Retail Market in Vietnam

January 2021

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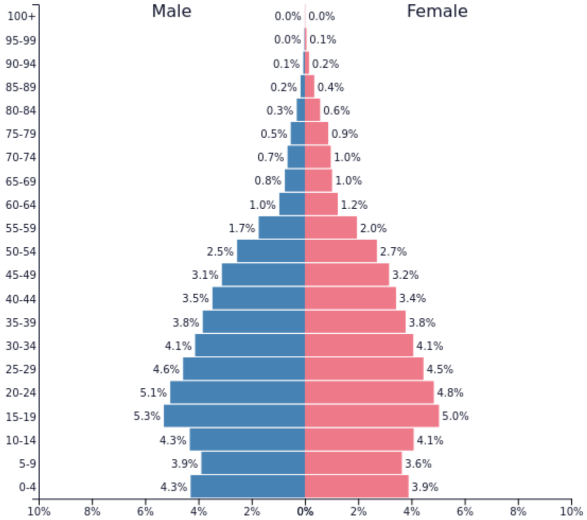
1. Overview

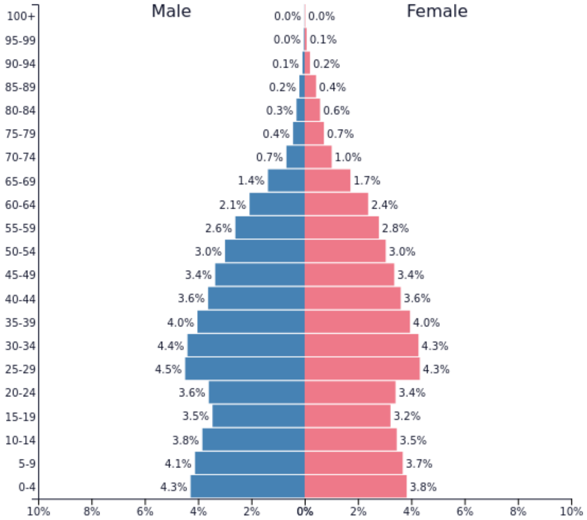
POPULATION

87,092,250



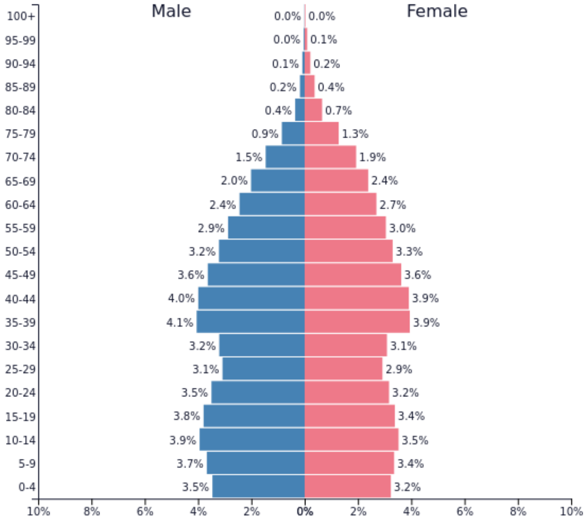
2010

97,338,582



2020

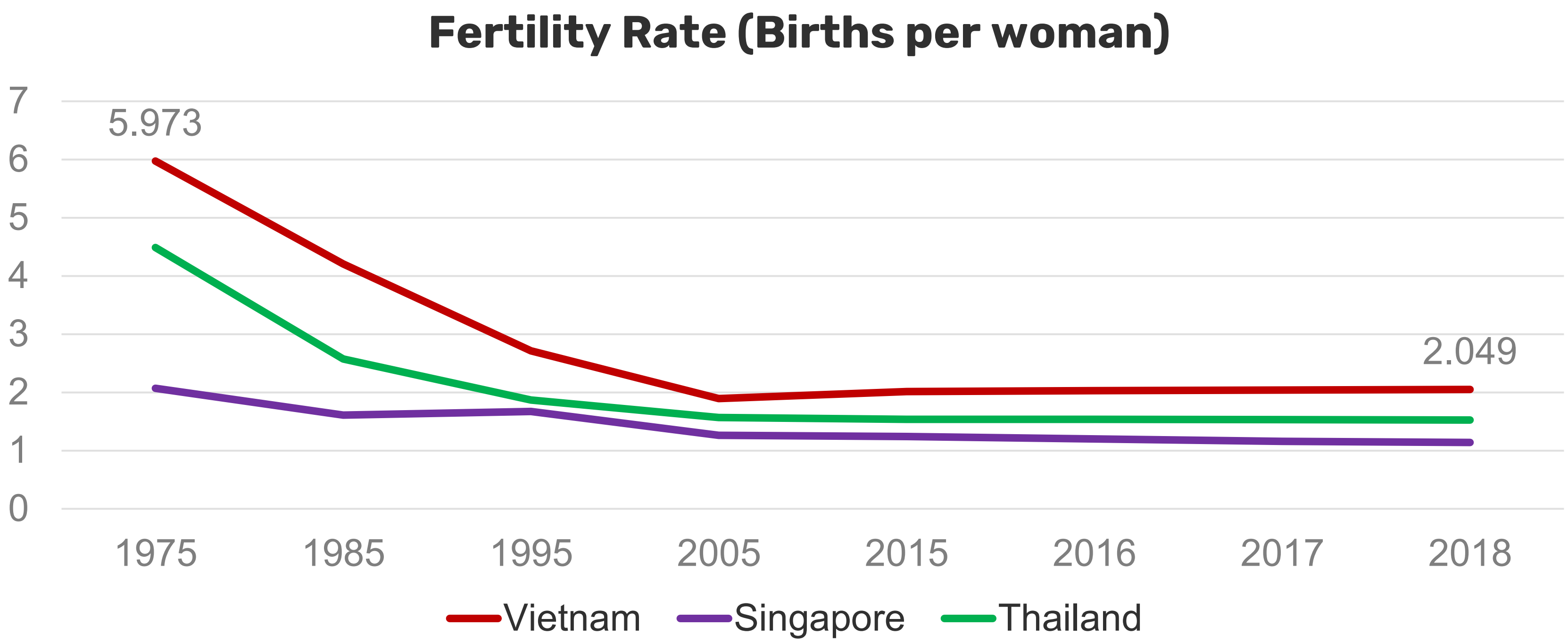
104,163,522



2030

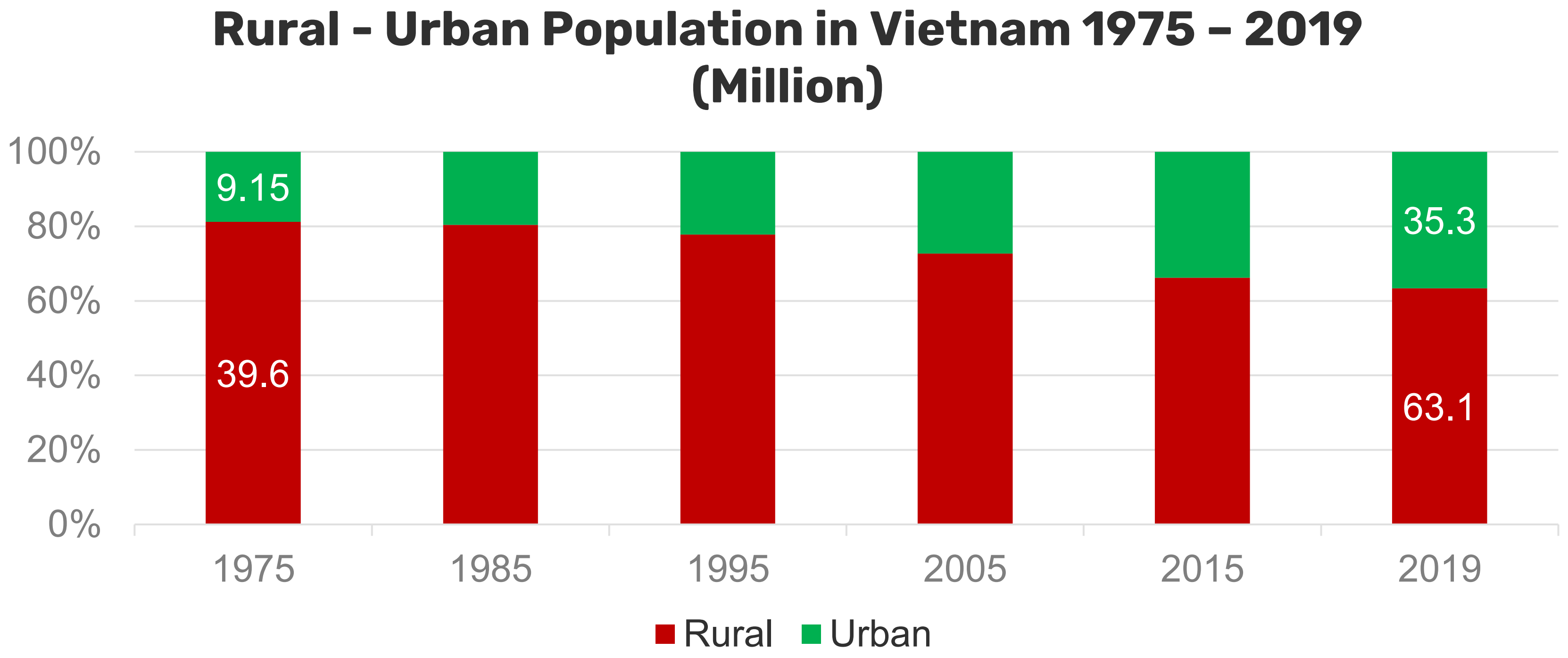
Source: Populationpyramid.com – Link

FERTILITY RATE



Source: The World Bank – Link

URBANISATION



Source: The World Bank – Link

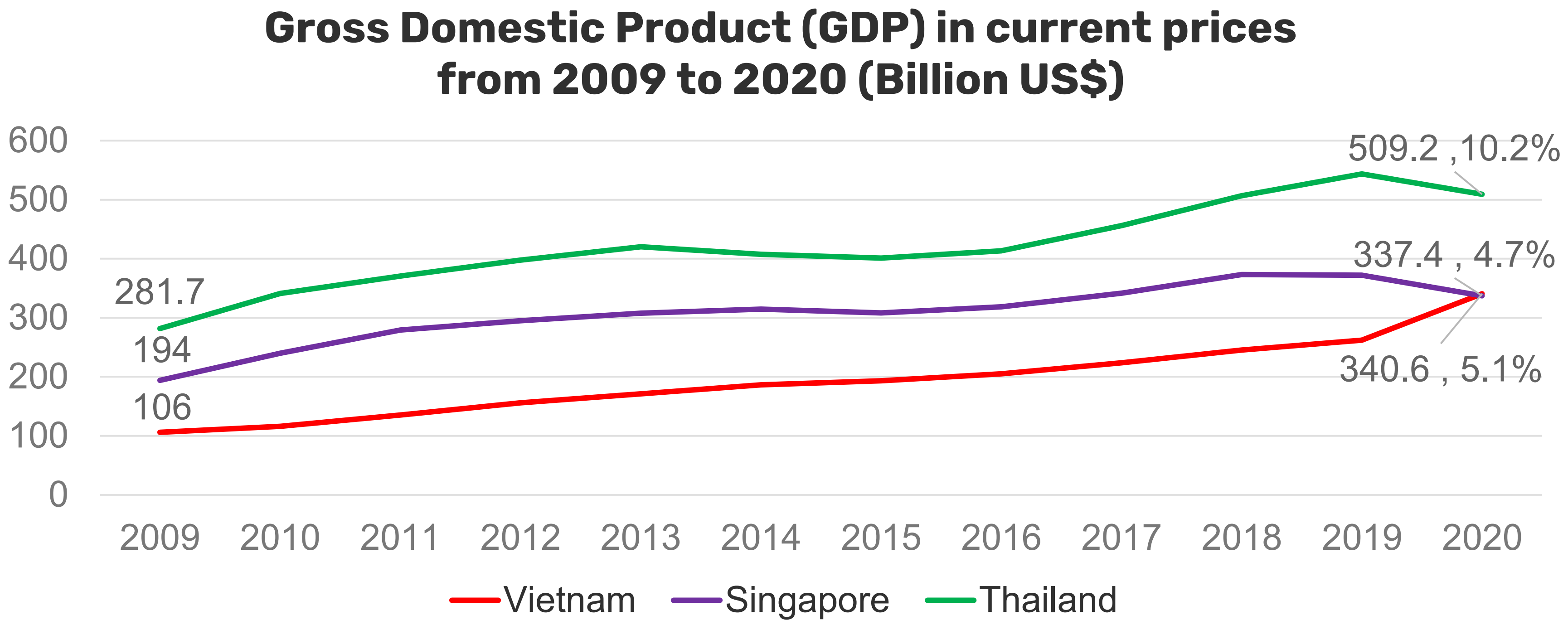
RECAP

- Vietnam maintains a replacement fertility rate.
- Vietnam is in a “Golden population structure”:
  - Half of the working-age population aged below 34.
  - Advantages in the absorption of science-technology.
  - The facilitation of fast economic growth.
- Opportunity to create miracles in economic development and develop the country.
