

BUSINESS SOLUTION – VIETNAM BEER MARKET

1. General information

To decide whether to enter a specific market or not, firms need to consider the factors presented in the following table:

Factor		Required information
Country	Economic, social and political environment	Stability and/or growth
	Policies	Influential policies, the extent of openness to international trade
Market	Growth potential	Is the market expanding or shrinking?
	Market research and segmentation	What are different segments of the product on the market? Which one is the firm's target market? Who are its potential customers? What is data about their demographics, psychographics...?
	Market size and demand	How many potential customers exist? What is the demand for the firm's offering? Is there a gap in the market that this offering can fill?
	Competitive environment	Competitors: number, market share, revenue, pricing... What is USP of the firm? Is there room for differentiation?

2. Vietnam beer market analysis

2.1. Vietnam market

2.1.1. *Economic, social and political environment*

- According to The World Bank, Vietnam is ranked 101/194 worldwide in terms of political stability¹.
- According to the General Statistics Office, although Vietnam's socio-economic situation in the first 6 months of 2023 continued to be influenced by unfavorable factors in the world economy, GDP in the first 6 months of 2023 was estimated to increase by 3.72%,

¹ "Worldwide Governance Indicators 1996 - 2021." WGI-Home, info.worldbank.org/governance/wgi/.

of which GDP coming from end consumption increased by 2.68%. This is a positive result in the context of the economy facing many difficulties and challenges.²

2.1.2. Influential policies

- The Government's socio-economic recovery and development program creates many conditions to promote business development in difficult socio-economic situations.
- For foreign investment: Vietnam focuses on the process of international integration, the Government has many policies to promote trade and integration³. According to research from Cimigo, Vietnam is the most connected trading country in the world.
- However, a number of regulations issued by the Government applicable to the alcohol industry have created major barriers for beer and alcohol businesses:
 - Law on Prevention of Harmful Effects of Alcohol: From January 1, 2020, people participating in traffic after drinking alcohol can be fined from 30-40 million VND, losing the right to use their driving license for 22 to 24 months. Right from the drafting stage, this regulation caused stocks in the entire beer industry to decline by 13%.
 - Advertising Law: Managing advertising of alcohol with less than 15% alcohol and beer; Limit the use of images of actors drinking alcohol in film, stage, and television productions; Prevent people under 18 years old from approaching, accessing information and buying alcohol.
 - Taxes and production licenses: Alcoholic beverages in Vietnam are subject to 3 types of taxes: import tax (from 5-80% depending on the type of FTA), value added tax (10%) and special consumption tax (increased sharply from 50% to 65% in 2018).

CONCLUSION: Vietnam is a potential market for investment because of its stable economic - political - social situation and support and facilitation from the Government. However,

² “Kinh tế - xã hội Việt Nam 6 Tháng Đầu Năm 2023.” Vietstock, 30/06/2023, vietstock.vn/2023/06/kinh-te-xa-hoiviet-nam-6-thang-dau-nam-2023-761-1083356.htm

³ “Đánh giá thương mại và hội nhập quốc tế của Việt Nam năm 2022 và hàm ý chính sách”. <https://www.quanlynhanuoc.vn/2023/01/03/danh-gia-thuong-mai-va-hoi-nhap-quoc-te-cua-viet-nam-nam-2022-va-ham-y-chinh-sach/>

