

Foreword

With the fastest-growing middle class in Southeast Asia, Vietnam has been experiencing phenomenal growth rates in its retail sector. This trend looks set to continue into the future, given its relatively young population demographics and robust consumer spending behaviours. Indeed, the rise of e-commerce and digital retail channels in Vietnam is one of the top trends to watch: by 2025, Vietnam's e-commerce market size is expected to be second only to Indonesia in the Southeast Asia region.

In this report, we explore the drivers of growth in Vietnam's retail sector, and take a look at some of the defining features of its new retail landscape. In particular, we examine the rise of Modern Trade channels in Vietnam, including commercial centres, convenience stores, and digital platforms. Later, we also highlight some of the findings from Deloitte's latest retail survey, which was conducted across nearly 700 households in the two metropolitan cities of Hanoi and Ho Chi Minh City in late 2018.

There are several key takeaways. Firstly, although Vietnam's retail sector holds immense potential for growth, the level of competition is intense. Across different retail formats, such as commercial centres, convenience stores and electronics chain stores, we are witnessing domestic and foreign retail giants engaged in a battle for dominance as they embark on aggressive expansion strategies. As online shopping begins to take off in Vietnam, a similar story is also playing out across digital platforms, where players are attempting to build scale amidst the proliferation of new players in the market.

Secondly, despite the rise of digital channels, physical channels continue to dominate the retail scene in Vietnam. For companies, this underscores the importance of developing omni-channel strategies, and the need for them to curate coherent and seamless consumer experiences that integrate both online and offline consumer journeys across all their touchpoints.

Finally, companies will also need to address several impediments that remain for online shopping, such as concerns relating to payments and data security, and find innovative ways to provide a differentiated consumer experience in this new digital retail landscape.

Nguyen Vu Duc

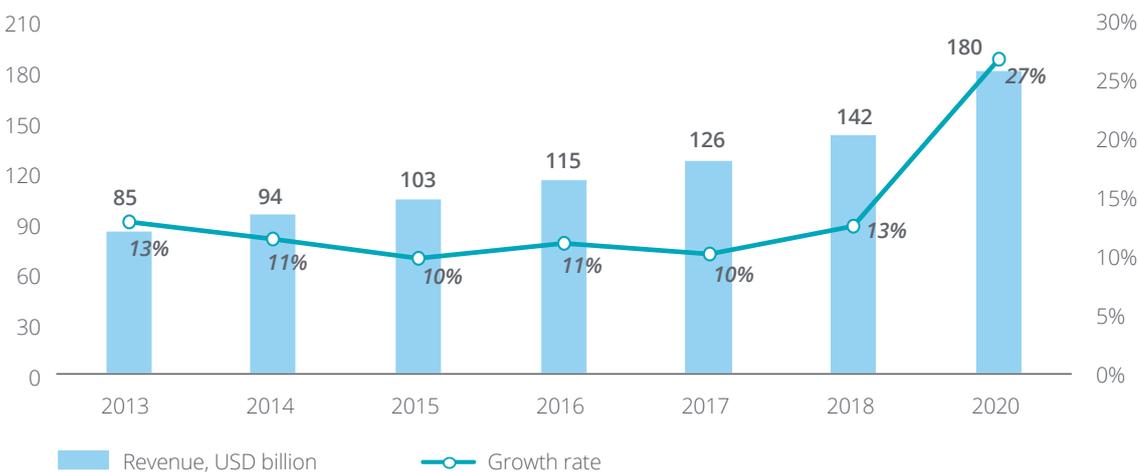
Consumer Industry Leader
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Drivers of growth



In recent years, Vietnam has been experiencing rapid retail growth. From 2013-2018, the retail sector recorded a compound annual growth rate (CAGR) of 10.97%¹. Total retail revenue is also expected to reach USD 180 billion by 2020, which would represent an increase of 26.6% from 2018 (see Figure 1)². With the influx of investments into the sector, it is poised to witness further growth in the near future (see Figure 2).

