Grabbing a Slice of Vietnam Market

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Important Cities in Vietnam

Hanoi:

Capital City
Population: 7.5 million

Ho Chi Minh :

Main Commercial Hub
Population: 12.8 million

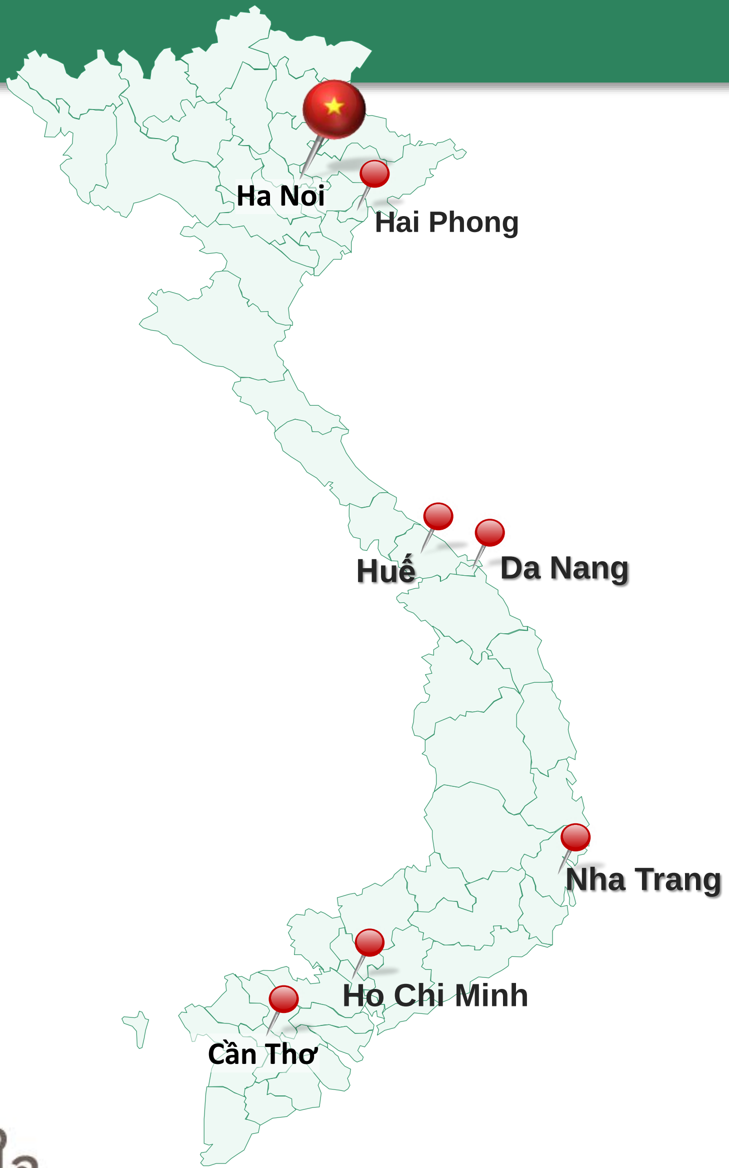
Da Nang:

Central Hub
Population: 1 million

Population: ***92.5*** million

The **14th** largest of **Word Population**

GDP: USD 265 billion



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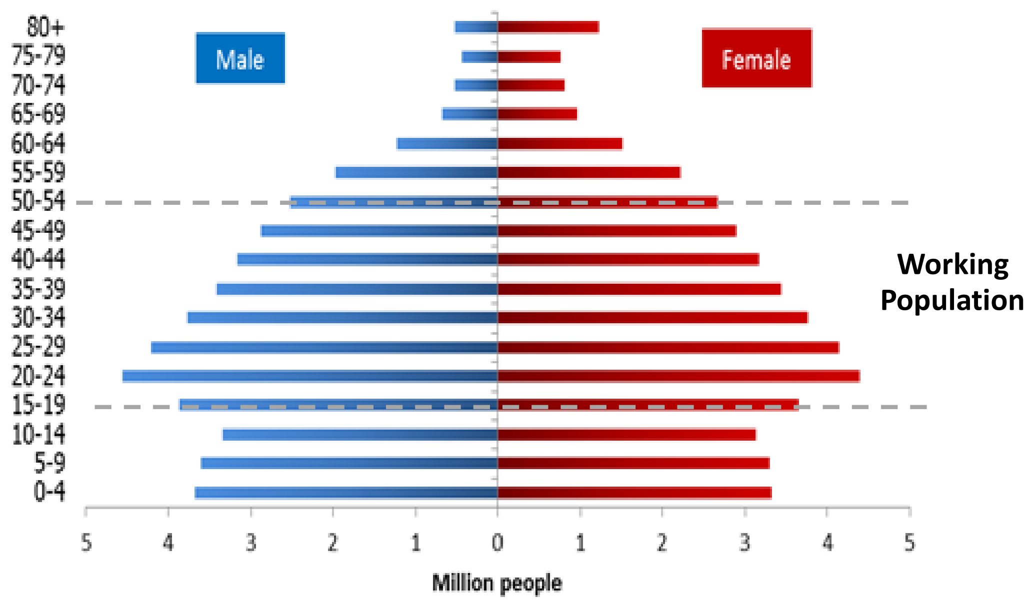
Market Overview