- More fragmented age group:
  - More old people
  - Age group size are getting more equal
  - More diverse demands

RECAP

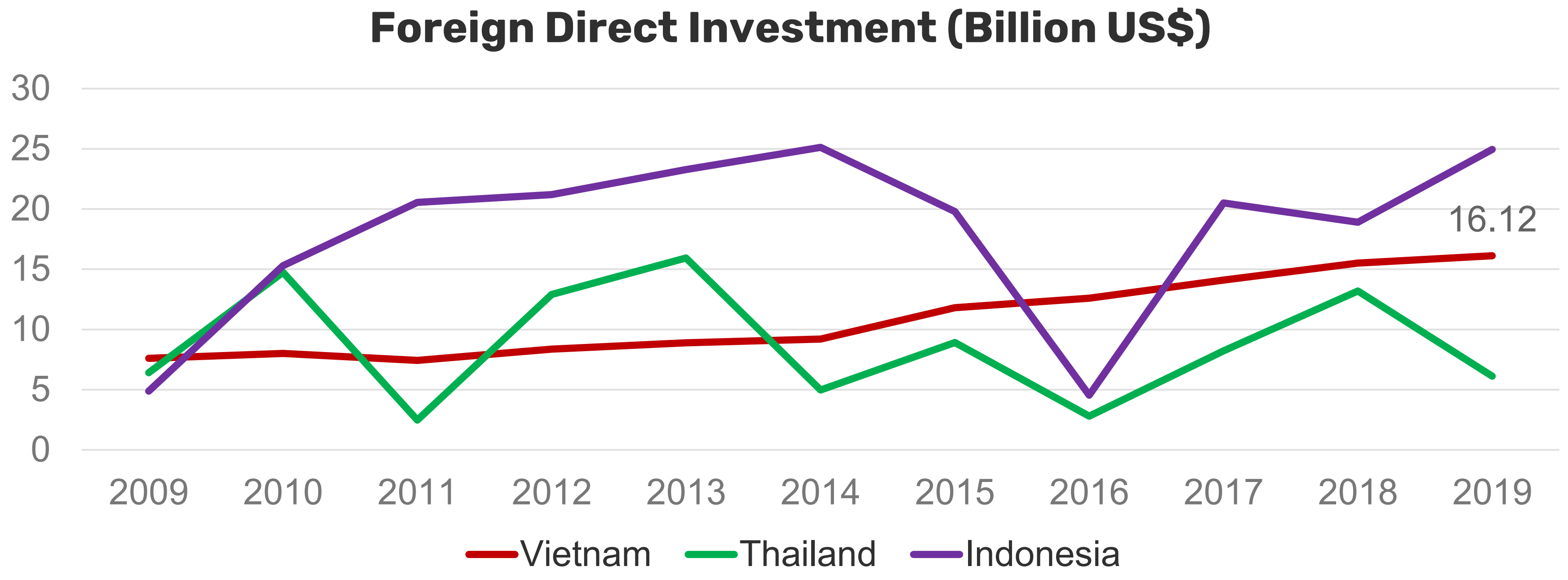
- Urbanization as we grow:
- – Higher income levels.
- – More households with double income.
- – Higher employment.
- – Better infrastructure.

GDP



Source: The World Bank – Link , VnEconomy – Link

FDI



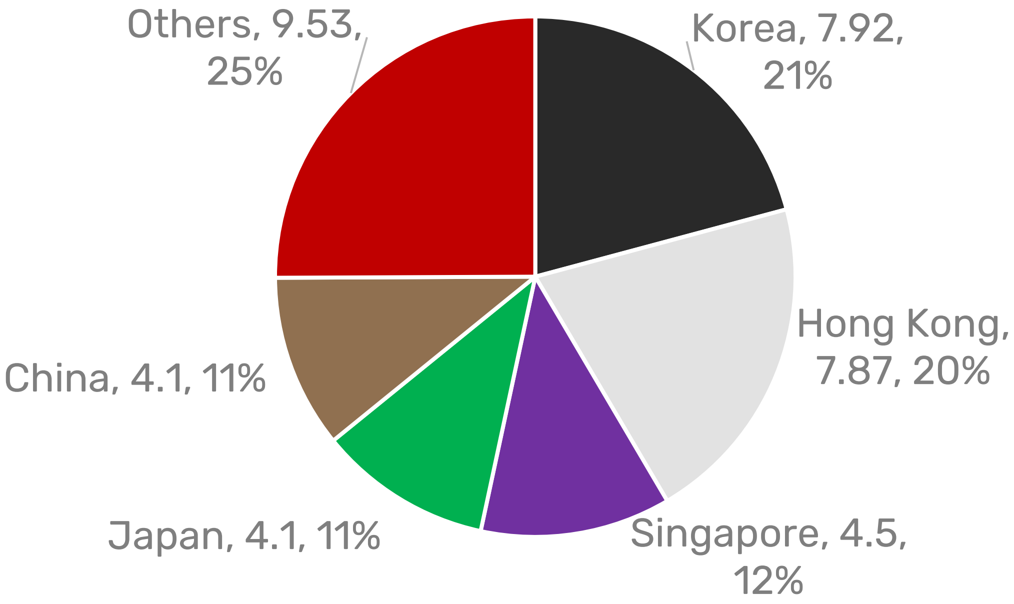
Vietnam has a stable growth of FDI every year (CAGR of 7.1%)

Source: The World Bank – Link

2020: https://tradingeconomics.com/vietnam/foreign-direct-investment

FDI

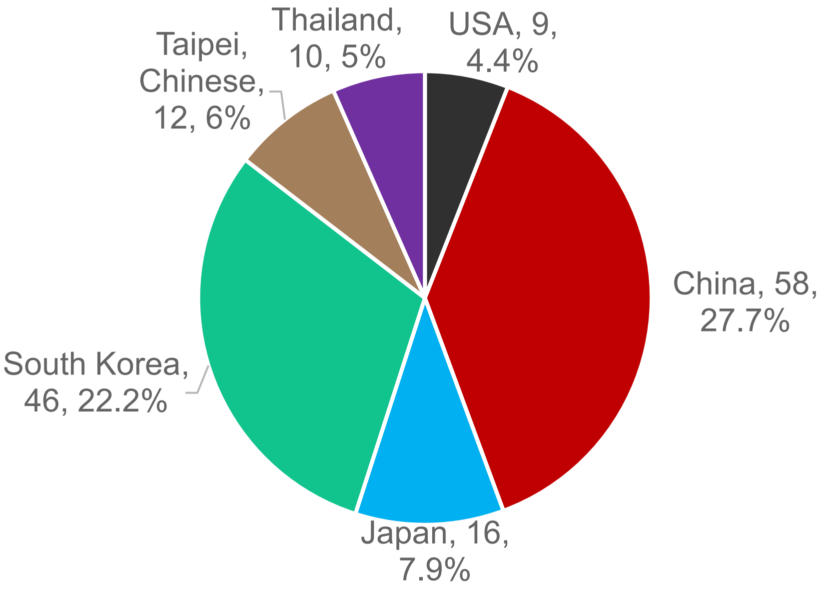
Vietnam's Top Investor (Billion US$)



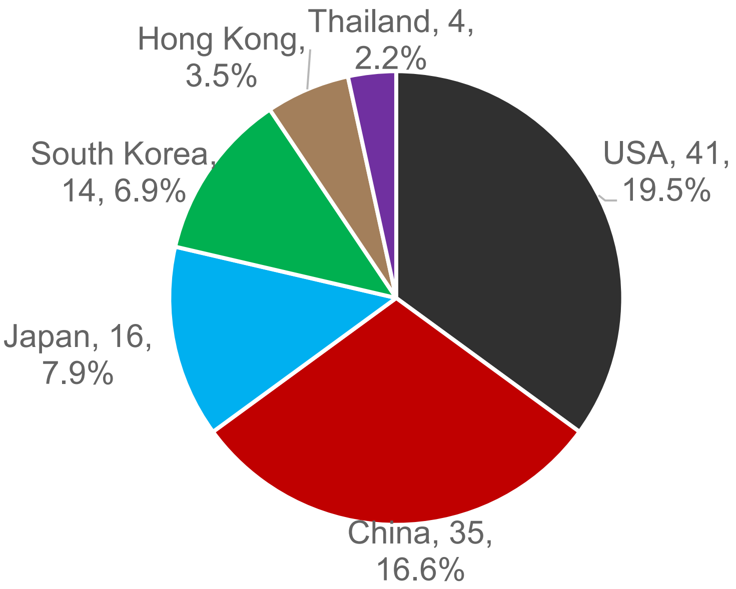
Source: Vietnam's Ministry of Planning & Investment – Link

IMPORT-EXPORT

Top Import Sources 2018 (Billion US$)



Top Export Destination 2018 (Billion US$)