Figure 1: Retail revenue and growth in Vietnam (2013-2020)³

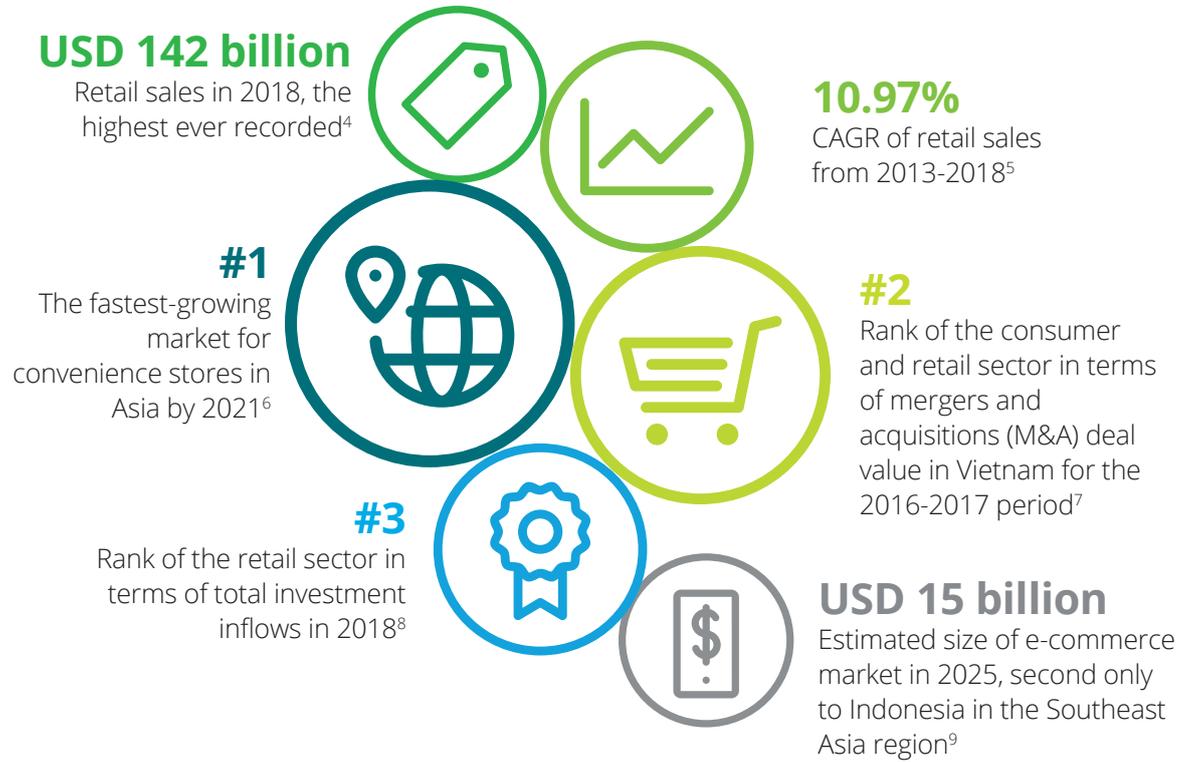


1 Deloitte analysis

2 "Hoi thao 'Thi trường bán lẻ Việt Nam- Cơ hội và Thách thức'". Viện Nghiên cứu Thương mại. 20 May 2016. <http://www.viennghienctuuthuongmai.com.vn/tin-tuc/tin-noi-bat/hoi-thao-2016chi-truong-ban-le-viet-nam-co-hoi-va-thach-thuc2016>

3 General Statistics Office, <https://www.gso.gov.vn/default.aspx?tabid=621>

Figure 2: Key statistics on Vietnam’s retail sector



4 General Statistics Office, <https://www.gso.gov.vn/default.aspx?tabid=621&ItemID=19037>

5 Deloitte analysis

6 IGD Research, <https://www.igd.com/about-us/media/press-releases/press-release/t/igd-vietnam-tipped-to-be-asias-fastest-growing-convenience-market/i/16565>

7 M&A Vietnam Forum Report 2017

8 Foreign Investment Agency, Ministry of Planning and Investment, <http://fia.mpi.gov.vn/tinbai/6110/Tinh-hinh-thu-hut-Dau-tu-nuoc-ngoai-nam-2018>

9 Google Temasek's E-conomy SEA 2018, <https://www.thinkwithgoogle.com/intl/en-apac/tools-research/research-studies/e-conomy-sea-2018-southeast-asias-internet-economy-hits-inflection-point/>