Urbanized, more middle income and affluent, and young working populations represent the dynamic market in Vietnam.

Population Pyramid in Vietnam, 2015



"Upper Middle income Tax"

2035 $$$ **USD 18,000**
THB 630,000

2019 $$ **USD 2,950**
THB 103,250

2015 $ **USD 2,200**
THB77,000

Data Source: World Bank, UN Population Data, IMF World Economic Outlook

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Consumer Behavior – Regional Difference

Most firms start from ***South***

North

- Spend more **carefully**
- Do NOT have shopping habits
- Look for **convenience**
- Conservative; prefer traditional / fresh products over processed food.

South

- Spend more **recklessly**
- Weekend bulk shopping; family time at department store.
- Look for **pleasure**
- Open to new things; eager to try new products

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Regional Taste Differences

Common features: (1) *freshness*, (2) *presence of herbs and vegetables*, (3) *broth or soup-based*.

North

Light and plain taste; not bold in any particular taste.

Central

Spicy and salty; more chili peppers and shrimp sauce.

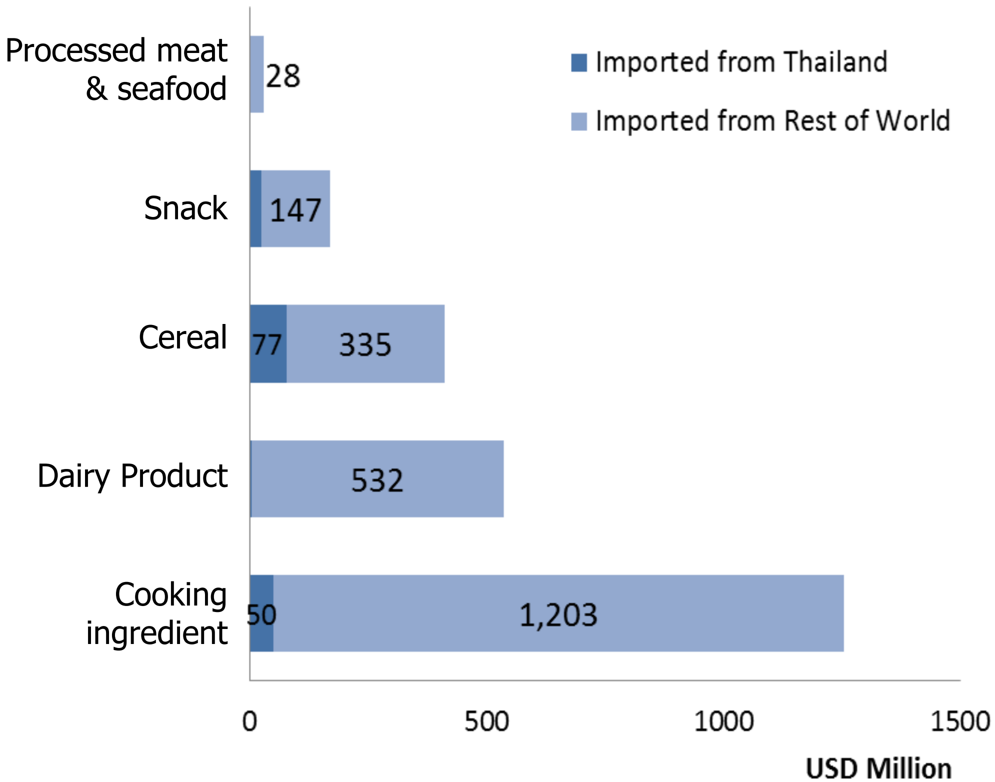
South

Sweeter, greasy and diversified; more variety.

Foods & Beverages

Processed Food Market

Import Value of Food Products 2015 (USD)



Data Source: UN International Trade Centre

New Trend: Shift to more demand for higher value food, confectionary, dairy products, processed meat and seafood.

