and off-trade channels. Moreover, the environment also became more sophisticated with more product variety. Alcoholic drinks in Vietnam still has lots of potential and has yet to reach maturity.

Marketing Activities Play A Major Role in Establishing Brand Awareness

Marketing activities were heavily employed by major players in order to enhance product awareness and establish brand position. New product launches were heavily promoted through traditional channels such as TV, outdoor billboards, newspapers and magazines, and public relations events. Due to the tightening legislation with regard to above-the-line marketing for alcoholic drinks, public relations events and sponsorship are becoming more popular.

International Brands Enhance Their Presence But Local Players Still Dominate

Local major players continued to dominate the alcoholic drinks market in 2011. Local players invested heavily in production facilities to improve their product quality and expanded into less developed areas to enhance sales. They also strived to meet international standards, while trying to keep their prices at affordable levels in order to compete with international players. International players were involved in marketing and advertising activities to introduce their products to consumers.

On-trade Channels See Strong Development

As consumers had more disposable income and busier lifestyles, they developed a habit of more frequent dining out. As consumers increasingly preferred socialising in restaurants, consumption of alcoholic drinks, especially beer, increased significantly. Nightlife activities in Vietnam also saw strong development, with more bars, clubs and nightclubs being opened, which led to increasing demand for wine and spirits in Vietnam.

Alcoholic Drinks Is Expected To Grow Steadily Over the Forecast Period

It is expected that the alcoholic drinks market in Vietnam will continue to grow strongly over the forecast period. On the supply side, there are constant developments by manufacturers, such as new product development, major marketing activities or event sponsorship. On the demand side, Vietnam, with a young population and an increasing number of working class consumers, is expected to see growing demand for alcoholic drinks over the forecast period. Moreover, there will be a shift towards more premium products over the years.

KEY TRENDS AND DEVELOPMENTS

Drinking Culture Becomes More Acceptable in Vietnam

Economic developments have increased national income, improving standards of living. Consumers are now having more exposure to a drinking culture in the country. In the past, people considered drinking as an activity for men only, and associated the drinking habit with negative social problems. Nowadays, alcoholic drinks are becoming more accepted. Women drinking is widely accepted due to the greater influence of Western culture in the country.

Current impact

Consumers are becoming more aware of alcoholic drinks categories. The alcoholic drinks environment is also becoming more sophisticated, with many categories and labels. Drinking premium alcoholic drinks is considered fashionable, and is thought to show the drinkers' affluence and knowledge. Wine is usually associated with something prestigious, while spirits are stylish and beer is a way to socialise.

Changing lifestyles and the greater impact of Western culture are helping to develop growth in alcoholic drinks in both on-trade and off-trade channels. The main reasons in the on-trade channels are the growing number of office workers and the continuous development of foodservice outlets. Alcoholic drinks are perceived as a drink for socialising. Moreover, alcoholic drinks are considered as a way to do business in Vietnam. In fact, it is widely believed that business deals can go more smoothly with alcohol. Besides restaurants and dining places, consumers are also becoming more familiar with nightlife activities, which were previously considered as something not decent to join in with. Nightlife in Vietnam is developing quickly, with the number of modern bars and clubs seeing a gradual increase in recent years. Besides traditional drinks like beer or spirits, consumers are now willing to try out modern cocktail mixes. Off-trade channels are more popular during special occasions, when alcohol is bought as a gift or for home consumption. Alcoholic drinks are more acceptable and perceived as something valuable and prestigious to give out during these occasions.

Outlook

Vietnamese consumers are expected to have more exposure to global trends and lifestyles, especially Western lifestyles, thanks to the spread of the internet and cable television in the country. Furthermore, Vietnamese people, particularly the young working professionals and students, have more opportunity to travel or live abroad, and thus increase their cultural exposure and become more open-minded. Vietnamese consumers' perceptions of alcoholic drinks will become more favourable. Consumers are predicted to continue to adopt new drinking habits.

Future impact

The alcoholic drinks market is expected to become more sophisticated, with more variety, such as light or low-alcohol products. As consumers usually go to on-trade channels to try out new products, then later will try to find the product in the off-trade to consume at home or introduce to their friends, on-trade channels are expected to be the main channel for advertising and promoting new products. Events and product tasting promotions will be organised to introduce consumers to new beverages.

As alcoholic drinks become more acceptable in Vietnam, there will be an increasing number of more educated consumers, young and modern consumers, expatriates and overseas students looking for products that suit their sophisticated taste, lifestyle and status. At the same time, women or social drinkers may seek drinks that have a low alcohol content. It is expected that more wine and low-alcohol beer will be introduced to the market in the future, while RTDs/high-strength premixes will likely gain more popularity.

Alcoholic Drinks Environment Becomes More Sophisticated

Alcoholic drinks in Vietnam saw strong development not only in value and volume terms, but also in terms of product diversification. For example, in beer, the market saw an increasing number of global brands, such as Budweiser, San Miguel, Corona, Asahi, or Hoegaarden. Even though the price of these brands is double the price of familiar brands like Saigon Export, these international brands are well received by consumers. Local producers also introduced new premium lines to compete with premium imported beer, such as 333 Premium from Sabeco or Tiger Crystal from Vietnam Brewery.