Figure 3: List of some retailers in Vietnam's market

No.	Name of retail owner/store	Country of origin	First outlet in Vietnam	Number of stores (updated on Jan 2019)	Operation format	Note	
1. PHYSICAL STORE							
1.1 Domestic players							
1.	BiBoMart	Vietnam	2006	140	Baby&Mom Specialty Store		
2.	FPT Retail	FPT Shop	Vietnam	2012	473	Electronics Specialty Store	
		Studio by FPT chain	Vietnam	2012	13	Authorised Apple Products Store	
3.	Hapro	Hapro Mart	Vietnam	2006	6	Supermarket	
		Hapro Food		2004	4	Grocery Store	
4.	Home Center	Vietnam	2006	14	Home appliance, Electronics Specialty Store		
5.	Intimex	Vietnam	2001	10	Supermarket		
6.	Kid's Plaza	Vietnam	2009	91	Baby&Mom Specialty Store		
7.	Media Mart	Vietnam	2008	95	Home appliance, Electronics Specialty Store		
8.	Nguyen Kim	Vietnam	1992	64	Home appliance, Electronics Specialty Store	In 2015, Central Group purchased 49% stake of Nguyen Kim	
9.	Pico	Vietnam	2007	23	Home appliance, Electronics Specialty Store		
10.	Saigon Co.Op	Co.Op Smile	Vietnam	2016	41	Convenience Store	
		Co.Op Food	Vietnam	2008	233	Grocery Store	
		Co.Op Mart	Vietnam	1996	102	Supermarket	
		Co.OpXtra	Vietnam	2013	3	Supermarket	
		Co.OpXtra Plus	Vietnam	2013	2	Hypermarket	
11.	Satra	SatraMart	Vietnam	2013	3	Supermarket	
		Satra Food		2011	182	Grocery Store	
12.	Thegioididong (Mobile World)	Thegioididong.com Store	Vietnam	2004	1,058	Electronics Specialty Store	In early 2018, Thegioididong completed the acquisition of electronics retailer Tran Anh Digital
		Bach Hoa Xanh	Vietnam	2015	384	Grocery Store	
		Dien May Xanh	Vietnam	2010	724	Home Appliance Specialty Store	

No.	Name of retail owner/store	Country of origin	First outlet in Vietnam	Number of stores (updated on Jan 2019)	Operation format	Note	
13.	Vingroup	VinMart	Vietnam	2014	67	Supermarket	In 2017, Vingroup's retail arm, Vincom Retail JSC. raised US\$ 740 million in its IPO ¹⁰ . In 2018, Vingroup acquired supermarket chain FiviMart and electronics store chain Vien Thong A.
		VinMart+	Vietnam	2014	1,700	Convenience Store	
		VinPro	Vietnam	2015	36	Electronics Specialty Store	
		VinCom	Vietnam	2004	46	Shopping Mall (4 Vincom Center, 3 Vincom Mega Mall, 30 Vincom Plaza and 9 Vincom+)	
1.2 Foreign players							
14.	7- Eleven		Japan	2017	24	Convenience Store	Vietnam's first 7-Eleven store was opened in Ho Chi Minh City in 2017.
15.	AEON	AEON Mall	Japan	2013	4	Shopping Mall	In 2019, AEON Mall will open the fifth mall in Ha Dong district, Ha Noi Aeonmall Hai Phong will go into operation in 2020.
		Mini Stop	Japan	2011	115	Convenience Store	
		AEON Citimart	Vietnam-Japan	1994	26	Supermarket	
16.	Auchan		France	2016	20	Supermarket	
17.	Big C		France	1998	36	Supermarket	In 2015, Central Group (Thailand) purchased Big C Vietnam with the deal value of US\$ 1.05 billion
18.	B's Mart		Thailand	2013	168	Convenience Store	
19.	Circle K		US	2008	300	Convenience Store	
20.	E-Mart		Korea	2016	1	Hypermarket	

10 "Vietnam: Vincom Retail raises \$740m from GIC, Templeton, HSBC, others in IPO". DealStreetAsia. 7 November, 2017.

No.	Name of retail owner/store	Country of origin	First outlet in Vietnam	Number of stores (updated on Jan 2019)	Operation format	Note	
21.	Fuji Mart	Japan	2018	1	Supermarket	FujiMart Vietnam stores are operated by Fujimart Vietnam Retail - a joint venture between Sumitomo and local real estate conglomerate BRG Group	
22.	GS25	South Korea	2018	5	Convenience Store	GS25 Vietnam is a joint venture between Korea's GS Retail and Vietnam's Son Kim Group	
23.	Guardian (owned by Dairy Farm)	Singapore	2011	79	Health & Beauty Specialty Store		
24.	Lotte	Lotte Mart	Korea	2008	14	Supermarket	
		Lotte Hanoi Department Store	Korea	2014	1	Department Store	
		Lotte Duty Free	Korea	2017	2	Duty-free store	The duty-free stores are opened at Da Nang and Nha Trang International Airport
25.	MM Mega Market	Thailand	2002	19	Supermarket	After being acquired by TCC Group (Thailand) in 2016, METRO Cash & Carry Vietnam was renamed MM Mega Market	
26.	Parkson	Malaysia	2005	6	Department Store		
27.	Robins	Thailand	2014	2	Department Store		
28.	Shop&Go	Singapore	2005	95	Convenience Store		
29.	Takashimaya	Japan	2017	1	Department Store		
30.	Watson	Hong Kong	2019	1	Health & Beauty Store		