Food Consumption Pattern and Preference

- **More opened and diverse, sourced from the world**
- **Dairy products, French colonial influence**
- **Snacks, confectionary, processed meat and seafood, next area of growth**
- **Higher-value food: increasing middle class** – safer, more nutritious, more convenient, more hygiene

Processed Food Market – Major Players

- **Processed Meat**
  Market Value **(USD 1.0 Billion)**

VISSAN · Masan consumer · C.P. GROUP · ตราสามแม่ครัว

- **Dairy Products (Milk, Yogurt)**
  Market Value **(USD 4.1 Billion)**

VINAMILK VƯƠN CAO VIỆT NAM · TH true MILK · FrieslandCampina

Vissan Products

CP in Vietnam

Vinamilk Products

Beverage Market

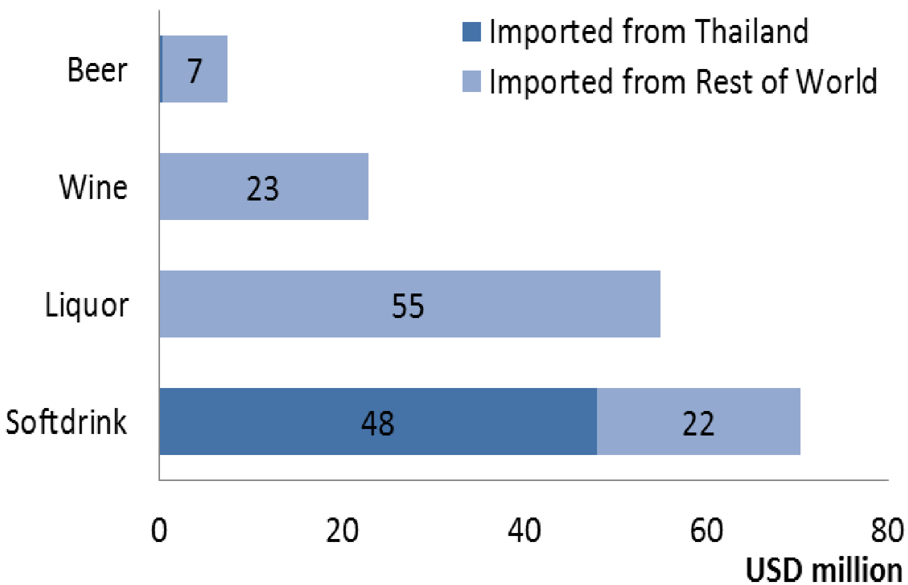
Tea, coffee and beer have penetrated in Vietnamese lifestyle. Soft Drink and healthy drink have growth potential owing to the shift to higher value consumption.

Key Drivers

Retail

Tourism

Import Value of Beverage Products 2015



Local middle class enjoys Bia Hoi draft beer with local cuisine after work – typical evening activities among Vietnamese.

Data Source: UN International Trade Centre

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Beverage Market – Major Players

- **Beer** is popular among Vietnamese; especially among men and youngsters.

Market Value **(USD 5 Billion)**

North	Central	South:

Privatization in Beverage Company

Sabeco (Saigon Beer)	89.6%	**Potential Investors:** Asahi, Kirin, Heineken, Thai Beverage, Boon Rawd Brewery
Habeco (Hanoi Beer)	82.0%	**Potential Investors:** Carlsberg

- **Soft Drink**

Market Value **(USD 2.1 Billion)**

SUNTORY PEPSICO

THP GROUP

URC VIỆT NAM CO., LTD

- **Coffee & Tea** are widely consumed; penetrated in lifestyle.

Market Value **(USD 760 Million)**

Nestlé

Vinacafé

Unilever

NESCAFÉ

Trung Nguyen

Data Source: UN International Trade Centre

Consumer Behavior – Marketing Campaigns

Price:

Free Gift or Buy 1 Free 1:

Distribution Channels - Hanoi

Hanoians' Convenience Store:

- ***Convenient*** = near to home or office;
- On ground floor, just park the bike and walk in. Quick.
- **90%** are still Local mom and pop shops.