Source: Vietnam Trades – Link 1, Link 2

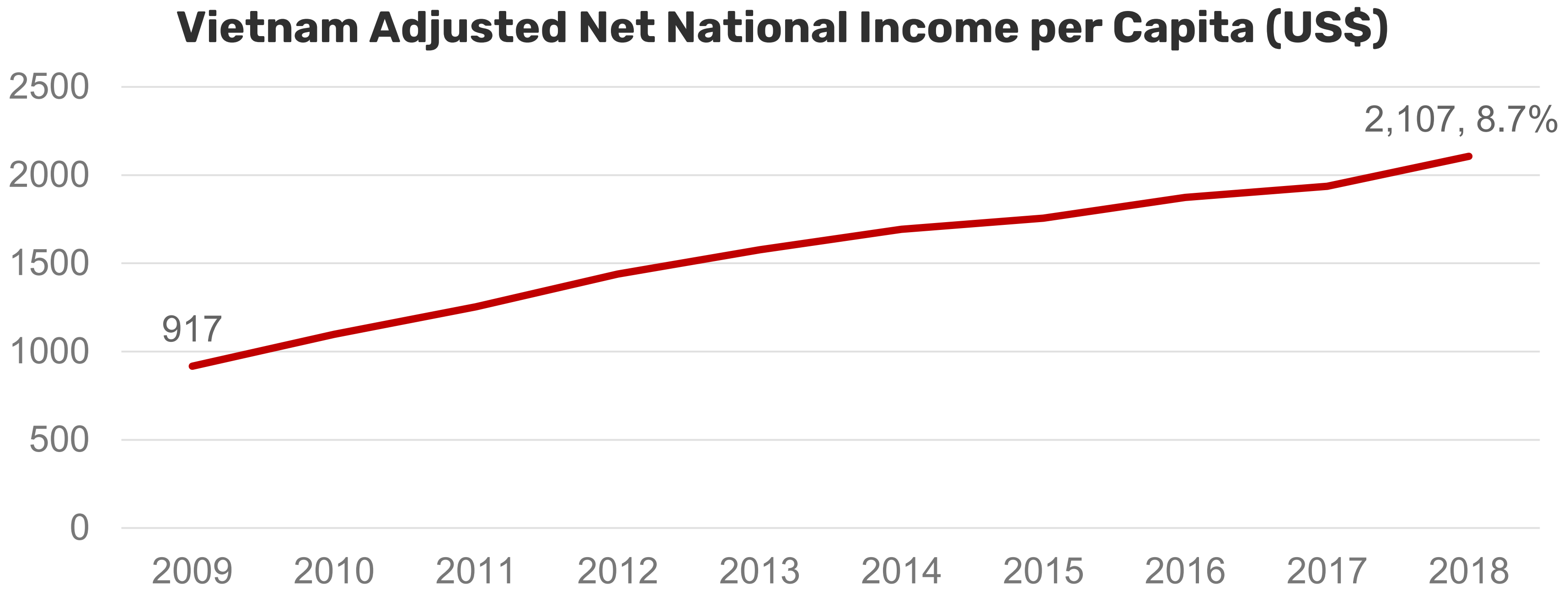
IMPORT-EXPORT

Export & Import Value in Vietnam 2009 – 2019 (Billion US$)

	2009	2014	2019	CAGR
Exports	57.1	150.21	264.61	16.6%
Imports	69.95	147.84	253.44	13.7%
Trade Balance	-12.85	2.38	11.17	

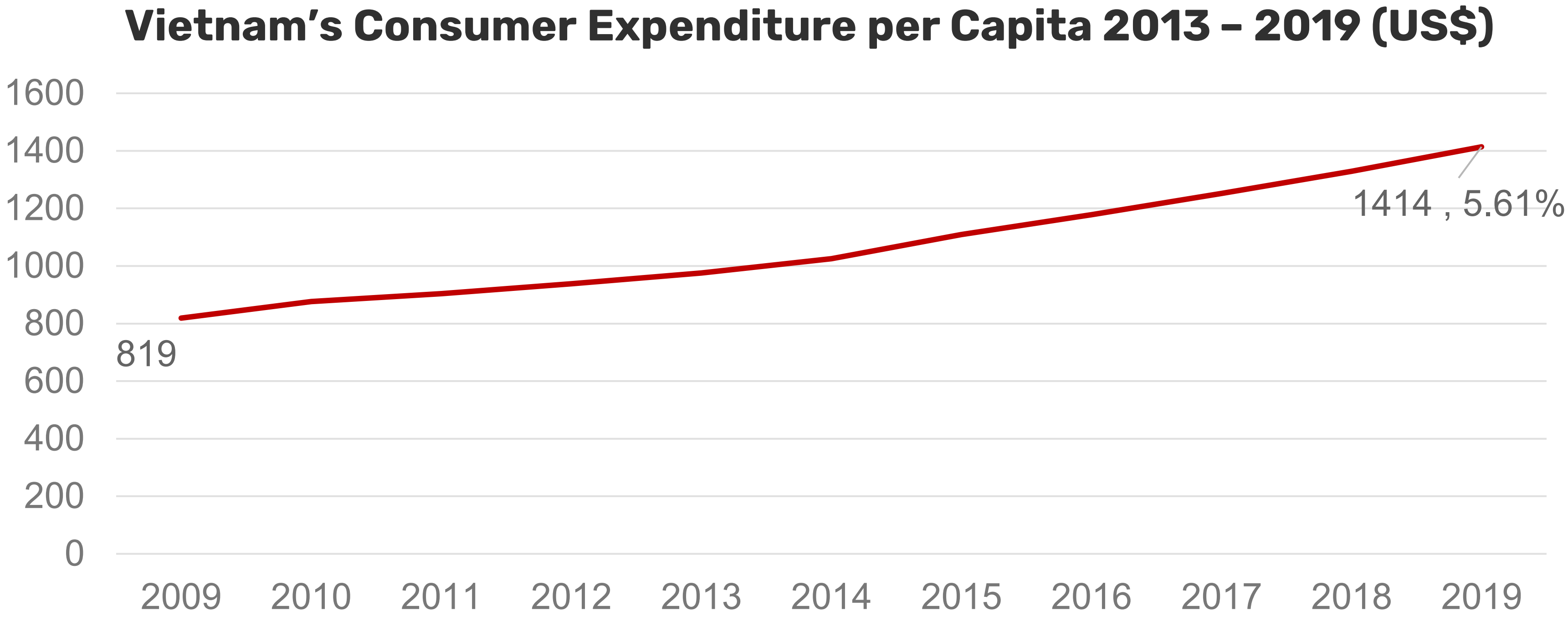
Source: TrendEconomy – Link

PURCHASING POWER



Source: The World Bank – Link

PURCHASING POWER

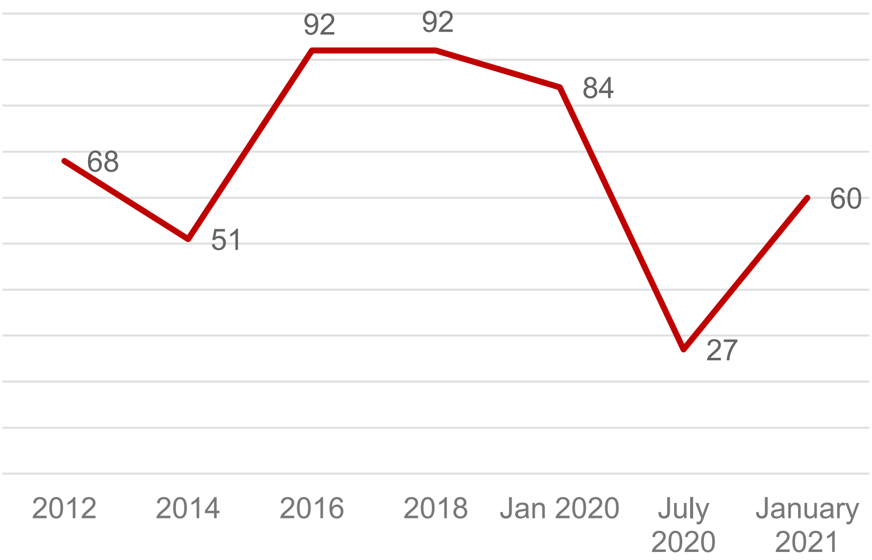


Source: Stista.com – Link

2020 – 2021 Consumer Confidence

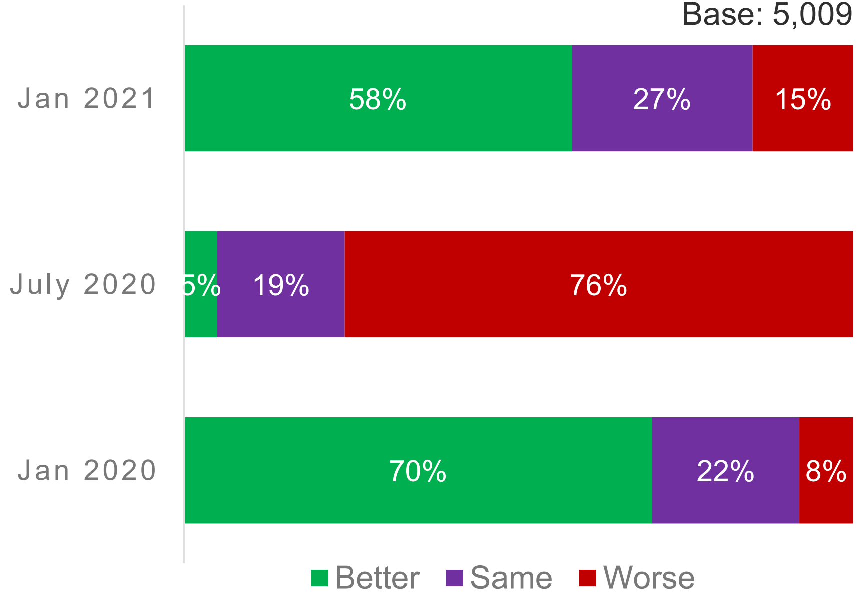
IFM Consumer Confidence Index 2021

Index out of 110. Base: 10,100



2020 vs 2021 View of The Economy

Base: 5,009



Source: Consumer Tet Behavior Report of Infocus

RECAP

- Vietnam is one of the fastest growing economies in the SEA because of its deep integration with the global economy.
- It has remarkable resilience during Covid 19. GDP Growth of Vietnam in 2020 is the 2nd highest in SEA. Regarding the size of GDP, Vietnam surpasses Singapore, becoming the 4th largest economy in SEA in 2020.
- Foreign investments are particularly encouraged by the Government. The Vietnam's FDI growth continues to increase despite pandemic. The Asian countries represent the lion's share of FDI into Vietnam (Singapore, South Korea, China, Japan, and Thailand were the top five investors)
- Consumer confidence is coming back, but not anywhere near 2020 pre-COVID 19 levels. Either way, signs are positive for a better 2021. A majority see the economy being better 2021 than 2020, but many still have concerns for 2021

Source: The World Bank – Link , VnEconomy – Link , Consumer Tet Behavior Report of Infocus