No.	Name of retail owner/store	Country of origin	First outlet in Vietnam	Number of stores (updated on Jan 2019)	Operation format	Note
2. ONLINE STORE						
2.1 Domestic players						
31.	Adayroi	Vietnam	2015		B2C	E-commerce site of VinGroup
32.	ChoTot.com	Vietnam	2012		C2C	
33.	Thegioididong.com Bach Hoa Xanh.com Dienmayxanh.com	Vietnam	2004		B2C	E-commerce sites of Thegioididong
34.	Shopee.vn	Vietnam	2016		C2C	
35.	Sendo.vn	Vietnam	2012		C2C	E-commerce site of FPT
36.	Tiki.vn	Vietnam	2010		B2B2C	In 2016, VNG Corporation purchased 38% stake in Tiki ¹¹
2.2 Foreign players						
37.	AeonEshop.com	Japan	2017		B2C	
38.	Lazada.vn	Germany	2012		B2B2C	Lazada Vietnam is part of Lazada Group. In 2016, Alibaba acquired controlling stake of South East Asia's Lazada ¹²
39.	Lotte.vn	Korea	2016		B2C	
40.	Robins.vn (formerly known as Zalora)	Thailand	2017		B2B2C	Zalora merged with Central-owned fashion brand Robins to become Robins.vn ¹³

Note: The list is in alphabetical order for each category, not necessarily reflecting the business scale/importance
B2C = Business to Customer Model; C2C = Customer to Customer Model; B2B2C = Business to Business to Consumer Model

Source: Compiled from the companies' websites, companies' annual reports, public sources (as of January, 2019)

11 "Vietnam's VNG buys 38% stake in ecommerce platform Tiki for \$17m". TechinAsia. 17 May, 2016. <https://www.techinasia.com/vietnam-vng-buys-stake-in-ecommerce-platform-tiki>

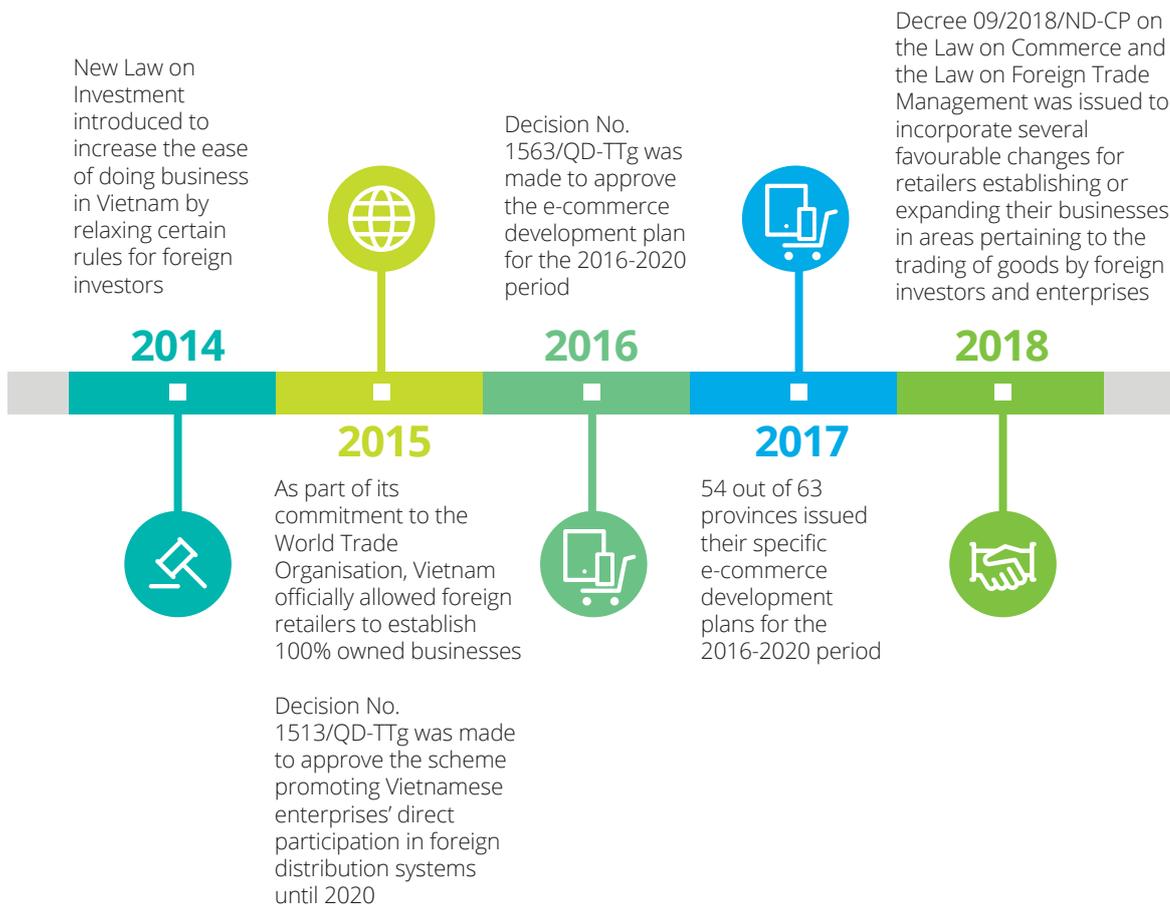
12 "Alibaba buys control of Lazada in \$1 billion bet on SE Asia ecommerce". Reuters. 12 April, 2016. <https://www.reuters.com/article/us-lazada-m-a-alibaba/alibaba-buys-control-of-lazada-in-1-billion-bet-on-se-asia-ecommerce-idUSKCN0X90HT>