Wine is seeing more products coming from New Zealand. In spirits, there is continuous development of varieties of cocktail mixes. Products like RTDs/high-strength premixes are also seeing development, with brands like Smirnoff Ice, Spy and Jim Beam Cola becoming more and more popular, in both on-trade and off-trade channels.

Current impact

As the alcoholic drinks environment becomes more sophisticated, competition is getting tougher. It motivates manufacturers to keep on innovating new products to either being the trend leader or catch up with consumer trends. The sophisticated environment also brings more opportunities for players, especially international players, to bring in more brands, as consumers are fast to adopt these new products.

Outlook

A sophisticated alcoholic drinks market helps to enhance the presence of global brands in Vietnam. Although tough competition from international brands may pose a threat to local players, it is also a great motivation for local brands to develop themselves. Local brands are expected to put more into new product development, and marketing and promotional activities. They are also likely to enter into mergers and acquisitions with either international or local partners to enhance their competitive positions. Therefore, the alcoholic drinks market is expected to be very active over the forecast period, with continuous development in product variety, company activities, and market value and volume size.

Future impact

In such a competitive environment, the future is foreseen to be more challenging for local manufacturers. In order to stay competitive, companies will have to invest in new technology and renovate their production systems to save more energy and materials in order to achieve efficient operations. They will also need to invest in marketing and advertising activities to build good brand names, to enhance the awareness of their products among consumers.

For international players, as the market develops and shows potential, instead of exporting their products to Vietnam through a third party or a distributor, they may choose to set up their own representative office in Vietnam, to better study the Vietnamese market and local consumer trends. In addition, they will also focus on brand building through marketing and promotional activities.

Big Domestic Players Consolidate Their Leading Positions

In 2011, major domestic players, such as Sabeco, Habeco, Hanoi Liquor and Thang Long Liquor displayed strong growth within their respective categories. As the economy develops, consumers have more disposable income and better standards of living, and the market is moving towards a premiumisation trend. Consumers are shifting from unbranded or less well-known brands to the famous brands of big domestic players. For example, in beer, in the past, consumers usually consumed unbranded draught beer. Now they are moving to Saigon Export instead.

Another reason was the rising number of food poisoning cases, most notable in home-based factories for spirits products. Big domestic players, with their established and famous brand names, trusted quality, and affordable prices for most consumers, have successfully strengthened their leading positions in the market.

Current impact

As consumers shifted from unbranded products or small domestic brands to bigger domestic brands, the market was becoming more consolidated. For example, Sabeco, Habeco and Vietnam Brewery accounted for more than 80% of beer sales. These companies had great control over the market in terms of price and consumer trends. Prices of products from these companies soared sharply during special occasions such as New Year and Lunar New Year, as consumers have a habit of buying these products as a gift or to consume at home or gathering during these occasions.

Outlook

This trend is expected to continue over the forecast period, as there is no reason for consumers to switch back to unbranded products. Small domestic players, with rather limited financial capabilities, have little opportunity to compete with dominant players such as Habeco or Sabeco. Therefore, the market is likely to become even more consolidated in the future.

Having said that, alcoholic drinks in Vietnam will not be an oligopoly market, where a small number of players have full control over the market. Instead of competing with small domestic players, dominant local players will have to compete with international players, as more and more foreign brands are expected to be introduced during the forecast period. As consumers have more disposable income, demand for imported products may rise, which would lead to more new entrants.

Future impact

As major local players consolidate their positions, the alcoholic drinks market in Vietnam might see new standards in the future. For example, Saigon Export, traditionally consumed in urban areas, could see its sales expanded into rural areas. Many rural consumers are shifting from economy brands to mid-priced ones. Urban areas consumers are shifting from mid-priced to premium products. As urban consumers usually seek better-quality and more expensive products to show off their status, foreign brand owners might explore this opportunity by launching premium brands to suit their sophisticated needs.

Key New Product Launches

2011's new product launches demonstrated the premiumisation trend in alcoholic drinks. New premium products were launched across various categories, especially in beer. Leading local player in wine Thang Long Liquor JSC launched Thang Long Greetings Sparkling Wine to celebrate 1,000 years of Thang Long Hanoi. The international player Heineken introduced its Heineken SRT limited edition bottle. Small regional players also launched new products, or changed the product package to enhance the premium look.

Current impact

Launched in late 2010 or in 2011, there has, as yet, been little time for these new products to have had any significant impact on the market. However, these new product developments as well as seasonal products (Thang Long Greetings and Heineken SRT limited edition bottle) demonstrate manufacturers' efforts to explore new opportunities and to adapt to consumer trends. As consumers have more disposable income and a better standard of living, they gradually shift to more premium products to suit their lifestyles.

The launch of new products is not only a response to the premiumisation trend, but also a way for companies to enhance the position of their brands in the marketplace. For example, Heineken's new SRT bottle, although only a seasonal product, was launched by organising celebration parties in the most luxurious bars/pubs in Ho Chi Minh City. It helped to further establish the premium status of Heineken in Vietnam.