Middle-Upper Class (with overseas experience)

- ***Some shop at supermarkets***

Distribution Channels– Ho Chi Minh City

Saigon's Convenience Store

- ***Comfort*** and convenient
- Close to large community
- ***Hang Out*** – Dining space
- "Lunch-box" popularity

List of convenience stores:

- Shop & Go
- Circle K (JP)
- **B's Mart (TH)**
- Vinmart+
- Ministop
- **Big C Express (TH)**
- Family Mart (JP)

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Distribution Channels– Ho Chi Minh City

Saigon's Supermarkets

Wide range of variety; more service-minded; competitive

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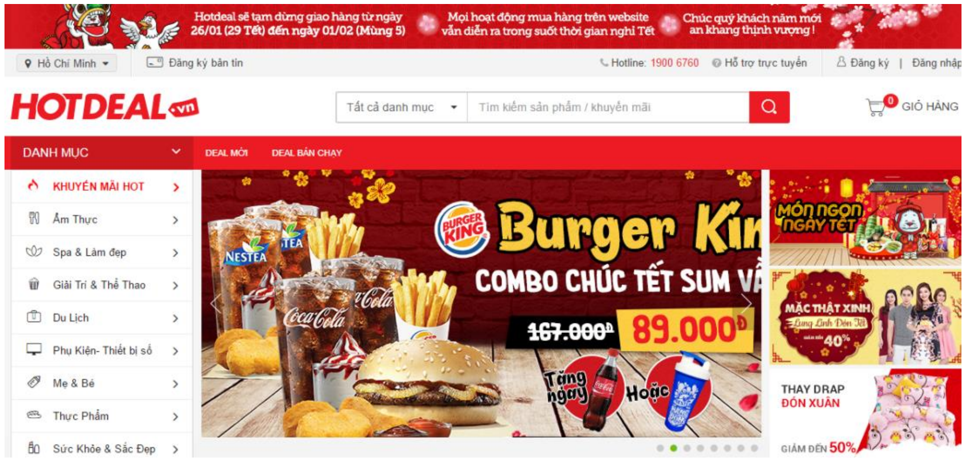
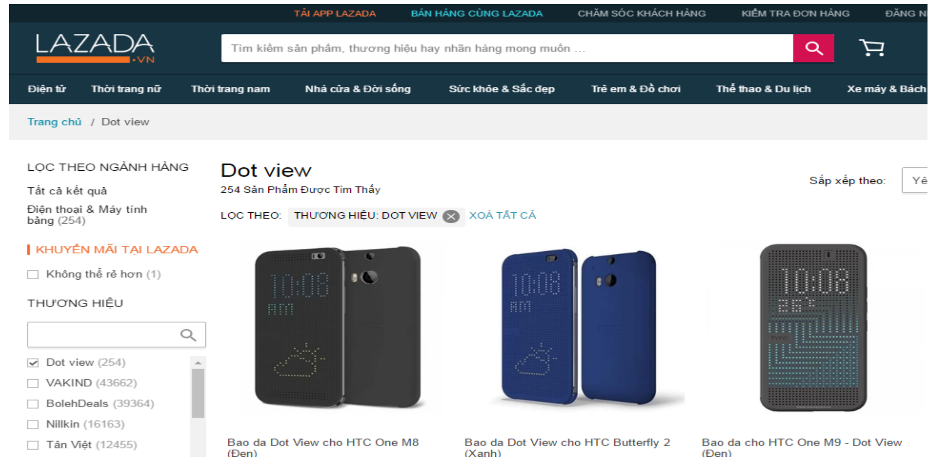
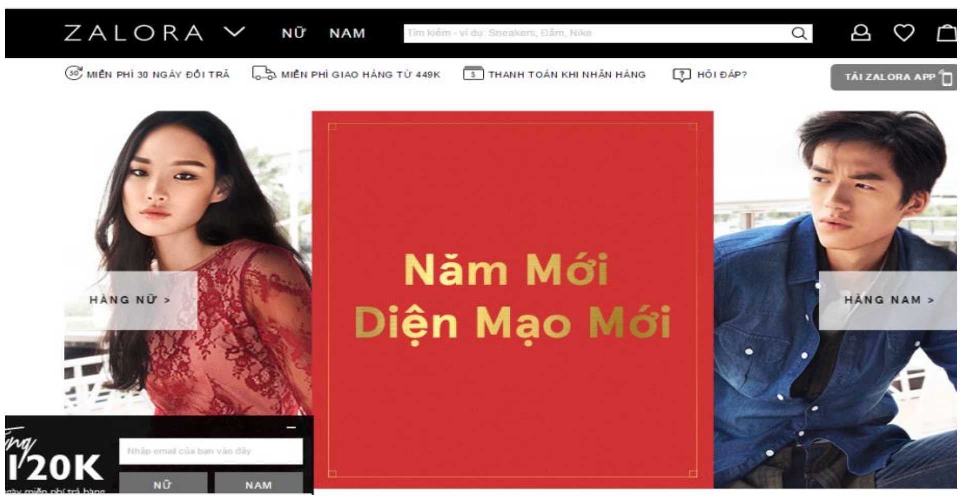
Distribution Channels – E Commerce







E- Commerce

- Most shoppers are using e-commerce to search information and compare pricing before execution at the shop.