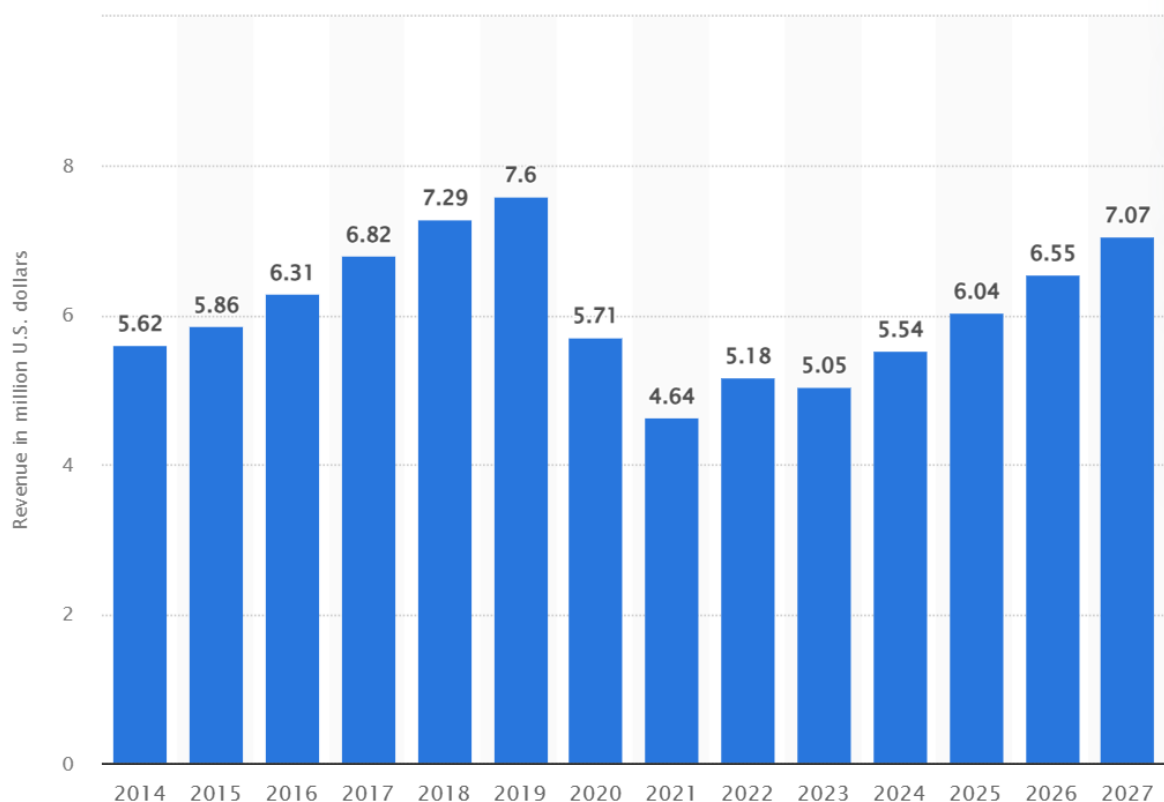
businesses need to consider limitations (limited advertising, high tax rates) compared to their potential to evaluate their ability to develop and make profits in the market.

2.2. Vietnam beer market

2.2.1. Growth potential

- Vietnam ranks 9th in the world and leads the ASEAN region in beer consumption with more than 3.8 million kiloliters in 2020, accounting for 2.2% globally. Beer production accounts for about 95% of Vietnam's total alcoholic beverage consumption and annual beer consumption is constantly increasing⁴.
- Beer industry revenue in Vietnam is predicted to continuously grow from 2023 - 2027, with an estimated growth rate of 39.6% (2 billion USD).

Figure 1 Revenue of Vietnam beer market 2014 – 2027 (unit: million USD)



Source: Statista

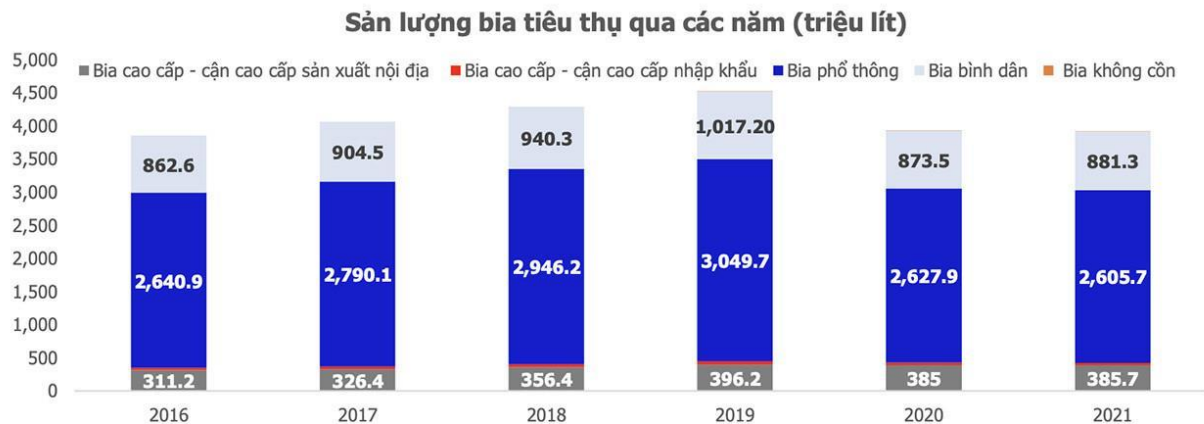
CONCLUSION: Vietnam beer market has growth potential.