Outlook

The premiumisation trend is expected to continue over the forecast period, thanks to the continuous development of the economy, which leads to rising income levels and improving standards of living in the country. It is expected that the premiumisation trend will be seen across different alcoholic drink categories, but the main focus will remain in beer, as it is the most vibrant category. There will be more international brands joining the premium segments, while local players will try to launch more expensive products with better quality, or change their packaging design to have a more premium look.

In addition, the industry is expected to see the rise of products with a low alcohol content, such as light beer or RTDs/high-strength premixes. Low-alcohol products are also suitable for female consumers as their tolerance level for alcohol is generally lower than for men.

Future impact

Premiumisation usually yields higher margins for manufacturers. Therefore, it is likely to be the main focus for many industry players in the future. However, premiumisation requires a better brand image and quality. Companies will have to become involved in rigorous marketing and promotional activities to position their products and increase brand awareness. Continuous development of manufacturing processes is also demanded, to achieve cost efficiency to compete with other players.

Products with low alcohol levels are also expected to change the market dynamics. In the past, people liked to get drunk, and tried to drink as much as they could, thinking that the more alcohol they consumed, the more "powerful" and "strong" people would consider them to be. However, that perception is now no longer valid. Consumers, especially those in urban areas, now seriously consider the negative impact that alcohol has on their health. Although consumers now perceive alcoholic drinks to be social drinks, they are becoming more conscious about their alcohol intake.

Summary 1 Key New Product Developments 2010-2011

Brand/NBO	Product	USP	Launch Year
Heineken SRT (Heineken NV)	Imported Premium Lager	Premiumisation: Limited edition Heineken in aluminium bottles with brand new premium design. The company launched the new bottle design by organising celebration parties in the most luxurious bars/pubs in Ho Chi Minh City	2011
Viet Ha (Viet Ha Brewery)	Domestic Economy Lager	Premiumisation/Packaging: The product	2011

		was launched in a 330ml can. The can was given a new design, which portrays a younger and more dynamic image	
Hai Phong (Hanoi - Hai Phong Beer JSC)	Domestic Economy Lager	Premiumisation/Regional brand: Advertised as a mid-range lager beer brand, targeting low-to-middle-class consumers. Being a regional brand, the brand only focuses on Hanoi and surrounding cities and provinces	2010
Serepok (Sai Gon – Dak Lak Beer JSC)	Domestic Economy Lager	Regional brand: Affordable price and good distribution in Dak Lak Province	2010
Thang Long Greetings Sparkling Wine (Thang Long Liquor JSC)	Other Sparkling Wine	Premiumisation: Special packaging design and affordable price. The product was launched to celebrate 1,000 years of Thang Long - Hanoi	2010

Source: Euromonitor International

Specialist Retailers

In Vietnam, specialist retailers are shops specialising in selling wine and spirits, usually both local and imported brands. However, as more modern channels like supermarkets and duty-free outlets become popular thanks to their competitive pricing and modern shopping environments, share has been taken from specialist retailers. In order to improve their stand on the market, specialist retailers have employed different measures to attract customers.

Current impact

Facing the competition from modern retail channels, including hypermarket and supermarkets, in 2011, specialist retailers continued to focus on one of their most prominent points, which was the expertise knowledge of the products. Front-line staff were trained so that they can explain the products and make appropriate suggestions to customers.

As counterfeit and contraband products are a major problem in the alcoholic drinks market, the authenticity of the products, especially spirits and wine, was a main concern of customers. Knowing the issue, specialist retailers presented ways to assure the buyers of their products' authenticity, such as educating the buyers how to distinguish counterfeit wine from authentic wine. Some retailers, such as The Gioi Ruou, employed celebrities as its brand ambassadors to strengthen the brand image. This helped establish the seller as a trustworthy trading name.

Outlook

In 2011, most specialist retailers operated independently. In terms of size, this is a competitive disadvantage against big modern grocery retail chains like Big C, Co.opMart and Metro. However, some of the leading specialist retailers have great potential to expand the business and grow as chains to compete with these modern retailers. A major advantage that specialist retailers have over big chains is their expertise service. Focusing only on alcoholic drinks and operating on a small scale, specialist retailers can train and develop their staff better, providing buyers a more professional customer service compared to big retailers.

Future impact

During the forecast period, specialist retailers will likely go in two directions. Small independent ones may lose out against the tough competition from modern grocery retailers and have to close down. On the other hand, big retailers, such as The Gioi Ruou, have huge potential to expand and grow into chains, attracting more sales. Although the dominance of modern retailing channels during the forecast period is expected, specialist retailers still have a place in the market thanks to the good customer service they can provide to consumers who prefer better care and service than they receive in modern grocery retailers.

Market Merger and Acquisition Activity

In 2011, little in the way of merger and acquisition activity was seen in the domestic market. Instead, the local companies invested financial and human resources in marketing, public relations and branding campaigns to increase brand exposure. As such, in 2011, companies decided to focus on long-term promotions and sales driving strategies, rather than long-term strategic cooperation.

Current impact

Despite the lack of merger and acquisition activity in the industry, it was not a quiet year for the market as several new products were launched and marketing activities were exploited extensively to capture the growing consumer demand. While advertising campaigns were a short-term strategy, meant to boost sales during events such as Lunar New Year or Christmas, the launch of new products were a more long-term move, displaying the players' vision in trends and developments in the future.