- Currently, only 5% of Vietnamese are using this channel to shopping.

Vietnam Market Entry – Key Considerations

High recognition of Thai Products

Attractive market size; dynamic demography; growing middle class

1 ***Regional difference - taste and behavior***

Regionally different consumer behaviour: different product, channel and marketing.

2 ***Distribution – North and South Separation***

Owing to historical reason and geographical constraints.

3 ***Increasingly intense competition***

Expect competition from both local and foreign firms.

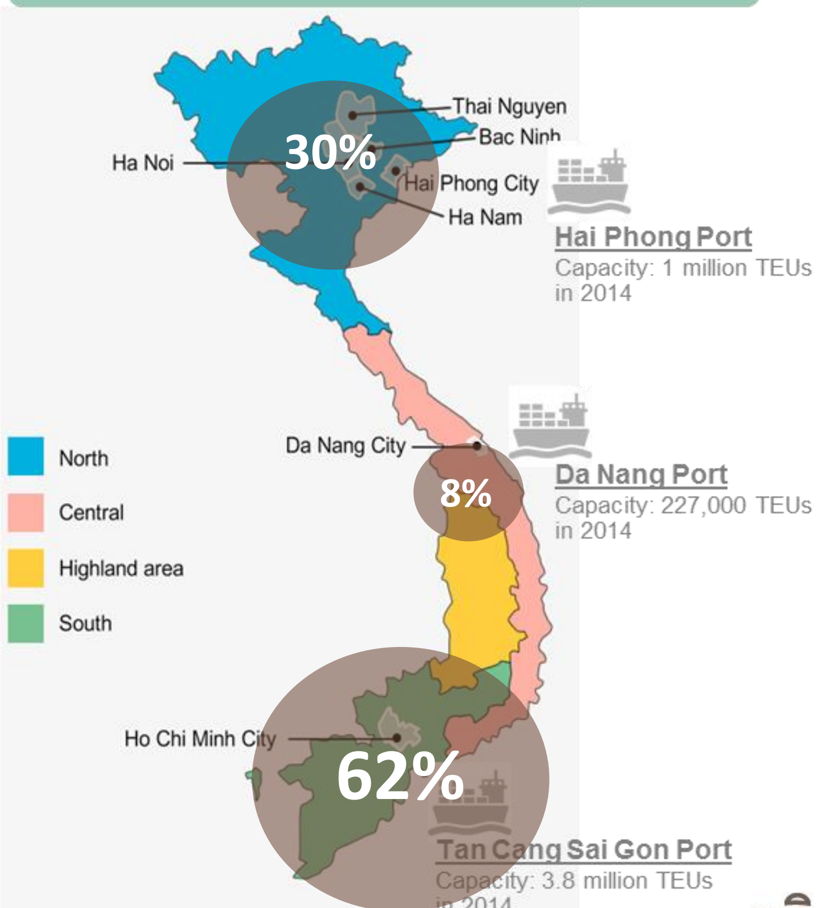
4 ***Increasingly E-Commerce market***

Increasing number online platforms in the market.

Textiles and Garments

Vietnam - T&A Company Ecosystem

Geographical Allocation of Companies



There are approximately 6,000 textile and apparel companies in Vietnam, consisting of large foreign firms, a number of local conglomerates and a large pool of local SMEs.

International Brands Produced in Vietnam:

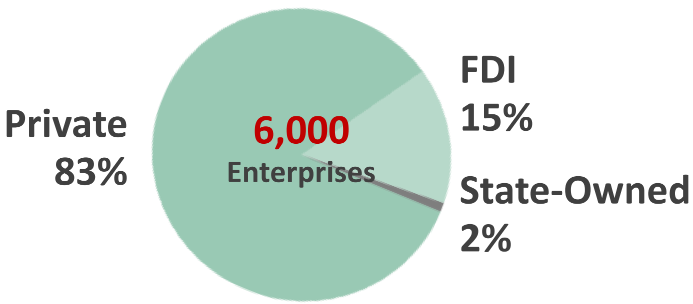
Victoria's Secret, Tommy Hilfiger, Nike, Banana Republic, Burberry, MNG by Mango, Uniqlo

Source: Fpt Securities Compiled by KResearch

Vietnam - T&A Company Ecosystem

Vietnam's exports of textile and garments have grown rapidly as the country becomes more competitive. However, most exports are of foreign brands from large foreign firms while local firms are restricted to doing contract work for those larger firms.

