

VIETNAM'S CONSUMER INSIGHTS

The Bright Spot In The Mekong Region

Vietnam is currently experiencing one of its fastest economic expansions in years. According to IMF, gross domestic product (GDP) per capita at current prices (Purchasing power parity, or PPP) has grown an average of 6.7% over the last 3 years. Robust economic growth and low unemployment rates have propelled household income and spending in the country, positioning Vietnam to be one of the most promising consumer markets in Asia. In addition, the consumer confidence in Vietnam has been positive since 4Q 2014 and has remained buoyant to 3Q 2017, reflected in the Consumer Confidence Index compiled by Nielsen.

Figure 1: Positive Consumer Confidence Levels In Vietnam

Source: The Nielsen Global Survey of Consumer Confidence and Spending Intentions

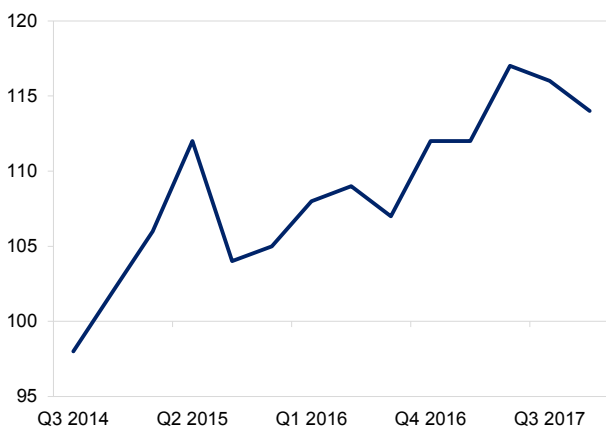
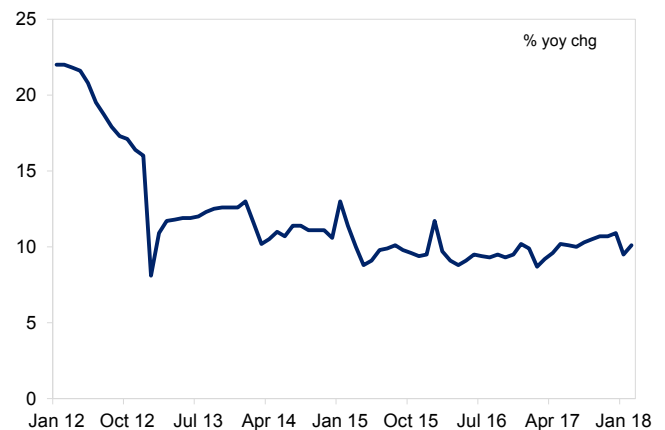


Figure 2: Retail Sales Growth Still Buoyant In Vietnam

Source: General Statistics Office of Vietnam, Bloomberg



According to Nielsen, over the last 10 years, Vietnam saw rapid expansion of mid and mixed density cities. The United Nations projects that more people will move out of rural and small towns into large towns and small cities until 2025. As more cities urbanize, improved connections and business opportunities will spur more income growth and give rise to an emerging middle class. The population who migrated from rural areas is likely to have access to greater purchasing power. As a result, rising urban lifestyle aspiration will drive the consumption of more packaged food, supporting the rise of the modern trade.

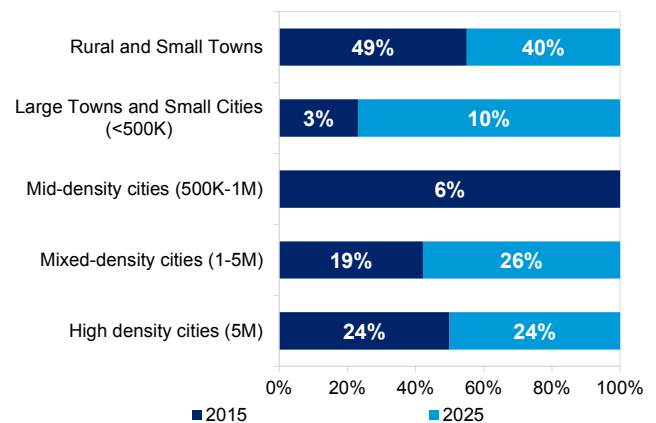
The Golden Age Of Convenience Store

With rising incomes and living standards, Vietnamese consumers are starting to place greater importance on quality, hygiene and safety of the products that they purchase. The convenient, hygienic and comfortable shopping environment conferred by modern trade channels attributes to its rising popularity among Vietnamese consumers in first-tier cities like Hanoi and Ho Chi Minh (high density cities). In emerging small industrial and tourist cities such as Nha Trang and Vung Tau, modern trade stores are serving consumers in areas with high foot traffic such as transportation nodes whereas convenience stores are particularly common near tourist hotspots such as beachfronts and major tourist attractions.