2. Retail Market Landscape

Retail market revenue & growth

Source: Retail in Vietnam Report of Deloitte Vietnam - link

Key statistics on Vietnam's retail sector

11.3%

CAGR of retail sales 2013 – 2020

US$ 15 billion

Estimated size of E-commerce market in 2025, ranked 2nd in the Southeast Asia

#1

The fastest growing market for convenience stores in Asia by 2021

#2

Rank of the consumer & retail sector in terms of M&A deal value in Vietnam for 2016 -2017

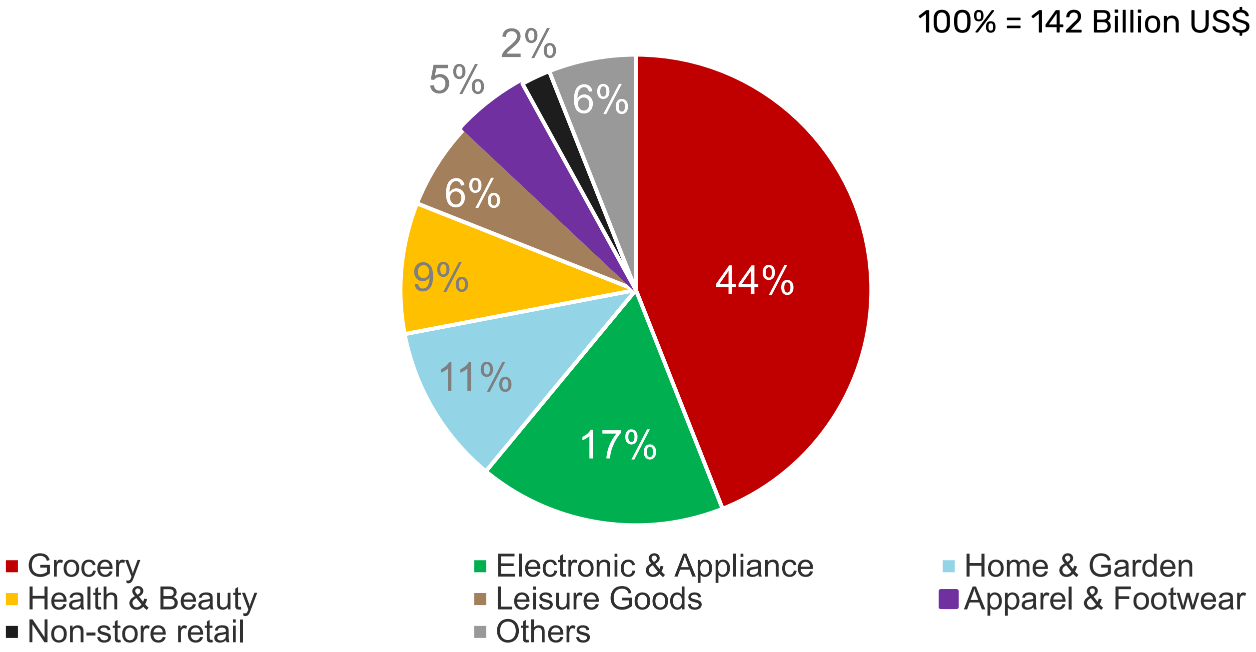
#3

Rank of the retail sector in terms of total investment inflows in 2018

Source: Retail in Vietnam Report of Deloitte Vietnam - link

Key statistics on Vietnam’s retail sector

Breakdown of Vietnam’s retail market 2018

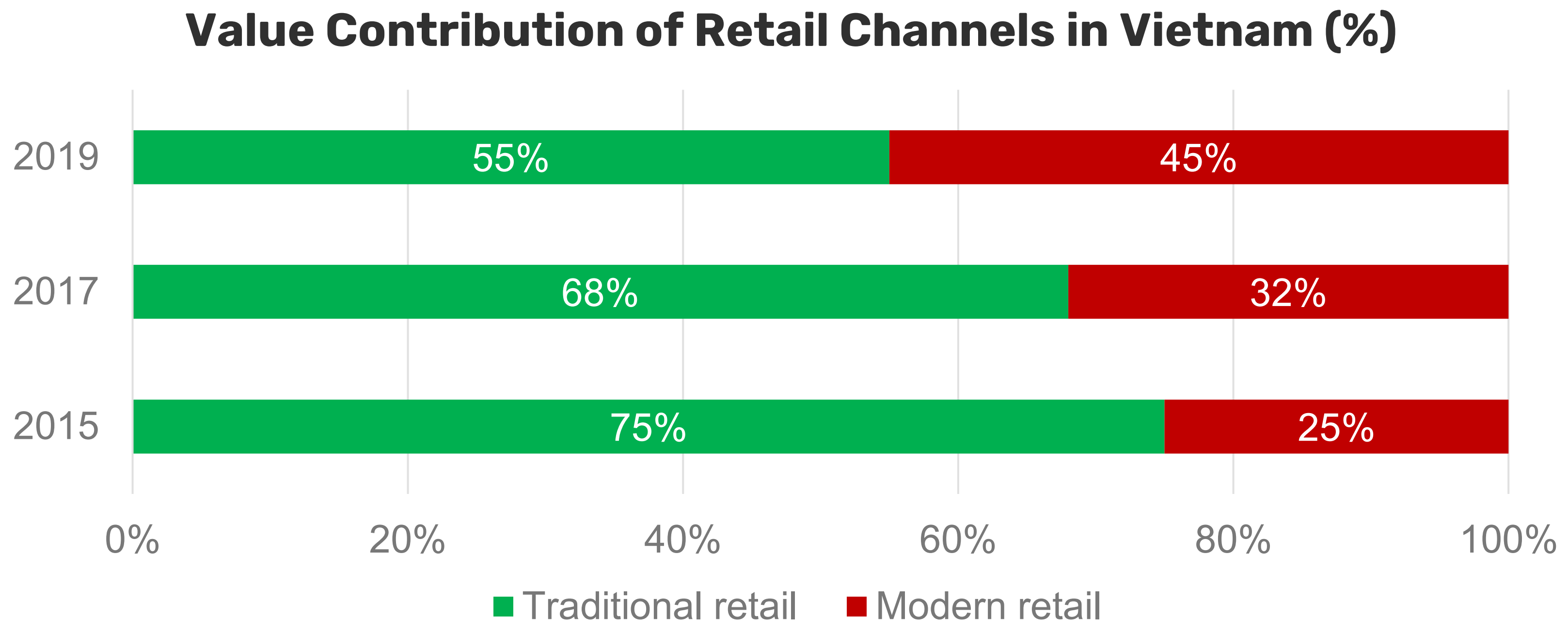


RETAIL MARKET LANDSCAPE

Traditional channels

Modern channels

RETAIL CHANNELS



Source: Vietnam's Distribution & Retail Channels – Link

RETAIL CHANNELS

NUMBER OF OUTLETS

	2014	2019	CAGR (2014-2019)
Traditional retailers	641,542	666,736	0.6%
CVS	565	1289	14.7%
Hypermarket	41	58	6%
Supermarket	605	3450	33.7%

SALES GROWTH (%)

	2014	2015	2016	2017	2018	2019
Traditional retailers	12	5	4	5	5	4
CVS	34	33	29	23	19	18
Hypermarket	57.8	11	21.3	4.7	4.2	-0.2
Supermarket	14	12	8	8	10	16

Source: Vietnam's Distribution & Retail Channels – Link

RECOMMENDATIONS

- The retail market size has potential to grow fast:
- Consumers with greater spending power
- Urbanization are rising quickly
- Stable GDP growth (7.1% in 2018 and a CAGR of 6.5% between 2018 and 2023)
- Traditional retail channels remain dominant (55% in 2019). It has the most stable sales growth regarding the number of outlets. This is also main channel for rural areas.
- Grocery and Consumer Electronic are the two largest retail categories by value

RECAP

- With the modern retail market has the highest CAGR (2018-2013) in SEA (25.8%).
  - CVS is expanding fast but the sales is going down. It seems to be a saturated market.
  - Hypermarkets are closing down with negative sales growth.
  - Urbanization might generate consumers’ preference for supermarkets.