⁴ Results of the 2020 population living standards survey, General Statistics Office

2.2.2. Market research and segmentation

Vietnam beer market is divided into 3 main segments: low-priced, middle-priced and premium beer. Besides, we should also consider two new segments that have a lot of development potential: non-alcoholic beer and craft beer.

Figure 2 Beer consumption over segments 2016 – 2021 (unit: million liter)



- Low-priced beer: product with low alcohol content, aimed at low-income segments, often produced in small factories or at home → cannot control quality.
- Middle-priced beer (main segment): mainly serves the middle-income class, selling price ranges from 4,000 - 9,000 VND.
- Premium beer: selling price over 10,000 VND, tends to increase in revenue.
- Non-alcoholic beer: Alcohol content no more than 0.05%; has the potential to develop in Vietnam following the trend of pursuing a healthy lifestyle among Vietnamese people, especially young people⁵. This is a potential segment because this segment is still quite "young", the number of non-alcoholic beer brands in the Vietnamese market so far can only be counted on the fingers of one hand⁶.

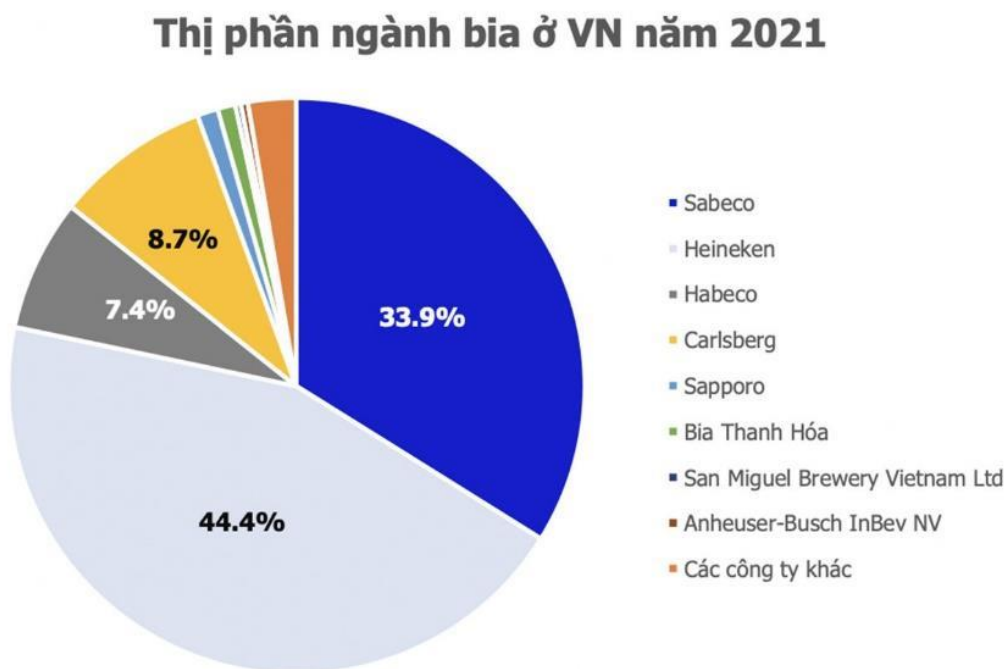
⁵ Bia không cồn - 'át chủ bài' của ông lớn ngành bia – VnExpress. <https://vnexpress.net/bia-khong-con-at-chu-bai-cuaong-lon-nganh-bia-4094371.html>

⁶ Vietnam beer market research report 2020 and 2021, ACT Group. <https://actgroup.com.vn/bao-cao-nghiencuu-thi-truong-bia-viet-nam-2020-va-2021/>

- In addition, craft beer is also a new segment that is growing in the Vietnamese beer market because it is different, less dependent on imported ingredients and consistent with Vietnamese consumption trends⁷.