Outlook

In early 2011 merger and acquisition activity started to move, with the strategic alliance between Diageo and Hanoi Liquor in February, a deal that gained the former a 24% share in the latter. This promised more dynamic merger and acquisition activities for the coming year. It is expected that big players in the domestic market like Sabeco and Habeco will find opportunities to acquire smaller local companies to increase their production capacity. Collaboration between these giants with foreign players is also a possibility as that would ensure more exposure to the regional and global markets for the domestic companies. Strategic alliances between major local players and multinational players are also foreseen, as this move would benefit both parties.

Future impact

Merger and acquisition activities always have various impacts on the particular market where they happen. In the alcoholic drinks market, collaboration between domestic and foreign companies would benefit both parties in terms of brand building, marketing expansion and exchanging expertise. These activities would also result in the launch of new products that offer more choices to consumers. The downside of mergers and acquisitions, however, is that the market becomes more and more consolidated, most notably in the case where major companies acquire smaller ones. However, as the alcoholic drinks market is highly fragmented and the industry is moving forward quickly and dynamically, consolidation in the market is unlikely to happen.

The collaboration between Diageo and Hanoi Liquor has set an example for other foreign companies that might feel the need to follow this move, forming an alliance with local players. Some major multinational players that have already established a few well-known brands in Vietnam might want to give this some thought, such as Pernod Ricard Groupe and Rémy Cointreau Group. However, since most giant domestic players are state owned, a complete acquisition of such companies may prove to be difficult. Instead, it would be easier to obtain some shares, as Diageo did with Hanoi Liquor.

MARKET BACKGROUND

Legislation

Legal purchasing age and legal drinking age

In 2008, it was made official in the new law that people under 18 years of age are not allowed to buy or consume alcoholic drinks. However, since its implementation, the law has been enforced poorly, as, apparently, juveniles can still buy alcoholic drinks easily.

In order to help solve the underage drinking issue, several educational programmes about alcoholic drinks were introduced in high schools in a collaboration between the Ministry of Health and Ministry of Education to educate students about the impact of alcoholic drinks.

Drink driving

Drink driving has been a serious problem in Vietnam, with a large number of road accidents the result of drink driving. The law states that the permitted alcohol level is no more than 0.25mg per litre of breath, and no more than 50mg per 100ml of blood. A fine of VND2 million to VND3 million can be issued should the regulation not be complied with. Despite the heavy penalty, the law is enforced ineffectively. Testing equipment being used to test blood and breath samples is not effectively applied by the police. Corruption is an issue, with many police accepting bribes from drivers who do not wish to pay the full fine.

Advertising

Starting from 2008, the law regulates that alcoholic drinks over 4.5% ABV are not allowed in public media advertisements. This is an act to relieve the exposure of alcoholic drinks to minors. To comply with the law, producers have to advertise their products via on-trade channels like bars and restaurants. Commercial posters and promotional girls are common practices to attract consumers in restaurants. For wine traders, they take advantage of advertising posters in retail outlets as well as wine-tasting events.

Alcoholic drinks advertisements are not prominently aired during commercial breaks. In printed media, such advertisements have to declare they are an "advertisement". The law states that budgets for advertisements cannot exceed 10% of the total expenditure of the enterprise. The restriction limits multinational breweries' opportunities in extending advertising activities into major campaigns. Consequently, they have to resort to other solutions such as hiring promotional girls to offer beer in restaurants, classifying this expenditure as employment costs.

In 2009, a new law to completely ban advertisements for alcoholic drinks was proposed by the Ministry of Health. However, in 2010, the proposal was still under discussion.

Smoking ban

Starting from 1 January 2010, smoking in public areas, including theatres, cinemas, offices, hospital, libraries, stations and airports, as well as on public transportation was banned as the new law came into effect. Furthermore, sales of cigarettes and tobacco-related products to minors under 18 years of age were prohibited. However, despite the new regulations, buying cigarettes in public outlets is not believed to have become any more difficult, and smoking in public seems to have carried on without any apparent censure. In some high-end restaurants, a non-smoking area has been made available, but such areas are usually smaller than the smoking area.

Socially, Vietnamese males have the habit of smoking and drinking collectively. This leads to a suggestion that cutting the number of refreshment places might result in a reduction in the general consumption of alcoholic beverages in the country.

Opening hours

For off-trade outlets, there are no defined operating hours for the sale of alcoholic drinks. Consumers can buy the products during the outlet's regular opening hours. For on-trade outlets, alcoholic drinks are sold up to midnight, as all entertainment establishments – bars, clubs and karaoke establishments – close at midnight.

On-trade establishments

In the context of the review period, there was an increasing trend for Vietnamese to go out to eat due to the increasingly busy and fast-paced lifestyle. Thanks to the improvement in average disposable household income in the country, consumers liked to eat outside the home as they can try various choices of food cuisine, which were becoming more widely available in Vietnam. As a result, the number of foodservice outlets continued to gradually increase. As consumers were more used to nightlife activities, the number of bars/pubs was also rising. Hence, alcoholic drinks consumed through the on-trade channel had a good foundation to grow well over the review period.