3. Modern Retail

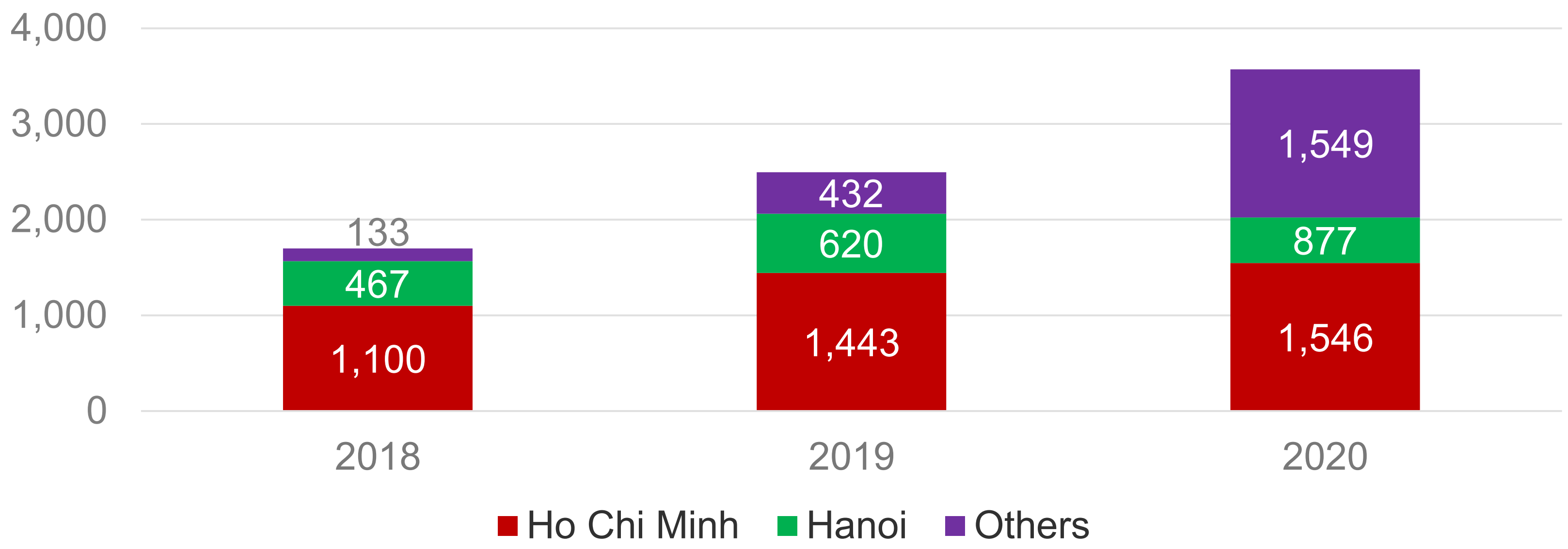
A

Convenience Store

Name	Year of entering	No. of outlets	Coverage	Product portfolio	Brief introduction
VinMart	2014	>1000	Nationwide	Specialized in fresh products and goods; organic products from Vin Eco.	Vinmart+ belongs to Vingroup – the largest multi-industry private corporation in Vietnam, working in real estate, retail, education, hospitality, healthcare, agriculture and heavy industry.
Bach Hoa Xanh	2015	365	Nationwide	Specialized in fresh products and goods.	Bach Hoa Xanh belongs to the Mobile World Group (MWG) – one of Vietnam’s top retailers, spanning over various retail markets.
Circle K	2008	264	Nationwide	General goods and fast food services.	Established in 1951 in Texas, Circle K is one of the top convenience store chains in the world, with over 11,000 stores worldwide. Circle K was also the first international convenience store chain to enter Vietnam.
Saigon Co.op	2008	177	Nationwide	Specialized in fresh products and goods.	Co.op Food belongs to Saigon Union of Trading Cooperatives (Saigon Co.op). Started out in 1996, Saigon Co.op has become Vietnam's biggest retailer, participating in all segments of the retail sector.
B's Mart	2013	166	Nationwide	General goods and fast food services	B’s mart belongs to BJC Corporation – a multi-industry corporation from Thailand.
Family Mart	2009	160	Southern regions	General goods and fast food services	Family Mart is Japan’s second largest convenience store chain, with 24,243 stores worldwide.
Ministop	2008	116	Southern regions	General goods and fast food services; specialized in Japanese goods.	MINISTOP belongs to AEON Group, established in 1758. It is one of the oldest corporation in Japan, with approximately 16,500 stores and centres across multiple countries worldwide.
Shop & Go	2005	119	Nationwide	General goods and fast food services.	Shop & Go is a convenience store chain from Singapore.
7-Eleven	2017	13	Mostly HCMC	General goods and fast food services.	7-Eleven is a world-renowned convenience chain store, which was established in 1927 in Dallas, Texas.
GS-25	2018	4	Mostly HCMC	General goods and fast food services; specialized in Korean goods.	GS25 is one of the top convenience store chains in Korea, and it chose Vietnam as its first international market in 2018.

Convenience store

Number of Convenience Stores in Vietnam (2018-2020)



Source: Vietnam retail store statistic 2020 Report of Q&Me Research – Link

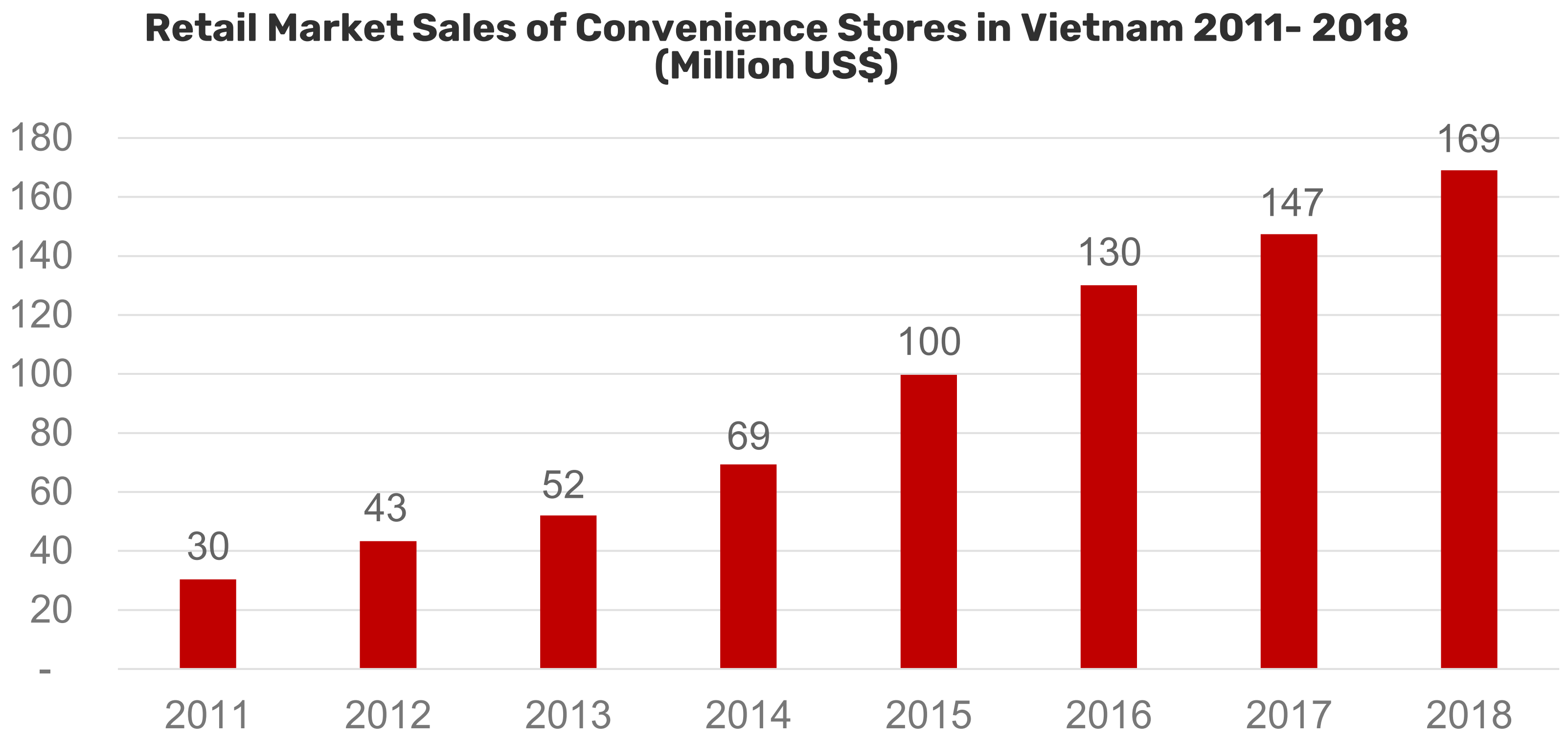
Convenience Store

CVS Distribution in Vietnam (2020)

Name	Ho Chi Minh	Hanoi	Others	Total
Vinmart+	652	723	1,495	2,870
Bach Hoa Xanh	463	0	751	1,214
Circle K	212	154	26	392
Satra Foods (Co.op)	183	0	0	183
Family Mart	126	0	21	147
Mini Stop	139	0	2	141
B's Mart	109	0	0	109
GS25	54	0	0	54
Zakkamart	38	0	5	43
Cheers	39	0	3	42

Source: Vietnam retail store statistic 2020 Report of Q&Me Research – Link

Convenience Store



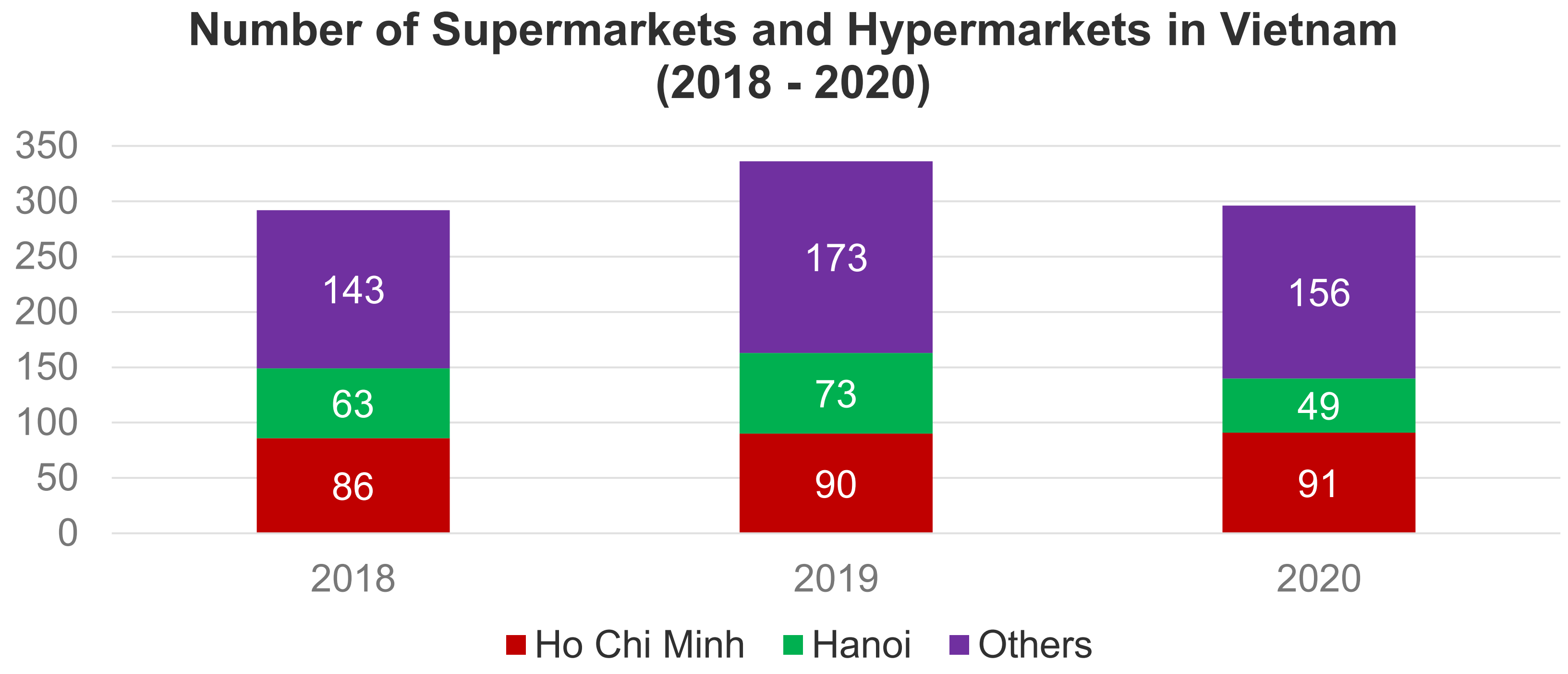
RECAP

- There are many players in this segment.
- VinGroup has the largest number of stores
- CVS is becoming more appealing to urban consumers because of Faster, Better locations, Grab&go (meals, beverages, etc.)
- Many M&A happended:
  VinMart to Masan (Jan, 2020)
  Zakka Mart to GS25 (May, 2019)
  Shop&Go to VinMart (April, 2019)
- Recently, more CVS expansions are conducted outside of HCMC and Hanoi (VinMart).

Super/Hyper Market

Name	Year of entering	No. of outlets	Coverage	Product portfolio	Brief introduction
Saigon Co.opMart	1996	96	Nationwide	General necessities, fresh goods; 90-95% goods and domestic products.	Saigon Co.op Mart belongs to Saigon Union of Trading Cooperatives (Saigon Co.op). Starting out in 1996 with one supermarket, Saigon Co.op has become Vietnam's biggest retailer, participating in all markets of the retail sector.
VinMart	2014	75	Nationwide	Over 40,000 necessities and fresh, organic goods from VinEco.	Vinmart+ belongs to Vingroup - the largest multi-industry private corporation in Vietnam, working in real estate, retail, education, hospitality, healthcare, agriculture and heavy industry.
Big C	1998	35	Nationwide	General necessities and fresh goods; 90-95% goods are domestic products.	Originally a domestic firm, Big C joined Central Group (Thailand) in 2016 and is now one of the largest retailers in Vietnam.
AEON Citimart	1994 (Citimart) & 2014 (AEON)	29	Nationwide	General necessities and foods; products from AEON's TopValue Brand.	Started out as a domestic company in 1994, Citimart has risen to become one of Vietnam's major retailers. After AEON purchased 49% of Citimart's shares, the two rebranded as AEON Citimart.