13 "Zalora Vietnam becomes Robins.vn". Vietnam Economic Times. 17 May, 2017. <http://vneconomicstimes.com/article/business/zalora-vietnam-becomes-robin-vn>

Investment trends

To promote the growth of Vietnam's retail sector, the government has introduced a number of new regulations to attract investments and enhance the linkages between local enterprises and global markets (see Figure 4).

Figure 4: Timeline of regulations



As a result of the favourable investment climate, both local and foreign retailers have been scaling up their operations in Vietnam through the adoption of various expansion strategies, including M&A, franchising, and other partnership models. Local player Vingroup, for example, has been acquiring smaller competitors – including Fivimart and Vien Thong A, in addition to its earlier acquisitions of Ocean Mart, MaxiMark, and Vinatexmart – in a bid to grow its retail revenues, which are expected to contribute up to 50% of the conglomerate's total revenues, up from its current 20%¹⁴.

At the same time, foreign investors have also successfully secured a number of M&A deals to further their expansion plans in the market. Several high-profile transactions include the purchase of a 49% stake in Nguyen Kim and acquisition of Big C Vietnam by Central Group¹⁵; acquisition of METRO Cash & Carry Vietnam by TCC Group¹⁶; and purchase of a 20% stake in Bibo Mart by ACA Investments¹⁷.

14 "Vingroup to focus on its retail business". BDG Vietnam. 9 August 2016. <http://bdg-vietnam.com/en/about/news/details/items/vingroup-to-focus-on-its-retail-business/>

15 "Thailand's Central Group wins Vietnam's Big C for \$1bn". Nikkei Asian Review. 29 April 2016. <https://asia.nikkei.com/Business/Thailand-s-Central-Group-wins-Vietnam-s-Big-C-for-1bn>

16 "Thailand's TCC Holding acquires METRO Cash & Carry's Vietnamese ops for \$711m". DealStreetAsia. 7 January 2016. <https://www.dealstreetasia.com/stories/thailands-tcc-holding-steps-in-acquiring-metro-vietnam-cash-carry-26128/>

17 "ACA Investments takes 20% stake in Vietnamese baby product retailer Bibomart". DealStreetAsia. 29 May 2017. <https://www.dealstreetasia.com/stories/aca-investments-takes-20-vietnamese-baby-product-retailer-bibomart-73612/>