Share of Company by Ownership, 2015



Top Foreign Companies

1	China
2	Hong Kong
3	Taiwan
4	Japan

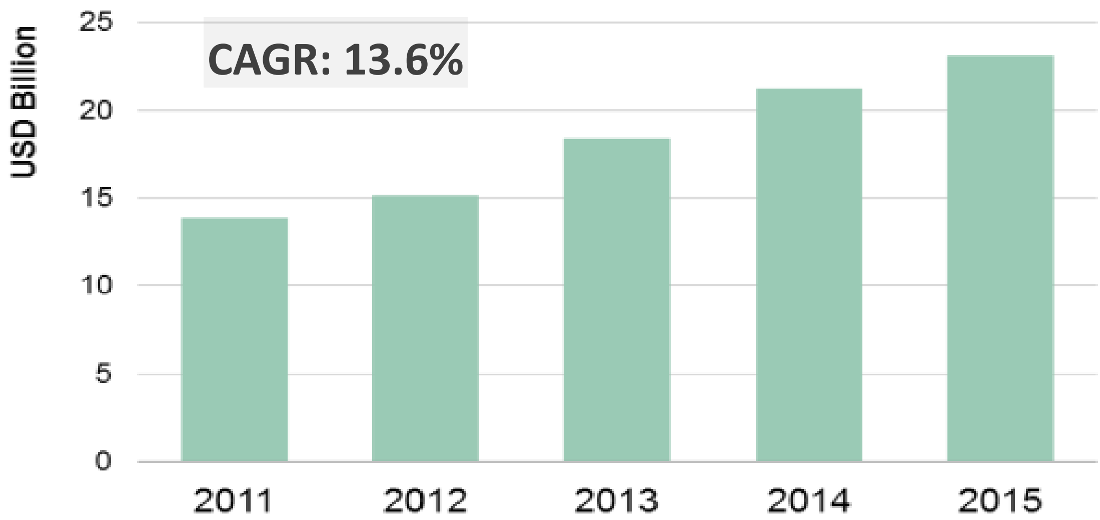
- Approximately ***70% of companies are in the apparel segment***, while ***30% are in textile*.**
- ***Most local companies are subcontractors*** to larger foreign or local firms as they do not have the ability to design their own products.
- Exports of FDI enterprises are generally greater than domestic enterprises, accounting for nearly 60% of all T&A exports.

Source: Fpt Securities Compiled by KResearch

Vietnam - T&A Industry Overview

*Vietnam is the **world's 4th largest textile and apparel exporter**. Its T&A industry accounts for over 15% of its GDP and increased foreign investment (FDI) over the past several years has led to consistent trade growth.*