Super/Hypermarket



Source: *Vietnam retail store statistic 2020 Report of Q&Me Research – Link*

Super/Hypermarket

Super/Hypermarket Distribution in Vietnam (2020)

Name	HCM	Hanoi	Others	Total
Co.op Mart	44	6	78	128
VinMart	16	20	28	64
BigC	9	6	20	35
Sakuko	3	15	15	33
Lanchi Mart	0	12	13	25
AEON Citimart	18	2	4	24
Mega Market	3	3	13	19
Emart	1	0	0	1
Satra Mart	1	0	0	1
Total	95	64	171	330

Source: Vietnam retail store statistic 2020 Report of Q&Me Research – Link

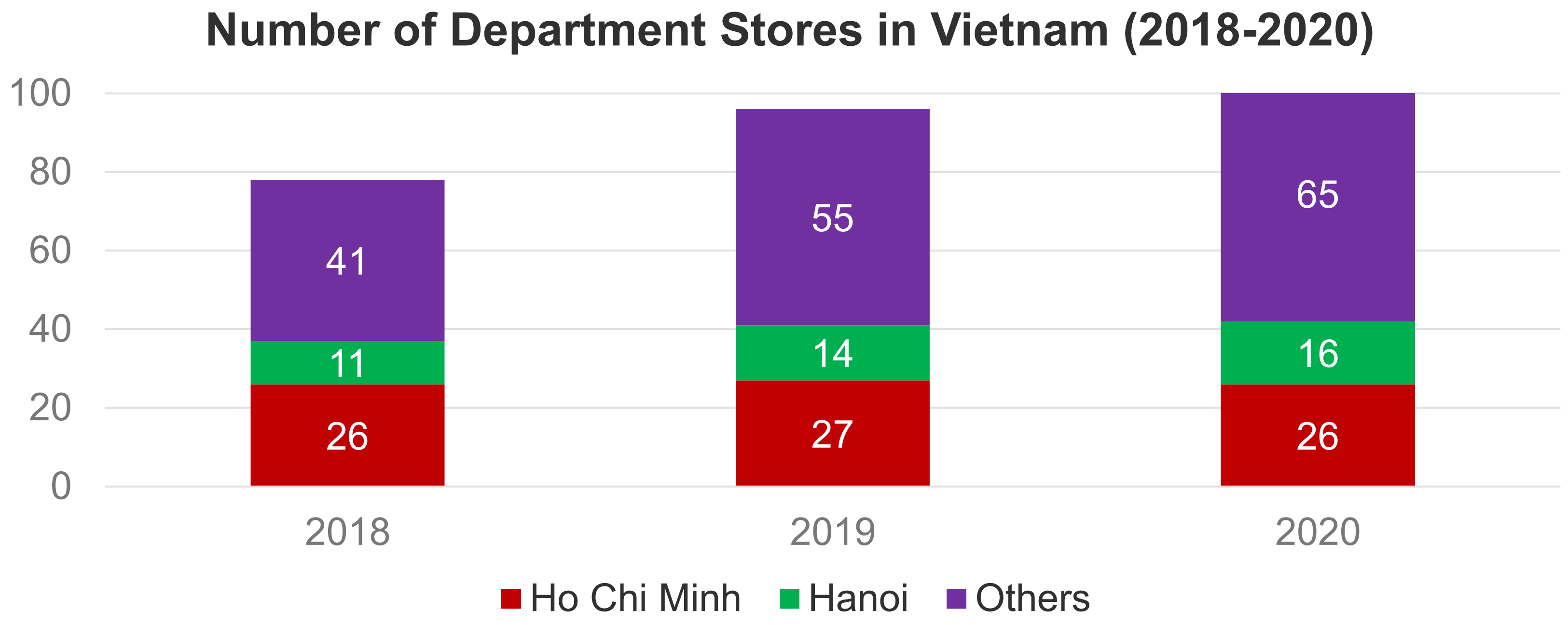
RECAP

- Number of outlets decrease by 12% because of VinMart's closure after Masan acquisition.
- Many M&A happened:
  - Maximark to VinMart (2015)
  - Fivimart to VinMart (2018)
  - VinMart to Masan (2020)
  - Big C, Lan Chi Mart to Central Group
- The major challenges for supermarkets/ hypermarkets in Vietnam are the high rents and the administrative red tape. Land and properties are owned by the Vietnamese government who charges high rents, especially in the central business districts of major cities. Statistics show that supermarkets can takes more than five years to breakeven in Vietnam, twice the time needed in Indonesia, Malaysia, and Singapore.

Department Store

Name	Year of entering	No. of outlets	Coverage	Product portfolio	Brief introduction
Vincom	2004	46	Nationwide	Shopping complex with one-stop-shop experience; selling mainly mid to high-end branded goods plus other services such as food court, movie theatres, etc.	Vinmart+ belongs to Vingroup - the largest multi-industry private corporation in Vietnam, working in real estate, retail, education, hospitality, healthcare, agriculture and heavy industry.
Parkson	2005	6	Nationwide	Department store model, mainly mid to high-end branded goods.	Parkson is a member of The Lion Group, an international conglomerate which was established in the 1930s in Malaysia. Parkson is currently operating a network of 123 department stores across multiple countries, spanning 2.1 million sqm of retail space.
AEON Mall	2011	7	Nationwide	All-in-one experience: AEON has products for everyone regardless of age or gender; Japanese goods play a considerable part.	AEON was established in 1758, and is one of the oldest corporation in Japan, with approximately 16,500 stores and centres across multiple countries worldwide.
Takashimaya	2016	1	Ho Chi Minh	Ho Chi Minh City Takashimaya was opened in July 2016 as part of Saigon Centre, a complete one-stop shopping center located in Ho Chi Minh City, Vietnam.	Ho Chi Minh City Takashimaya belongs to Tonshin Development Group from Japan. It serves as the primary tenant of Saigon Centre, Ho Chi Minh City's first shopping center. At the center of Vietnam's economy and business operations, Ho Chi Minh City is a promising market with high potential for future growth.
Crescent Mall	2011	1	Ho Chi Minh	Crescent Mall offers a vast array of international and leading local brands, food outlets, supermarket, department store and cinemas plus a multitude of entertaining activities for an ultimate shopping and leisure experience.	Established by Phu My Hung Development Corp, Crescent Mall is one of the first shopping mall in Vietnam which offered luxurious and international standard malling experience. In 2016, Crescent Mall again became a market pioneer when it launched the first ever mobile-based retail membership program in the country.
GO!	2018	6	Nationwide	GO!'s strategy focuses on the diversity of products and reasonable price. The company's main target area is 2nd and 3rd tier cities.	Owned by Central Group, GO! Is re-branded from Big C hypermarkets.

Department Store



Source: Vietnam retail store statistic 2020 Report of Q&Me Research – Link

Department Store

Department Store Distribution in Vietnam (2020)

Name	Ho Chi Minh	Hanoi	Others	Total
Vincom	13	10	54	77
AEON Mall	2	2	1	5
Crescent Mall	1	0	0	1
Diamond	1	0	0	1
Lotte Mart	4	3	8	15
Parkson	2	0	2	4
Robins	1	1	0	2
Takashimaya	1	0	0	1
VivoCity	1	0	0	1

Source: Vietnam retail store statistic 2020 Report of Q&Me Research – Link

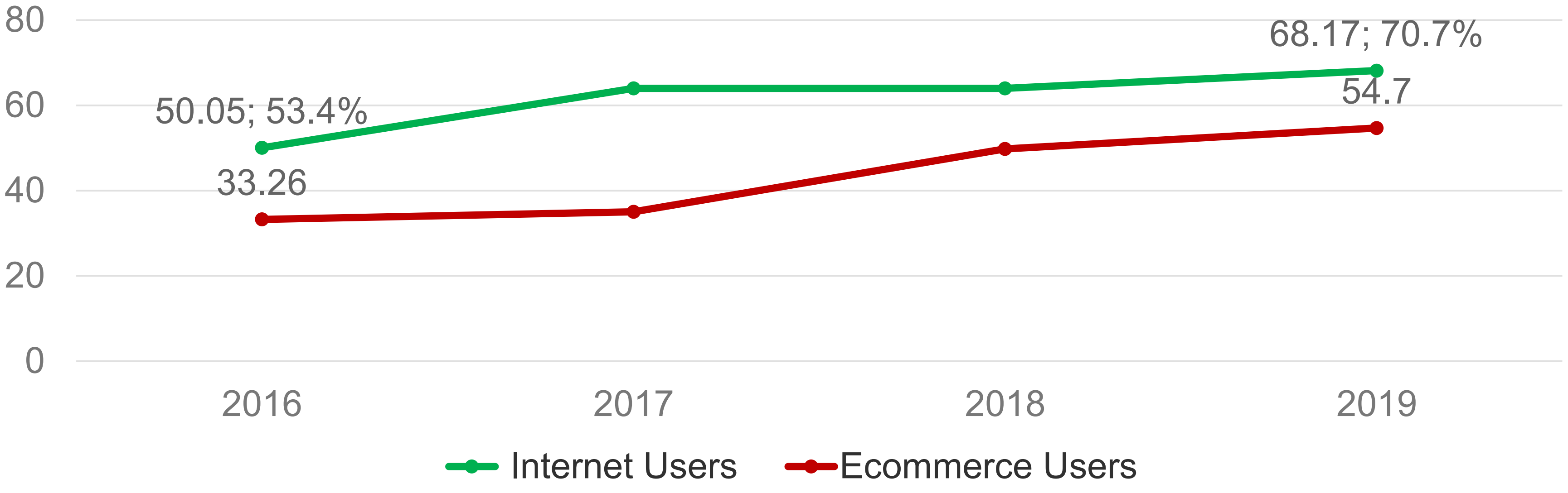
RECAP

- Number of department stores has increased by 23% driven by the increase in sub-areas , but the Traditional channels still play an important part.
- Location is key with this channel. The competition is fierce in HCMC and Hanoi. There are many opportunities outside top-tier cities.
- The number of outlets does not equal growth.
- Overall pressure that is mounting in the market. Evidence is the recent closure of Parkson's department store outlets in Hanoi, and several other department stores, including Pico Sai Gon and Zen Plaza, have also closed or curtailed their scope of operations