Table 1 Number of On-trade Establishments by Type 2006-2010

Outlets

	2006	2007	2008	2009	2010
100% home delivery/ takeaway	-	-	-	-	3
Bars/Pubs	257	287	316	341	363
Cafés	7,886	8,809	9,697	10,451	11,036
Full-service restaurants	71,227	74,781	78,218	79,211	80,315
Fast food	5,584	6,043	6,467	6,825	7,177
Self-service cafeterias	-	-	-	-	-
Street stalls/Kiosks	404,000	416,135	424,161	428,790	432,805
TOTAL	489,004	506,055	518,859	525,618	531,696

Source: Euromonitor International

TAXATION AND DUTY LEVIES

In the past, Vietnam had a system of licensing and quotas on alcoholic drinks imports. That system is no longer applied today. Its scrapping was an act to strengthen international economic integration as well as a requirement to join various trade agreements, including the World Trade Organisation (WTO). Issued in April 2001, effective from May 2001, Decree 46/2001/QD-TTG stated that alcoholic drinks could be imported into Vietnam without licensing and quotas. Taxation on alcoholic drinks in Vietnam comprises of import tax rate, special tax rate and sales tax, which are explained below.

Import tax rate

From July 2003, under an integration programme with AFTA, import tax rates on all alcoholic drinks originating from AFTA members were reduced to 20% from the previous level of 100%. These rates were further reduced to 15% in 2004, 10% in 2005 and 5% from 2006 onwards. In 2005, Vietnam signed an agreement with ACFTA to reduce the import tax rate for alcoholic drinks originating from ACFTA members to 50% in 2007, 30% in 2008, 25% in 2010 and 15% from 2011 onwards. Another commitment was reached with AKFTA in June 2007 to cut import tax for alcoholic drinks from AKFTA members to 35% in 2008, 25% in 2010 and 20% in 2011. Apart from the special import tax rate for ACFTA, AKFTA and AFTA members, in line with its attempt to join the WTO over 2005/2006, Vietnam lowered import tax rates on alcoholic drinks in September 2004 to other members. In accordance with Decision 68/2004/QD-BTC, the general rates for these members were reduced from 100% to 80%. However, since Vietnam officially joined the WTO in January 2007, the Vietnamese government has committed to reduce the tax levy on imported beer to 65%, and will further reduce this to 35% over the next five years. In addition, in 2009 the government also decided to apply the same import tax rate of 59% for draught beer as for canned or bottled beer. For wine and spirits, the tax levied on imported products is to be reduced from 62% to 45-50% by around 2015. In 2005, as agreed with Australia and the US, Vietnam began to decrease import tax rates on alcoholic drinks originating from those two countries. The current import tax rate for products from these two countries is 70%.

Furthermore, for alcoholic drinks imported from the EU, Vietnam has imposed a new preferential import tariff rate for a number of wine and spirits items belonging to groups 2204 (wine from fresh grapes, including fortified wines), 2205 (vermouth and other wines from fresh grapes flavoured with plants or aromatic substances), 2206 (other fermented beverages: cider, perry, mead; mixtures of fermented beverages and non-alcoholic beverages), 2208 (under-natured ethyl alcoholic strength by volume of less than 80%; spirits and liqueurs) as stipulated by Decision 68/2004/QD-BTC. The new import tax rate for alcoholic drinks from the EU is 65%, applied to the above items.

Special Consumption Tax

In addition to import taxes, alcoholic drinks also bear a Special Consumption Tax (SCT). This is a type of excise

duty, but at a higher level. For imported products, SCT is calculated based on the CIF price plus import tax, and

is based on manufacturer selling price (MSP) for locally-produced products. In November 2008, Vietnam issued

new law 27/2008/QH12 for Special Consumption Tax, effective from 1 January 2010, for wine and beer products. The new Special Consumption Tax for all types of beer including barrel beer is 45% from 2010 to 2012, increasing to 50% in 2013. The new excise tax rate for alcoholic drinks is 45% for those from 20% ABV onwards, and 25% for those below 20% ABV over the period 2010 to 2012.

Sales Tax

Sales tax in Vietnam (VAT) is 10% for all alcoholic drinks. The government is likely to keep this rate in the future.

Table 2 Taxation and Duty Levies on Alcoholic Drinks 2011

Excise tax (%)

Wine and Spirits	
- 20% ABV and above	45
- Below 20% ABV	25
Beer	45
Import tax (%)	
WTO members (MFN)	
Beer	47
Grape wine	56
Flavoured grape wine and Vermouth	59
Non-grape wine (incl sake)	59
Other liquor with ABV equal to or higher than 80%	40
Other liquor with ABV below 80%	55
ASEAN (CEPT)	
Beer	5
Grape wine	5
Flavoured grape wine and vermouth	5
Non-grape wine (incl sake)	5
Other liquor with ABV equal to or higher than 80%	5
India (AIFTA)	
Other liquor with ABV equal to or higher than 80%	37.5
Korea (AKFTA)	
Other liquor with ABV equal to or higher than 80%	25
China (ACFTA)	
Beer	25
Grape wine	25
Flavoured grape wine and vermouth	25
Non-grape wine (incl sake)	25
Other liquor with ABV equal to or higher than 80%	25
Japan (VJEPA)	
Other liquor with ABV equal to or higher than 80%	36
Sake	57
VAT (%)	10