In terms of policy support, after joining the WTO agreement in 2015, Vietnam now allows establishment of 100% foreign capital retail companies. Previously, foreign investors were only allowed to invest up to 49% in Vietnamese companies

Figure 3: Growing Large Towns And Small Cities In Vietnam

Source: Nielsen, What's next in Emerging Markets



through joint venture with local Vietnamese partners. The change in policy has generated significant foreign investment and attracted more foreign players in the area.

Modern trade stores, particularly convenience stores are the fastest growing segment in the retail market. Despite the low base, analysts expect the modern trade to expand aggressively and will slowly displace traditional trade in Vietnam. The modern trade market value is projected to grow 24% CAGR

in real terms for the period 2017-2021 from VND5 trillion to VND14.7 trillion. According to Euromonitor, the largest player currently is VinMart + by VinGroup JSC, which has the largest market share of 51.2% followed by foreign players like Circle K and B's Mart at 13.8% and 10.1% respectively.

The Vietnamese Are Snacking

Like most emerging markets, food and non-alcoholic beverages are the biggest segment of total retail spending in Vietnam, making up to 20% of total household spending.

Rapid urbanization, rising income levels and living standards have gravitated Vietnamese consumers towards higher value products. Vietnamese consumers also have a favourable view of foreign-branded products as they are considered to be safe and of high quality. The busy lifestyles of Vietnamese urbanites have also boosted the demand for greater convenience.

Within the consumer packaged food space, snacks are seeing unprecedented growth as the need for convenience drives consumption. Snacks, together with beer, are used as a proxy for the consumers' purchasing power in emerging markets as they are considered "non-essential" consumer products. A growing snack market would suggest favourable economic conditions.

The Vietnamese snacks segment is expected to grow at a real rate of 4.2% CAGR in the period 2017-2022, according to Euromonitor. Ice cream and frozen desserts are expected to grow the fastest at 7% CAGR over the same period due to the proliferation of modern trade channels like convenience stores, which has emerged as one of the most popular distribution channel for this category. The prominent players in the Vietnamese snacks industry include Kido Group, Vietnam Dairy Products (Vinamilk), PepsiCo Vietnam (PIVN) and Mondelez Kinh Do Vietna and Bien Hoa Confectionery Corp (Bibica).

Figure 4: Market Share Of Convenience Stores In 2016, In Terms Of Retail Sales Value

Source: Euromonitor Database

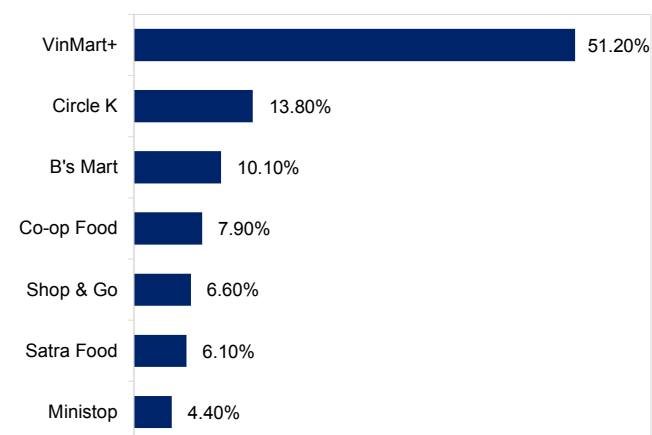
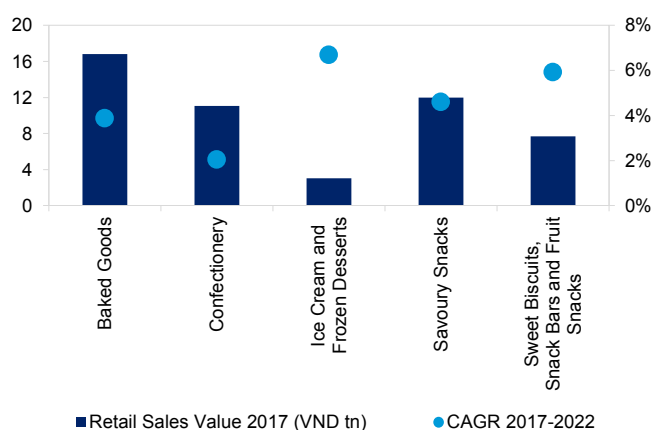


Figure 5: Outlook Of Snacks In Vietnam 2017-2022

Source: Euromonitor Database



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