Online Channels

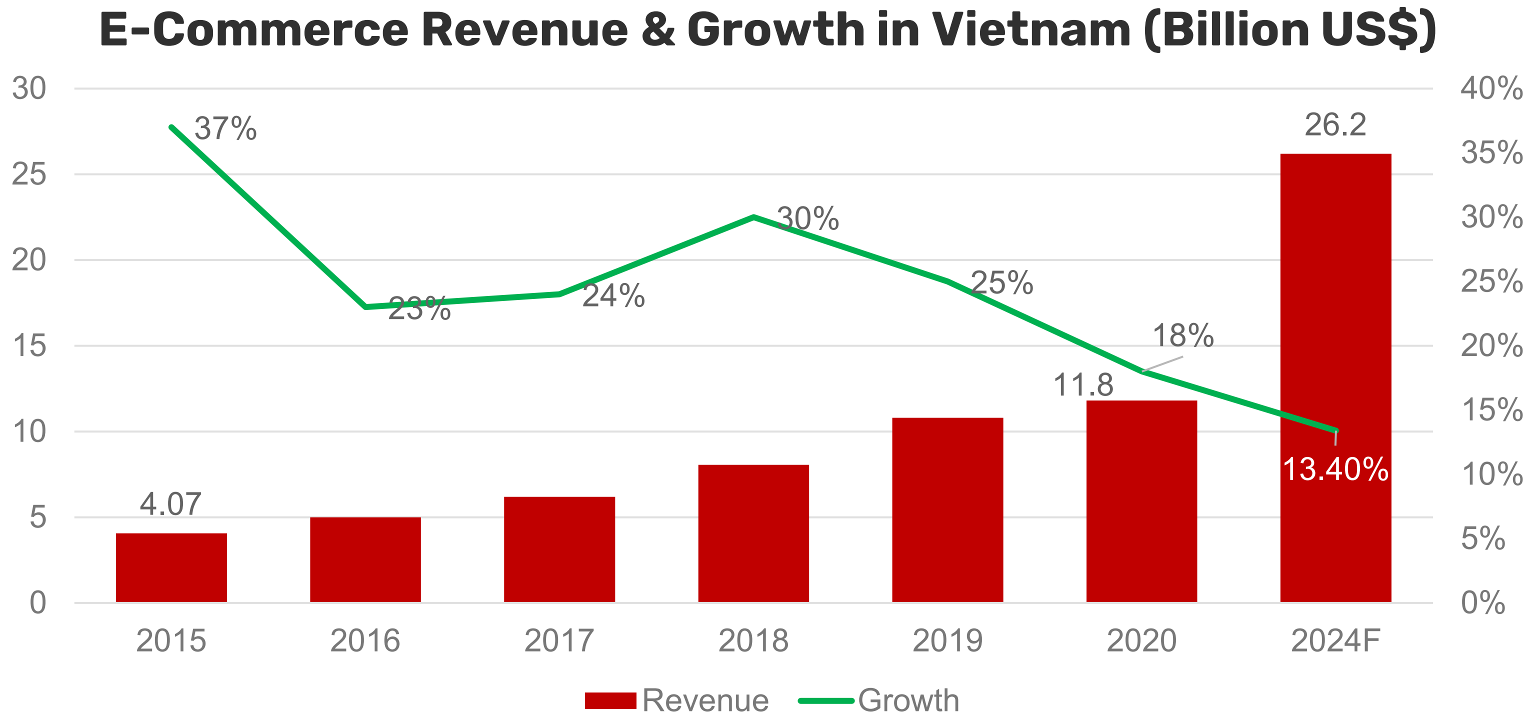
Online Channels

Active Internet/Ecommerce Users in Vietnam 2017- 2019 (Million)



Source: Vietnam's E-Commerce Landscape 2020 – Link

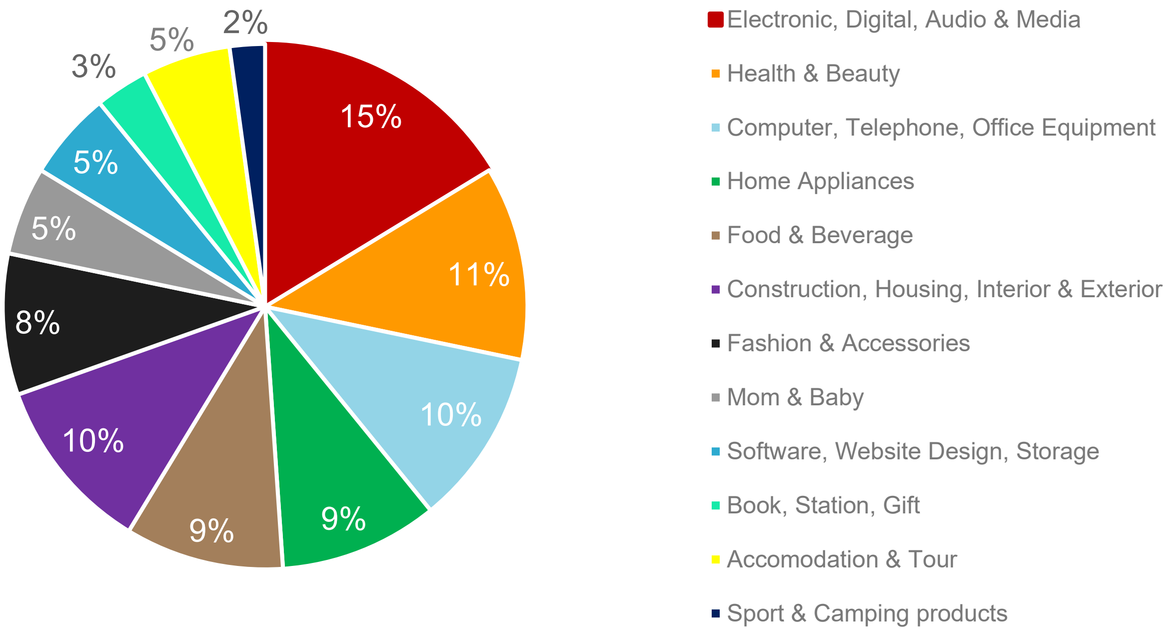
Online Channels



Source: Hanoitimes – Link

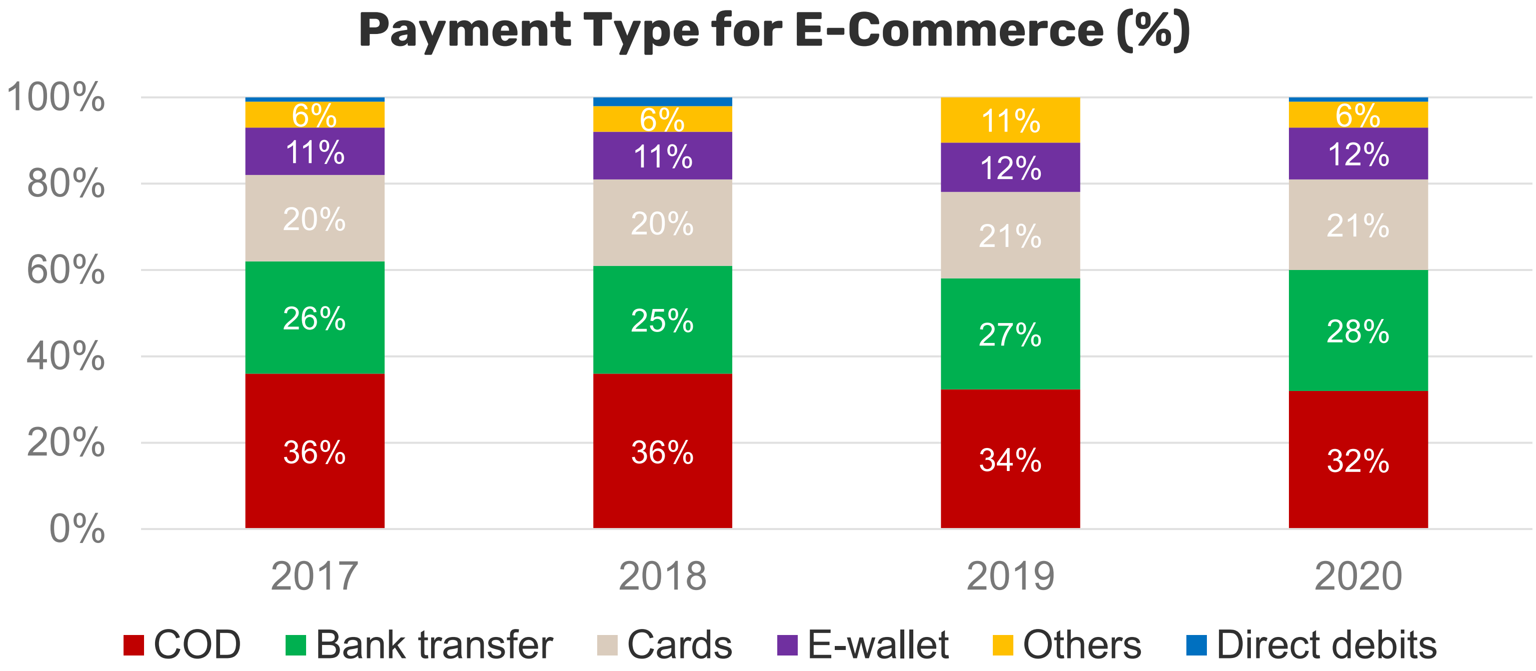
Online Channels

The most purchased goods & services on E-commerce 2017



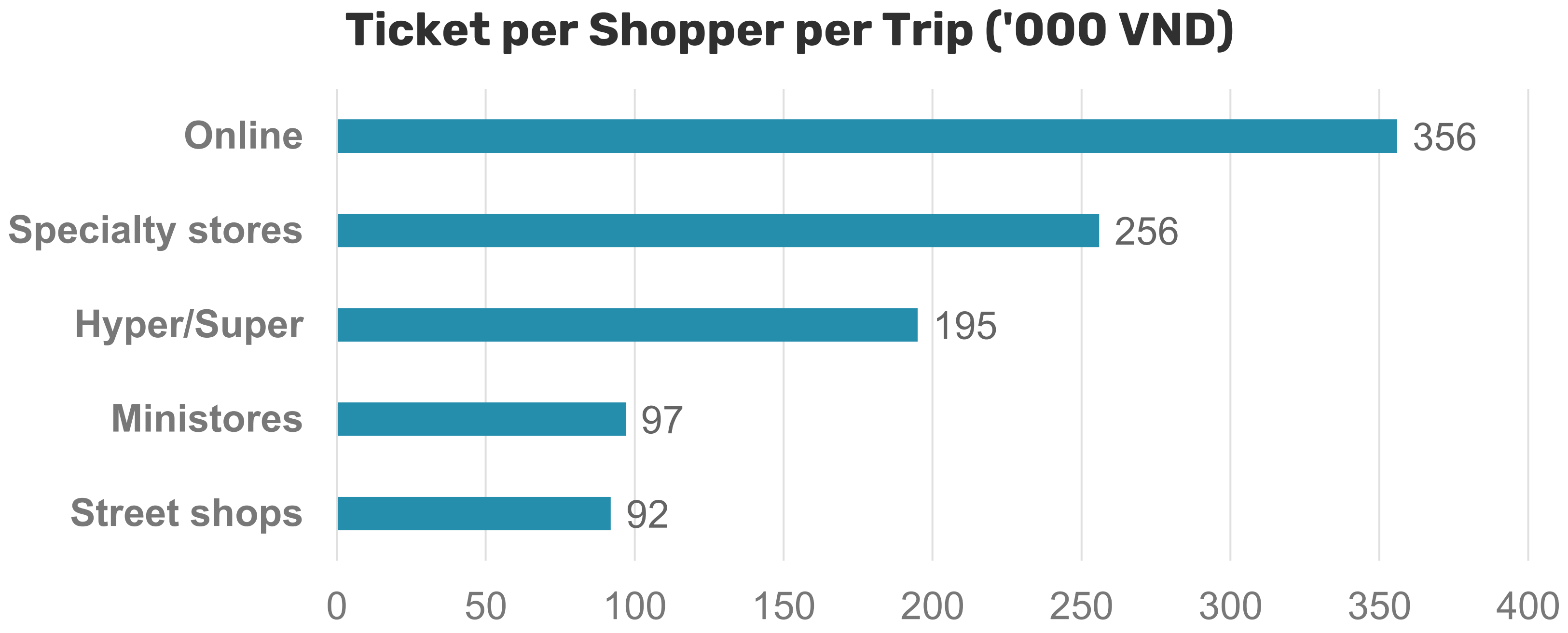
Source: Vietnam Market Entry Analysis of VECITA– Link