Source: General Department of Taxation, Ministry of Finance

Table 3 Typical Wholesaler and Retailer Off-trade Mark-ups by Selected Categories 2011

	Beer	C/p	RTDs	Wine	Wh	BC
Wholesaler	6	0	0	9	8	7
Retailer	12	0	0	16	18	16
	WS	Rum	T	L	OS	
Wholesaler	7	7	0	5	0	
Retailer	14	16	0	16	0	

Source: Euromonitor International
Note: C/p=Cider/perry; Wh=Whiskies; BC=Brandy and cognac; RTDs=RTDs and high-strength premixes; WS=White spirits; T=Tequila (and mezcal); L=Liqueurs; OS=Other spirits

Table 4 Selling Margin of a Typical Beer Brand 2011: 333' export

% of retail value

	2011

VAT	9.1
Excise	28.2
Import tax	0.0
Retailer	6.7
Distributor	3.2
Manufacturer	52.8
TOTAL	100.0

Source: Euromonitor International from official statistics (General Statistics Office of Vietnam), store checks
Note: Based on 333' export, VND9,000, 330ml at supermarket and 5.3% ABV; excise includes any other tax as relevant

Table 5 Selling Margin of a Typical Wine Brand 2010: Dalat Strawberry Wine

% of retail value

	2011
VAT	9.1
Excise	18.2
Import tax	0.0
Retailer	32.8
Distributor	2.3
Manufacturer	37.7
TOTAL	100.0

Source: Euromonitor International from official statistics (General Statistics Office of Vietnam), store checks
Note: Based on Dalat Strawberry Wine, VND55,000, 750ml at restaurant and 11% ABV; excise includes any other tax as relevant

Table 6 Selling Margin of a Typical Spirits Brand 2010: Vodka Hanoi

% of retail value

	2011
VAT	9.1
Excise	28.2
Import tax	0.0
Retailer	7.7
Distributor	3.6
Manufacturer	51.4
TOTAL	100.0

Source: Euromonitor International from official statistics (General Statistics Office of Vietnam), store checks
Note: Based on Vodka Hanoi, VND60,000, 300ml at specialist retailer and 41% ABV; excise includes any other tax as relevant

OPERATING ENVIRONMENT

Contraband/parallel Trade

Contraband/Parallel trade has been an issue in the alcoholic drinks market; with trade occurring mostly in spirits, which offers the most profit to smugglers. It is estimated that 80-90% of spirits sold are contraband. This type of trade is prominent as import tax for alcoholic drinks is very high. Prices of contraband products are usually 30-50% lower than official off-trade outlet prices. Hennessy, Rémy Martin, Martell Cordon Bleu and Johnnie Walker are brands that are usually sold through contraband/parallel trade.

On the other hand, wine and beer are mostly absent in contraband/parallel trade. Most beer brands are manufactured locally and benefit from a lower tax rate, resulting in lower prices than for spirits. Demand for wine is lower than for spirits, so potential profits on trading wine via contraband/parallel channels are more limited. Consequently, only a mere 5-10% of total wine on the market is illegally imported products from China, Thailand and Cambodia.

As their authenticity is confirmed, officially imported wines and spirits are trusted in terms of quality. With counterfeit products, on the other hand, there is a need to be cautious as their quality is not guaranteed and they may have a bad effect on consumers. At the year end, when people are preparing for New Year celebrations, this is the time when sales of alcoholic drinks peak. During this time, consumers tend to be aware of counterfeit imported spirits such as Hennessy and Rémy Martin, and spirits and wines such as Dalat Still Red Wine, Thang Long Still Red Wine, Hanoi Vodka and Binh Tay Vodka from domestic counterfeiters. The illegal imported products are mainly smuggled from China and Hong Kong to the north and from Cambodia to the south.

Counterfeiting and smuggling have been major concerns for the government as well as consumers in Vietnam. As the profits on illegal products are enormous, counterfeiters and smugglers are willing to take the risk of breaking laws for this profitable business. This problem affects the potential growth of the industry negatively and also reduces the government's revenue streams.

Duty free

Duty free is a sales channel for travellers coming to and leaving Vietnam, with alcoholic drinks mostly purchased as gifts. This channel provides only a small proportion of off-trade sales and does not affect sales of alcoholic drinks in the main off- and on-trade channels.

Cross-border/private imports

Whiskies and local spirits are privately imported into Vietnam from neighbouring countries such as Cambodia, Thailand, and Laos. These products escape tax so they are able to offer cheaper prices and high alcohol content. As a result, they are widely consumed. However, the sales margins on these products are not very high and they do not have a major impact on overall sales of alcoholic drinks in the domestic market

MARKET INDICATORS

Table 7 Retail Consumer Expenditure on Alcoholic Drinks 2006-2011

VND bn

	2006	2007	2008	2009	2010	2011
Total	5,479.5	6,953.4	9,355.9	10,879.0	13,669.3	16,153.4

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources
Note: 2011 data is forecast