Total Textile & Apparel Exports, 2011 - 2015



Key Export Products, 2015

1. Pullovers (13%)
2. Dresses (12%)
3. Trousers (10%)

Key Export Markets, 2015

1. USA (48%)
2. Europe (14%)
3. Japan (12%)

Source: CEIC compiled by KResearch

Vietnam - Opportunities & Challenges

Opportunities

Cheap and abundant labor

Attractive investment incentives

Growing consumer market

Challenges

Lack of raw materials

Logistics infrastructure

Competition

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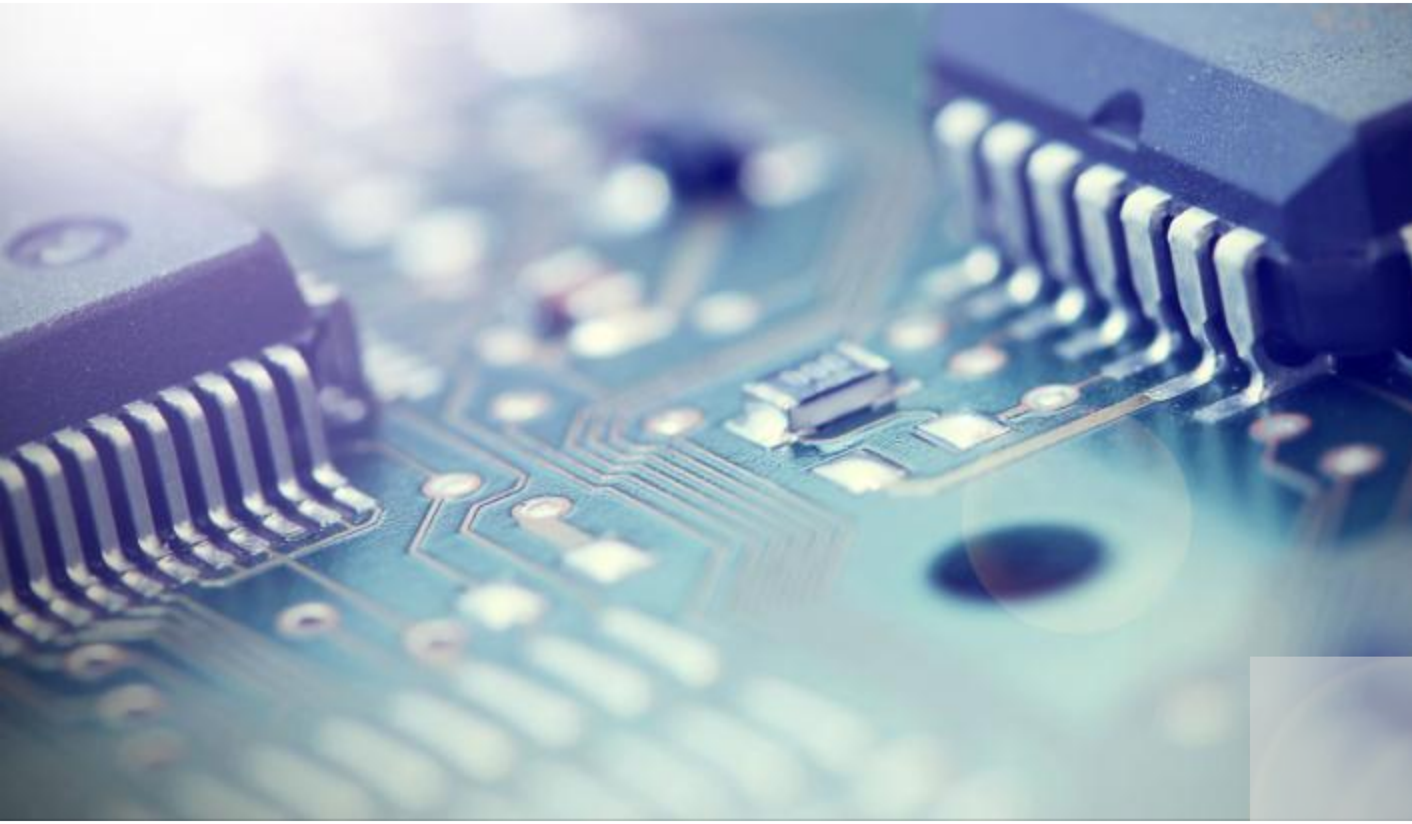

Electrical & Electronics

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Timeline of Electronics Investment in Vietnam

Major investments by major players, specially Samsung and Intel (1) boost confidence of other MNCs to invest in E&E manufacturing in Vietnam, and (2) their suppliers would follow suit to invest in Vietnam.

2006-07 | 2008-2010 | 2011-12 | 2013 | 2014 | 2015

2006-07

First wave of major investments:

- **Canon, Jabil, Foxconn, Compal and Fujitsu** committed over USD1 million.
- ***Intel*** committed USD1 billion

intel

'Intel Effect'

2008-2010

- ***Samsung*** commits USD670 million for mobile phone assembly and component production;
- **Bosch and Canon** also made major commitments.

SAMSUNG
Canon
BOSCH

2011-12

- Major investments from **Nokia, Panasonic and Fuji Xerox.**

NOKIA
Panasonic
FUJI XEROX

2013

Biggest year for investment expansion:

- **LG** commits USD1.5 billion,
- **Samsung** commits USD3.2 billion to Thai Nguyen complex.

LG
SAMSUNG

2014

Two big investment from Samsung:

- **USD1 billion** in **display** factory in North
- **USD1 billion** in **R&D** related to manufacturing in South

SAMSUNG

2015

Huge export turnover by:

- **USD38 billion** from phone and phone components
- **USD15.6 billion** from computer, electronic components

Data Source: BDG-Asia

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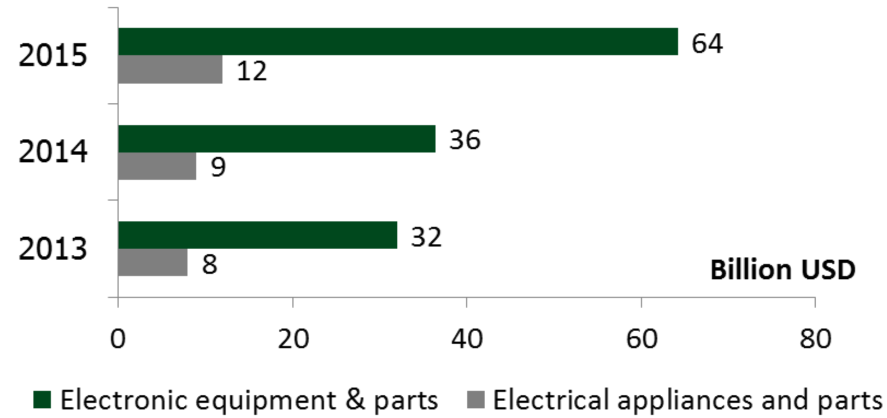
Electrical & Electronics - Overview

E&E represents the fastest growing industry in Vietnam, owing to the surge in foreign direct investment by global companies, attracted by Vietnam's abundance of youthful, affordable workforce, trade terms, and open investment environment.