Consumption trends

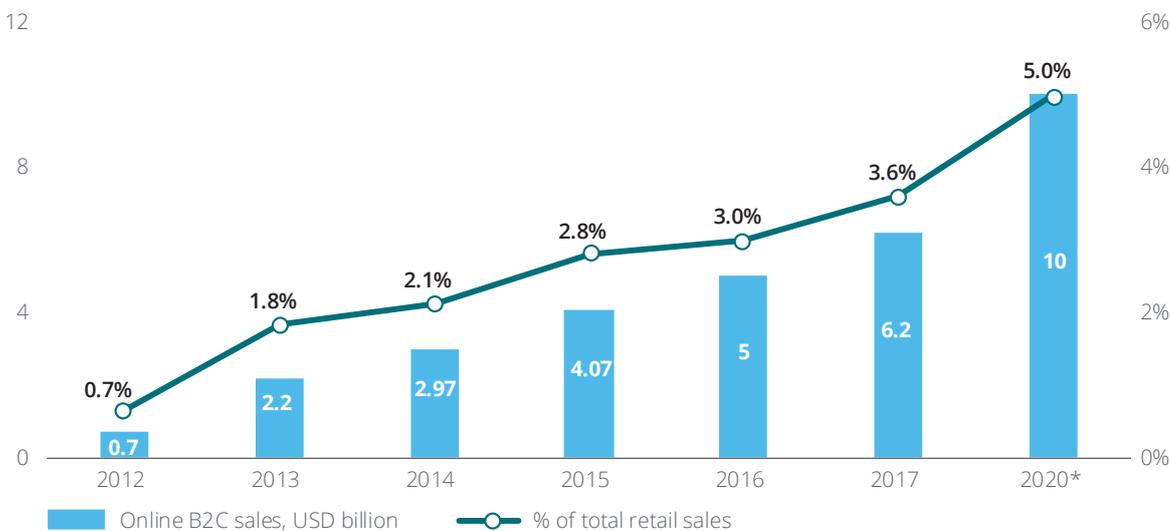
Vietnam's retail sector is benefiting from the rise of the fastest-growing middle class in Southeast Asia – its middle class population is expected to reach 33 million by 2020, up from 12 million in 2012¹⁸ – whose growing affluence is driving increasing expenditures.

At the same time, it also possesses a relatively young population, with 40% of its population below the age of 24¹⁹. With their greater propensity for digital technology, many of these younger consumers are driving the rapid expansion of Vietnam's e-commerce market, as they spend more time shopping on their digital devices than in physical stores.

Ranked 6th globally in terms of revenue in 2018²⁰, Vietnam's e-commerce market is well-poised to witness further growth. Currently, online Business-to-Consumer (B2C) sales account for a modest 3.6% of total retail sales nationwide²¹. This figure, however, is expected to soar to 5% in 2020, with a total value of USD 10 billion (see Figure 5)²².

Notably, Consumer-to-Consumer (C2C) or social commerce channels, are also becoming increasingly popular. Typically hosted on social media platforms such as Facebook, Instagram, and Zalo, these platforms offer buyers the ability to interact directly with their sellers, and to share information, such as photos, reviews or recommendations with one another in real-time.

Figure 5: Online B2C sales in Vietnam



18 "ASEAN Connected". HSBC. <https://www.business.hsbc.com.au/-/media/library/markets-selective/australia/pdf/campaign-asean-asean-connected-final-report.pdf>

19 "The World Factbook". Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/fields/2010.html>

20 "Vietnam ranks sixth globally in ecommerce revenue in 2018: report". TuoitreNews. 20 January 2019. <https://tuoitrenews.vn/news/business/20190120/vietnam-ranks-sixth-globally-in-ecommerce-revenue-in-2018-report/48620.html>

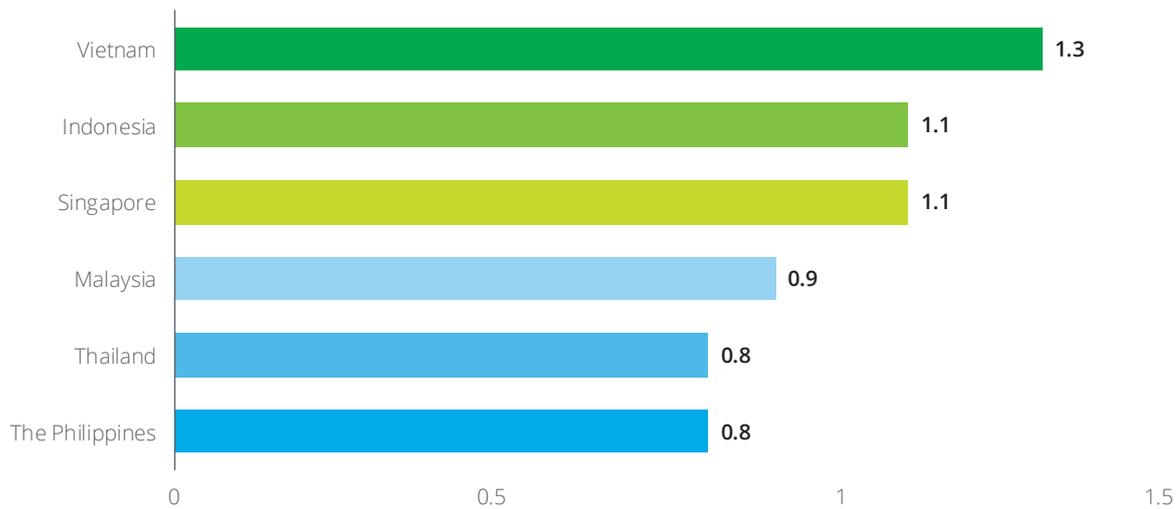
21 E-commerce Vietnam White book 2018, MoIT, <http://www.idea.gov.vn/?page=document>