MARKET DATA

Table 8 Sales of Alcoholic Drinks by Category: Total Volume 2006-2011

Million litres

	2006	2007	2008	2009	2010	2011
Beer	1,334.2	1,547.3	1,752.5	2,021.7	2,303.0	2,595.4
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	15.2	19.5	20.9	26.6	29.9	31.9
Wine	23.3	24.8	26.4	28.0	29.6	31.3
Alcoholic Drinks	1,372.8	1,591.6	1,799.8	2,076.2	2,362.5	2,658.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 9 Sales of Alcoholic Drinks by Category: Total Value 2006-2011

VND billion

	2006	2007	2008	2009	2010	2011
Beer	42,858.9	50,736.7	58,342.8	68,954.1	80,097.1	95,829.9
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	3,754.3	4,553.0	5,132.9	6,229.4	7,281.3	8,397.3
Wine	2,510.2	2,766.8	3,070.3	3,430.1	3,840.9	4,489.4
Alcoholic Drinks	49,123.3	58,056.5	66,546.0	78,613.6	91,219.3	108,716.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 10 Sales of Alcoholic Drinks by Category: % Total Volume Growth 2006-2011

% total volume growth

	2010/11	2006-11 CAGR	2006/11 Total
Beer	12.7	14.2	94.5
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	6.8	16.0	110.1
Wine	5.8	6.0	33.9
Alcoholic Drinks	12.5	14.1	93.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 11 Sales of Alcoholic Drinks by Category: % Total Value Growth 2006-2011

% local currency, current value growth

	2010/11	2006-11 CAGR	2006/11 Total
Beer	19.6	17.5	123.6
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	15.3	17.5	123.7
Wine	16.9	12.3	78.8
Alcoholic Drinks	19.2	17.2	121.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 12 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: Volume 2011

	Off-trade	On-trade	TOTAL
Beer (million litres)	693.7	1,901.7	2,595.4
Cider/Perry ('000 litres)	-	-	-
RTDs/High-Strength Premixes ('000 litres)	-	-	-
Spirits ('000 litres)	8,749.4	23,155.9	31,905.3
Wine (million litres)	9.3	22.0	31.3
Alcoholic Drinks (million litres)	711.8	1,946.8	2,658.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 13 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: Value 2011

VND billion

	Off-trade	On-trade	TOTAL
Beer	16,537.1	79,292.8	95,829.9
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	1,121.0	7,276.3	8,397.3
Wine	790.5	3,698.9	4,489.4
Alcoholic Drinks	18,448.6	90,268.0	108,716.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 14 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: % Volume 2011

% volume analysis

	Off-trade	On-trade	Total
Beer	26.7	73.3	100.0
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	27.4	72.6	100.0
Wine	29.8	70.2	100.0
Alcoholic Drinks	26.8	73.2	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 15 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: % Value 2011

% value analysis

	Off-trade	On-trade	Total
Beer	17.3	82.7	100.0
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-

Spirits	13.3	86.7	100.0
Wine	17.6	82.4	100.0
Alcoholic Drinks	17.0	83.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 16 Company Shares of Alcoholic Drinks by Global Brand Owner 2007-2011

% total volume

Company	2007	2008	2009	2010	2011
Saigon Alcohol Beer & Beverages Corp (Sabeco)	41.3	43.2	43.8	44.4	46.4
Hanoi Alcohol Beer & Beverages Corp (Habeco)	16.6	16.2	17.7	18.7	19.7
Carlsberg A/S	10.2	10.2	10.1	9.9	9.0
Heineken NV	8.6	8.4	8.1	7.9	7.6
SABMiller Plc	0.0	0.0	0.0	0.0	6.3
Asia Pacific Breweries Ltd	4.5	4.2	3.8	3.8	3.9
San Miguel Brewery Inc	-	-	0.7	0.6	0.5
Oetker-Gruppe	0.9	0.8	0.7	0.6	0.5
Thang Long Liquor JSC	0.2	0.2	0.2	0.2	0.2
LamDong Foodstuffs JSC (Ladofoods)	0.1	0.1	0.1	0.1	0.1
Others	17.5	16.6	14.7	13.8	5.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 17 Off-trade Sales of Alcoholic Drinks by Distribution Format: % Value Analysis 2006-2011

% off-trade

	2006	2007	2008	2009	2010	2011
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	100.0
- Grocery Retailers	100.0	100.0	100.0	100.0	100.0	100.0
- - Discounters	-	-	-	-	-	-
- - Food/drink/tobacco specialists	19.1	19.2	18.6	18.2	18.0	17.7
- - Hypermarkets	1.5	3.0	3.0	3.7	4.2	4.5
- - Small Grocery Retailers	68.4	67.5	67.7	67.5	67.4	67.4
- - - Convenience Stores	1.0	1.0	1.1	1.5	1.8	2.3
- - - Forecourt Retailers	-	-	-	-	-	-
- - - Independent Small Grocers	67.5	66.5	66.5	66.1	65.6	65.1
- - Supermarkets	10.9	10.4	10.7	10.6	10.5	10.4
- - Other Grocery Retailers	-	-	-	-	-	-
- Non-Grocery Retailers	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	-	-
- Direct Selling	-	-	-	-	-	-
- Homeshopping	-	-	-	-	-	-
- Internet Retailing	-	-	-	-	-	-
- Vending	-	-	-	-	-	-

Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 18 Off-trade Sales of Alcoholic Drinks by Category and Distribution Format: % Volume Analysis 2011

% off-trade

	B	C/P	RTDs/HSPs	S	W
Store-Based Retailing	100.0	0.0	0.0	100.0	100.0
Grocery Retailers	100.0	0.0	0.0	100.0	100.0
Discounters	0.0	0.0	0.0	0.0	0.0
Food/drink/tobacco specialists	17.6	0.0	0.0	14.5	16.0
Hypermarkets	4.1	0.0	0.0	8.9	13.5
Small Grocery Retailers	68.6	0.0	0.0	57.0	37.5
Convenience Stores	2.1	0.0	0.0	1.0	1.0
Forecourt Retailers	0.0	0.0	0.0	0.0	0.0
Independent Small Grocers	66.5	0.0	0.0	56.0	36.5
Supermarkets	9.7	0.0	0.0	19.6	33.0
Other Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Store Retailing	0.0	0.0	0.0	0.0	0.0
Direct Selling	0.0	0.0	0.0	0.0	0.0
Homeshopping	0.0	0.0	0.0	0.0	0.0
Internet Retailing	0.0	0.0	0.0	0.0	0.0
Vending	0.0	0.0	0.0	0.0	0.0
Total	100.0	0.0	0.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources
Key: B = beer; C/P = cider/perry; RTDs/HSPs = flavoured alcoholic beverages; S = spirits; W = wine

Table 19 Forecast Sales of Alcoholic Drinks by Category: Total Volume 2011-2016

Million litres

	2011	2012	2013	2014	2015	2016
Beer	2,595.4	2,852.5	3,079.2	3,296.8	3,505.3	3,700.6
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	31.9	33.7	35.1	36.2	37.1	37.7
Wine	31.3	33.0	34.9	36.9	39.1	41.4
Alcoholic Drinks	2,658.6	2,919.2	3,149.3	3,369.9	3,581.5	3,779.7

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 20 Forecast Sales of Alcoholic Drinks by Category: Total Value 2011-2016

VND billion

	2011	2012	2013	2014	2015	2016
Beer	95,829.9	102,778.1	109,085.9	115,120.8	121,146.7	127,113.6
Cider/Perry	-	-	-	-	-	-

RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	8,397.3	8,695.1	9,024.9	9,366.4	9,727.0	10,119.6
Wine	4,489.4	4,773.5	5,142.8	5,595.5	6,111.7	6,703.2
Alcoholic Drinks	108,716.6	116,246.7	123,253.5	130,082.7	136,985.4	143,936.4

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 21 Forecast Sales of Alcoholic Drinks by Category: % Total Volume Growth 2011-2016

% total volume growth

	2015/16	2011-16 CAGR	2011/16 Total
Beer	5.6	7.4	42.6
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	1.7	3.4	18.1
Wine	6.0	5.8	32.5
Alcoholic Drinks	5.5	7.3	42.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 22 Forecast Sales of Alcoholic Drinks by Category: % Total Value Growth 2011-2016

% local currency, constant value growth

	2011-16 CAGR	2011/16 TOTAL
Beer	5.8	32.6
Cider/Perry	-	-
RTDs/High-Strength Premixes	-	-
Spirits	3.8	20.5
Wine	8.3	49.3
Alcoholic Drinks	5.8	32.4

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

DEFINITIONS

Explanations of words and/or terminology used in this report are as follows:

- GBO refers to Global Brand Owner, which is the ultimate owner of a brand.
- NBO refers to National Brand Owner, which is the company licensed to distribute a brand on behalf of a GBO. The NBO may be a subsidiary of a GBO or it may be a completely separate company. Share tables at both GBO and at NBO level are provided in the report. Reference to shares in the report analysis is at NBO level.
- Bia hoi: a kind of Vietnamese fresh beer, mostly home-brewed.

Published Data Comparisons

National Consumer Expenditure

- Government bodies in Vietnam do not publish any annual data on national consumer expenditure on alcoholic drinks.

Ministry of Industry and Trade

- Vietnam's Ministry Of Industry And Trade only publishes production data of beer in the country annually. No data on imports and exports are available from this body. Therefore, the data are different from Euromonitor International's beer market size as Euromonitor International's data factor in exports and imports.

  Sources used during research include the following:

Summary 2 Research Sources

Official Sources	Chamber of Commerce & Industry
	General Department of Statistics
	General Department of Taxation
	General Department of Vietnam Customs
Trade Associations	Bureau National Interprofessionnel du Cognac (BNIC)
	Cámara Nacional de la Industria Tequilera
	Comité Interprofessionnel du Vin de Champagne (CIVC)
	Office International de la Vigne et du Vin
	Office of Vietnam Association of Beer-Wine-Beverage
	Poste d'Expansion Economique
	Scotch Whisky Association
	Vietnam Alcohol Beers Beverages Association
Trade Press	Beverage World
	Drinks International
	Saigon Economic Times
	Saigon Tiep Thi
	Saigon Times Weekly
	Vietnam Beverage Magazine
	Vietnam Business Forum
	Vietnam Economic Times
	Vietnam Investment Review
	Vietnam News
	Wine & Spirits International
	World Drink Trends

Source: Euromonitor International