Vietnam E&E Exports



Key Trends

- **Surge in Electronics Manufacturing**
  - **12th largest** electronics exporter in the world.
  - **43%** of Vietnam's total export value in 2015 comes from E&E products.
- **Growth driven by FDI**
  - **90%** of E&E exports are produced by *foreign-owned companies*, especially firms from Japan, South Korea, Taiwan and Singapore.

Top Electronic Device and Parts Exports, 2015

Phones & Parts (59%)

IC & Micro Assemblies (12%)

Top Electrical and Machinery Exports, 2015

Computers & Laptops (49%)

Printers (25%)

Top *Export* Destinations, 2015

China (16%) | *USA* (14%) | *Hong Kong* (9%)

Top *Import* Destinations , 2015

China (32%) | *South Korea* (14%) | *Singapore* (9%)

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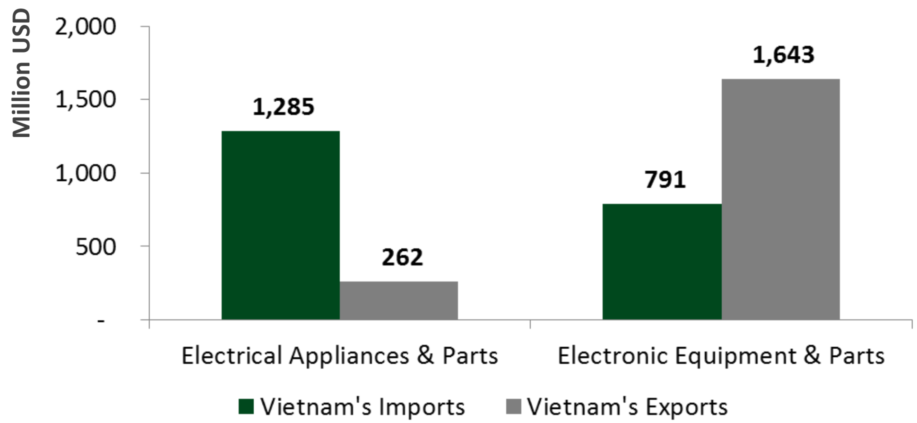
Source: International Trade Center, Forbes

Electrical & Electronics - Opportunities

Trade Opportunities

Vietnam - Thailand E&E Trade by Product Type, 2015



Export Opportunities:

1		*Household Electrical Appliances*	Tap into increasing urbanization and growing purchasing power.
2		*Electronic Parts and Components*	Absence of local supply chain despite rapid growth in the sector.

Investment Opportunities

Electrical Appliances Production

- Produce / assemble household appliances in Vietnam to effectively capture the growing local demand.
- ***Long term opportunity:*** make Vietnam an ***export hub*** for electrical appliances.

Electronics Parts Production

- Manufacture electronic parts and ***enter the supply chain of major electrical and electronics appliances producers***;
- This is feasible especially for suppliers of foreign investors (such as Japanese and South Korean) based in Vietnam.

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Source: Vietnam Electronic Industries Association and International trade Center

Electrical & Electronics Clusters by Region

NORTHERN

LG
SAMSUNG

Pioneer
Panasonic
KYOCERA
Canon
FUJI XEROX
SANYO

Other Nation

NOKIA
FOXCONN
BOSCH

SOUTHERN

SAMSUNG

MITSUBISHI
FUJITSU
OMRON
TOSHIBA

Other Nation

intel
PHILIPS
OLYMPUS
BOSCH

What to Watch in 2017

1. SOE's Divestment

Divestment of State Owned Enterprises (SOEs) that the government launched since early 2016 is expected to continue until 2020. This is to find infrastructure needs in Vietnam and to address its revenue drop owing to plunging oil price and drought.

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HABECO Since 1890

VINAMILK

FPT

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2. After TPP Uncertainty

Amid uncertainty in US-led Trans-Pacific Partnership (TPP), Vietnam is exploring alternative options to benefit from free trade deals. It continues to seek to profit from its Free Trade Agreements (FTAs) with major economies such as EU and South Korea.

European Union

South Korea

World Business Advisory Website: Brings the most updated and thoroughly analyzed ASEAN+3 market insights to support businesses cross border trade and investment activities.

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