Online Channels



Source: E-Commerce in Vietnam Report of Statista – Link

Online Channels



Market Players

Name	Year of entering	Monthly web visits (2019)	Brief Introduction
Shopee	2015	62,702,800	Latecomer, but Shopee has completely taken the lead in the E-commerce race in Vietnam as well as the region. Shopee is also the eCommerce platform in Vietnam with the most monthly app downloads and active users. The massive marketing and promotional campaigns proved effective in attracting both buyers and sellers to Shopee.
Tiki	2010	22,563,600	Starting as an online website for selling books and stationery, Tiki has now become one of the leading E-commerce sites in Vietnam. With a meticulous product inspection process and a professional logistics system, Tiki has become Vietnamese consumers' most reliable brand. Tiki's two major investors are Vietnam's VNG and China's JD.com.
Lazada	2012	20,155,700	As a Southeast Asia-focused E-commerce platform from Alibaba Group, Lazada goes hand in hand with Shopee as the two biggest eCommerce platform in Vietnam. Lazada values customer experience with the aim of providing the most beneficial services and policies to their shoppers.
Sendo	2012	14,051,800	As a eCommerce platform in Vietnam under FPT Corporation, Sendo is developing at an unbelievable speed through the strategy of allocating resources to small cities and rural areas – which are often overlooked by other players. Sendo currently doesn't support cross-border shipping, thus your stock has to be in Vietnam.

RECAP

- Powered by increasing Internet access, wider smartphone usage and improved technological infrastructure, the E-commerce landscape in Vietnam has developed impressively in recent years
- The online trade had significant movement:
  - Its market value of 11.8 billion US$ in 2020, and a notable yoy growth rate of 11.8%, the highest growth rate in SEA
  - B2B online trade continues to receive support from the government and from key players from within and outside Vietnam, including Alibaba and Amazon.
- This boom in E-commerce is expected to be followed by several trends.
  - Mobile commerce can expect to grow steadily thanks to the increase in 3G and 4G subscriptions and smartphone penetration
  - E-marketplaces are gaining much popularity with B2C, C2C platforms such as Sendo, Tiki, Shopee. The most prominent C2C platforms, however, are social media platforms like Facebook Marketplace. All these trends put pressure on the E-commerce logistics industry and call for the expansion of the network and new logistics solutions.
  - Cross-border E-commerce is expected to grow as the government implements a legal framework and creates incentives

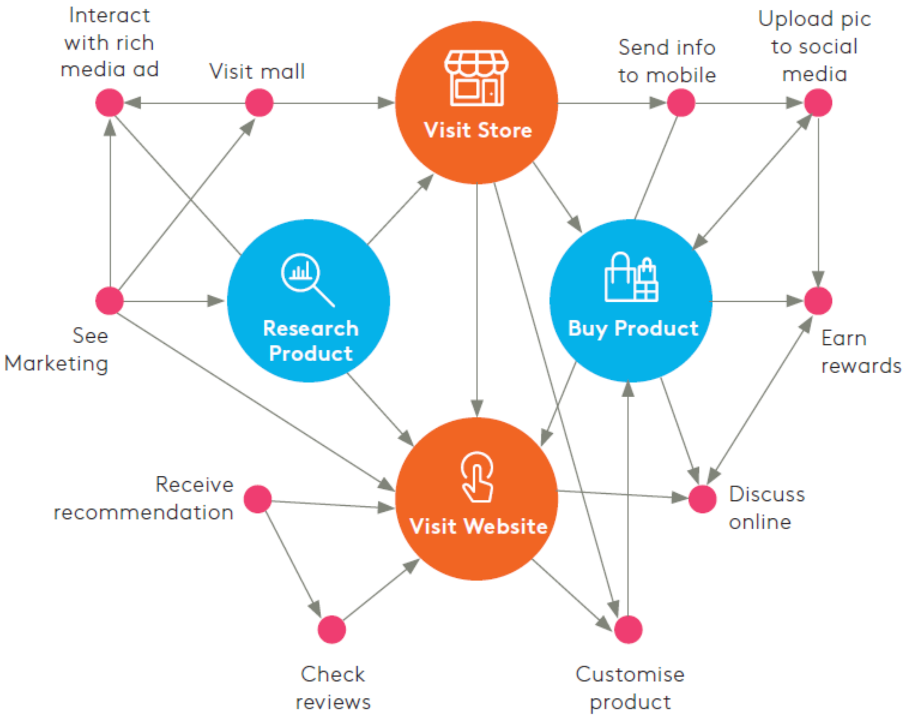
RECAP

- The main caveat of the E-commerce industry in Vietnam is the lack of trust. This attitude discourages people from participating in online trade due to concerns over product quality, data privacy and unfuelled orders. Also, the technological infrastructure and logistics networks have not met up with the rise of E-commerce
- Another barrier is the skewed preference of Vietnamese consumers for cash-on-deliver payments. Vietnam is still a cash-heavy country.

- Only 31% of Vietnamese adults have bank accounts.
- More than 95% of payments are made with cash and gold.
- Keep cash/gold as a form of savings/investment.

- There is shift on payment methods: More e-wallet users and cashless payments:
  - Convenience
  - Promotions with e-com platforms
  - Government’s support

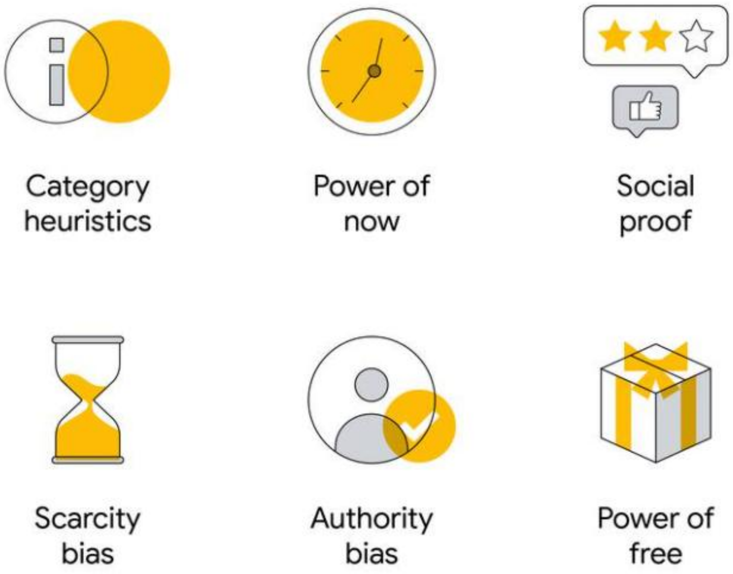
Customer Journey



The customer journey of E-commerce is more sophisticated and complex, through main steps: **Trigger -> "Messy middle" -> Purchase**

Customer Journey

Some important things for E-commerce



- Category heuristics: short descriptions of key product specifications can simplify purchase decisions.
- Power of now: the longer you have to wait for a product, the weaker the proposition becomes.
- Social proof: recommendations and reviews from others can be very persuasive
- Scarcity bias: as stock or availability of a product decreases, the more desirable it becomes
- Authority bias: being swayed by an expert or trusted source
- Power of free: a gift goes with a purchase, even unrelated, is a powerful motivator

Trends

ME	MORE	BORED	WORRIED
Personalization	Brand ecosystem	Experiential concepts	Health-related products
Social media	Convenience	Limited edition products	CSR/Environment and global crisis involvements
Product exclusivity	Purchasing power	Choosing dilemma	Vegan
Self-care products	The urge to buy more caused by the availability of products created to answer more specific needs	Virtual tour	Improving financial literacy and shifting financial habits. => Value for money deals
Localization/Nationalism			Trust

Trends

	Product Category	Preference for Local brands	Preference for Foreign brands
Food & Beverage	Beverages (Alcoholic)	93%	7%
	Beverages (Non-Alcoholic)	98%	2%
	Confectionary	97%	3%
	Packaged Foods	98%	2%
	Tobacco	84%	16%
Non-Electronics	Clothing & Footwear	94%	6%
	Household Cleaning Products	98%	2%
	Personal Hygiene Products	93%	7%
Consumer Electronics	Audio & Video Electronics	1%	99%
	Household Appliances (Major)	6%	94%
	Household Appliances (Small)	20%	80%
	Mobile phones, Digital cameras & Other gadgets	1%	99%

Vietnamese consumers are generally ethnocentric. They support local brands & products.

- 71% believe that local products are of high quality
- Mostly focus on the regular products: Food & Beverage; Non-electronics products

Trends

Finding Ease, Loving Life

"I would like to see more new products to pamper myself/ indulge myself"
"I would like to see more new products to ease my life"

41% Urban (4 cities) 30% Rural

Self Empowerment

"I believe in benefits claimed by products"
"Nowadays I spend more time looking for information before buying"

55% Urban (4 cities) 59% Rural

4. Recommendations

SUMMARY

- The economic growth, rising middle class, urbanization and higher standards and demands for sanitation and hygiene keeps on fueling its growth in Vietnam's retail industry.
- Traditional retail remains the preferred method of shopping for Vietnamese consumers, but growth in modern retailing is inevitable, backed with many competitors with enormous financial capabilities
- Consumers are young, optimistic, and seeking for Simplicity and Convenience
- Should consider rural areas as long-term, potential market with a large amount of customers, huge needs for good-quality products and modern supermarkets
- Vietnam has strong foundation for E-commerce to take off with high internet and smartphone penetration. Though, the E-com consumers now are very promotional driven. So the businesses need to overcome trust issue for sustainable growth
- E-commerce should not only be used as an alternate means of selling products, but that companies should also focus on creating an ecosystem/interactive platform where consumers can benefit beyond merely buying/selling goods

THE END