22 E-commerce Vietnam White book 2018, MoIT, <http://www.idea.gov.vn/?page=document>

Underpinning this rapid e-commerce growth are the Vietnamese consumer’s robust spending behaviours. In 2018, the average annual spending for an online shopper in Vietnam was USD 350, nearly double the figure of USD 186 in 2017²³. In addition, online conversion rates, broadly defined as the proportion of visits to online websites that have been converted to sales, are high in Vietnam. According to one survey, Vietnam posted the highest conversion rates amongst six Southeast Asia markets, with a conversion rate that was 30% higher than the regional average²⁴ (see Figure 6).

Furthermore, the Vietnamese consumer is becoming accustomed to online payment solutions. Currently, 50% of all e-commerce expenditures are processed through card payments²⁵, and the uptake of new cashless methods is expected to accelerate: estimates suggest that e-wallet payments will make up 28% of the total e-commerce sales in Vietnam in 2019²⁶.

Figure 6: Online conversion index across six markets in Southeast Asia



Note: The online conversion index represents a market’s performance relative to the overall average conversion rate across all six markets, which has been assigned a reference value of 1.

23 E-commerce Vietnam White book 2018, MoIT, <http://www.idea.gov.vn/?page=document>

24 “State of eCommerce in Southeast Asia 2017”. iPrice. <https://iprice.ph/insights/stateofecommerce2017/>

25 “Vietnamese increasingly prefer electronic payments”. Vietnam Economic Times. 5 April 2017. <http://vneconomictimes.com/article/banking-finance/vietnamese-increasingly-prefer-electronic-payments>

26 Statista. <https://www.statista.com/outlook/243/127/ecommerce/vietnam#market-age>

The new retail landscape



In Vietnam, the retail landscape continues to be dominated by Traditional Trade channels, such as street shops, which are a vital part of the community and everyday life, especially in rural areas, where they account for 90% of the market. Even in urban areas, where Modern Trade channels, these channels continue to account for a significant 50% of the market²⁷ (see Figure 7).

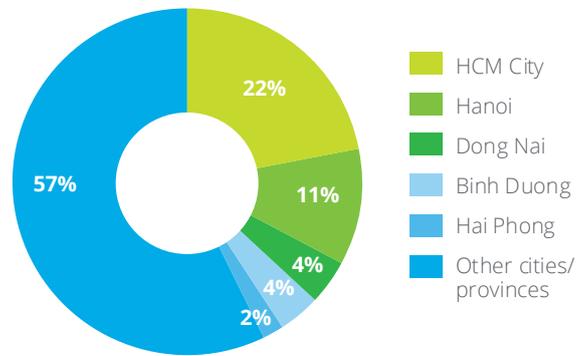
Figure 7: Market share of different purchasing channels in rural and urban areas



27 Kantar Worldpanel FMCG Report, Nov 2018. <https://www.kantarworldpanel.com/vn/news/FMCG-Monitor-November-2018#download>

However, in recent years, there has been an explosion in the number of Modern Trade channels across Vietnam, with a variety of players offering different retail formats. This phenomenon is especially pronounced in the two key cities of Ho Chi Minh City and Hanoi, which account for the majority of total retail sales at 22% and 11% respectively. They are followed by three dynamic cities with large industrial parks – Binh Duong, Dong Nai and Hai Phong – which together account for nearly 10% (see Figure 8)²⁸.

