PERSPECTIVES ON VIETNAM
Business leaders provide their own views on Vietnam’s current business climate.

‘Investing in an early-stage emerging market such as Vietnam will bring with it a fair share of challenges and difficulties. Lack of transparency is one of the principal ones. We believe the best investors, foreign or domestic, can mitigate transparency risk by getting to know the businesses and management teams of companies they invest in extremely well. It can also be useful to work with who have experience in working with and investing in local companies.

—Madame Nguyen Thanh Phuong, Chairperson, Viet Capital

‘Each sector of Vietnam’s economy has its own advantages and investment prospects but the most attractive sectors are finance, banking and securities market, construction, real estate and information technology. Health and education are potential areas for investors since the standard of living of Vietnamese people has been significantly improved in recent years, which means the demand for these services becomes more consistent. A stable political system, abundant human resources with a cheap labour force are other certain advantages that encourage more investors to come to Vietnam.’

—Madame Bui Thi Mai, Vice Chairman of Board of Directors & Chief Executive Officer, Habubank

‘Generically, the reason people focus on Vietnam is because it has a large population with good demographics. It is fairly competitive with a government that is overwhelmingly committed to stability. People talk a lot about that around the world but looking at the history of Vietnam adds a particular reason why the Government and society as a whole are keen on stability.’

—Dominic Scriven, Director, Dragon Capital

‘Patience is required, as it is in all markets in Asia. You’ve got to take the longer term view but potentially Vietnam is a very prosperous market.’

—Bruce Dover, Chairman of the Australia-Vietnam Chamber of Commerce

A CONSUMER MARKET FULL OF OPPORTUNITY

Richard Burrage of market research company Cimigo profiles Vietnam’s growing consumer market.

The middle to upper class across Vietnam’s key cities has grown to 5 in 10 urban households from a mere 2 in 10 in the year 2000. Six key cities account for 40% of the urban population. Yet urban Vietnam represents just over a quarter of Vietnam’s 87 million people. Reaching the Vietnamese consumer is therefore not always easy.

Vietnamese are a progressive, driven and optimistic people who do not dwell on the past but look to a future. Both consumer and business confidence is extremely high. The vast majority of Vietnamese—given the young population—have only seen personal economic circumstances improve. Disposable incomes create an increasing desire to experience new opportunities. Youths are more brand-and ad-savvy than the older generation, who increasing look to youth to translate the consumer world for them. Fortunately for marketers, success is imbued in pride (commonly referred to as ‘face’), which has to be visual to be recognised. This leads to considerable conspicuous consumption.

In the two metropolitan cities—Hanoi and Ho Chi Minh City—more consumers have a mobile phone and have used the internet than those who have not. Telecommunications, financial services, property, health and education services will grow exponentially over the next decade as WTO requirements provide for greater access to services—particularly telecommunications and financial services.

Getting brands on the shelf is no easy task, once you move away from key cities. While wet markets still dominate household shopping, the consumer brand world has changed rapidly with the influx of modern trade environments: franchised restaurants, retail chains, department stores, supermarkets and hypermarkets. As a channel, the modern trade is growing exponentially in sales and in 2009 accounts for an estimated 20% of retail sales. Cimigo expects it to account for nearly 40% of retail sales in 2010.

Seven considerations critical to consumer success

1. Understand your market size. There are five million urban households, 2.7 million of which are in the urban consuming (upper-middle) class, which translates to 12.2 million people, who are widely dispersed.

2. Have a long-term perspective. Understand the Vietnamese, their needs and the regional differences.

3. Provide products to suit not only the senses but also the pocket. Consider small pack sizes and cheaper pack formats.

4. Ensure wide availability and coverage to maximise your opportunities to sell. Successful companies in Vietnam have achieved very strong distribution and channel management.

5. Focus resources: do not dilute them across irrelevant line extensions.

6. Do not underestimate the local competition: they caught up about three years ago!

7. Looking to partner locally? Key local companies do not need your money. Vietnam is awash with money. Expertise, technology and experience count!

Richard Burrage (richardburrage@cimigo.com) is the Managing Director of market research company Cimigo. He has spent the last 12 years in Vietnam assisting in the development of numerous brands.