To be able to assess Vietnam beer market as comprehensively as possible, it is supposed that the firm can enter any of these segments. In this scenario, it is necessary to evaluate each segment to conclude which one is most suitable for the firm – adds the most value to the customers. Therefore, a competitor analysis is conducted.

Figure 3 Market share of Vietnam beer market (2021)



Source: MBS

The Vietnam beer market is dominated by a group of four major brands: Heineken, Sabeco, Carlsberg and Habeco.

- Sabeco: focuses on the middle-priced segment - the segment with the highest consumption volume in the market; has outstanding advantages in terms of brand, production scale and distribution system compared to competitors.

⁷ Việt Nam là thị trường tiềm năng của các nhà sản xuất bia thủ công – 419. <https://419.vn/viet-nam-la-thi-truong-tiemnang-cua-cac-nha-san-xuat-bia-thu-cong/>

- Heineken: Heineken and Tiger beer products dominate the premium beer segment in Vietnam with about 85% market share.
- Habeco: dominates the Northern market.
- Carlsberg: focuses mainly on the Central market and rural areas.

CONCLUSION: Middle-priced beer is a potential main segment in the Vietnamese market; however, competing with Sabeco - the main competitor in this segment - is quite difficult because Sabeco holds many outstanding advantages. The premium beer segment has also been dominated by Heineken. The potential niche market for businesses in the current Vietnamese beer market is the non-alcoholic beer segment, with revenue increasing significantly in recent years. Therefore, the non-alcoholic beer segment is chosen for further analysis.

2.2.3. Market size and demand

- According to IWSR, consumption of the non-alcoholic/low alcohol beverage market is expected to grow by 31% by 2024, with a CAGR of about 14%. In particular, non-alcoholic/low alcohol beer currently accounts for 92% of the market share of this product group.⁸
- The non-alcoholic beer segment has strong growth potential due to being in line with the Vietnamese trend towards a healthy, balanced lifestyle⁹.
- The non-alcoholic beer segment has more potential for development since the Law on Prevention of Harmful Effects of Alcohol, Decree 100, applied from January 1, 2020, severely fines drivers of vehicles with alcohol levels in blood and breath.

CONCLUSION: The non-alcoholic beer segment has potential growth.

2.2.4. Competitive environment

The number of non-alcoholic beer brands in the Vietnamese market so far can only be counted on the fingers of one hand, such as Heineken 0.0, Sagota, Steiger, Bavaria, Oettinger... Among them, there is no brand that has an overwhelming market share in the market.

⁸ IWSR Drinks Market Analysis 2022

⁹ Consumer Panels, Kantar Worldpanel Vietnam

Table 1 Brands competing in Vietnam non-alcoholic beer market

Brand	Price segmentation	Brand positioning
Heineken 0.0	VND 490,000/crate (24 330ml cans/ bottles)	Pioneering, low-calorie beer brand → attract gymmers or people who are in the process of losing weight...
Sagota	VND 360,000/crate (24 330ml cans)	The only domestic brand, attractive price
Steiger	VND 780,000/crate (24 500ml cans)	The unique flavor comes from the blend of cool lemon aroma and characteristic bitterness from hops.
Bavaria	VND 540,000/crate (24 330ml cans)	Diverse fruit flavors create a delicious and pleasant feeling.
Oettinger	VND 780,000/crate (24 500ml cans)	Still retains the typical taste of beer even though it has 0% alcohol content.

CONCLUSION: There are not too many non-alcoholic beer brands in the Vietnam market with almost the same price (except Sagota, which is a domestic brand, thus has a price advantage), each brand has its own brand positioning. This market is still young in Vietnam and there is still a lot of room for businesses to develop. Businesses can choose a segment that suits their products or create a completely new segment, thereby building appropriate market penetration strategies.