Figure 8: Geographical breakdown of total retail sales in Vietnam



The rise of Modern Trade

With the rise of Modern Trade retail formats in Vietnam, some of the most notable recent developments can be found in commercial centres, convenience stores, as well as digital platforms. Ho Chi Minh City, in particular, has emerged as a particular area of focus for many retail players in Vietnam. For instance, it has experienced a surge in the number of supermarkets in recent years, and now accounts for nearly one-fifth of the total number of supermarkets nationwide (see Figure 9)²⁹. It also accounts for the most number of commercial centres, with nearly two times as many outlets as Hanoi (see Figure 10)³⁰.

Figure 9: Number of supermarkets in Hanoi and Ho Chi Minh City

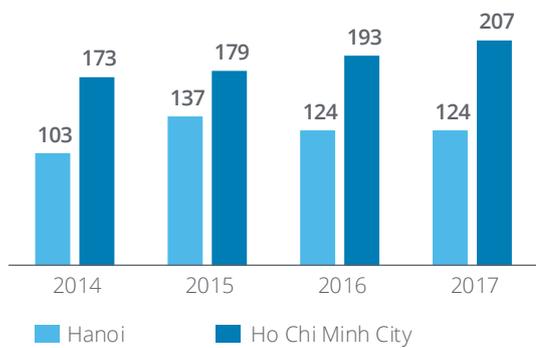


Figure 10: Number of commercial centres in Hanoi and Ho Chi Minh City



28 General Statistics Office
 29 General Statistics Office
 30 General Statistics Office

Commercial centres

Currently, there are nearly 200 commercial centres operated by both domestic and foreign players across Vietnam³¹. Typically, these commercial centres accommodate a variety of different facilities, including entertainment and shopping options, with major players in this space including conglomerates such as AEON, Lotte, and Vingroup. In particular Vingroup's retail arm, Vincom, accounts for 60% of the market share in terms of retail floor operations for the two major cities of Hanoi and Ho Chi Minh City, covering nearly 1.2 million square metres of gross retail area³².

Competition heats up for commercial centres

Commercial centres are sprouting across all the major cities in Vietnam as retail players jostle for market share. Local player Vingroup, for instance, has embarked on an aggressive expansion strategy, increasing its number of commercial centres from 5 to 49³³ as it advances towards its eventual goal of 200 commercial centres³⁴.

Foreign players, too, have demonstrated their growth ambitions. Japanese player, AEON, recently kicked off the construction of its sixth commercial centre, AEON Hai Phong, which is expected to be ready in early 2019. Having opened its first commercial centre in Vietnam in 2015, AEON now aims to increase its portfolio to 20 outlets nationwide³⁵.

To begin its foray into Vietnam, South Korean player Lotte has also invested USD 400 million in the construction of its first commercial centre, the 65-storey Lotte Centre Hanoi³⁶. Lotte is also in the process of building its second mall in the West Lake area, which it aims to complete by 2020³⁷.

As the retail market becomes increasingly saturated, however, the competition is intensifying. For instance, in a bid to avoid the fierce competition with the other retail giants in Ho Chi Minh City, Saigon Co.op is aiming to target the Southwest provinces, where there remains a shortage of quality entertainment facilities, with plans to develop one to two Sense City centres per year³⁸.

The recent closure of Parkson's department store outlets in Hanoi is also another evidence of the overall pressure that is mounting in the market. After opening its first outlet in Vietnam in June 2005, and expanding to 9 retail properties across Da Nang, Hai Phong, Hanoi, and Ho Chi Minh City, Parkson has recorded continued losses since 2014³⁹. This can be partly attributed to the growth of commercial centres, which offer a greater variety of options than department stores. In a similar vein, several other department stores, including Pico Sai Gon and Zen Plaza, have also closed or curtailed their scope of operations⁴⁰.

31 General Statistics Office

32 "Vincom Retail tops \$3bn market cap in stock debut". Nikkei Asian Review. 8 November 2017. <https://asia.nikkei.com/Business/Markets/Stocks/Vincom-Retail-tops-3bn-market-cap-in-stock-debut2>

33 "Vincom". December 2018. <http://vincom.com.vn>

34 "Vincom Retail: Dac dia, dac thi phan". Nhipcaudautu. 7 February 2018. <http://nhipcaudautu.vn/bat-dong-san/vincom-retail-dac-dia-dac-thi-phan-3322522>

35 "Japanese retailers rush to open more shops in Vietnam". VietnamNet. 12 April 2018. <http://english.vietnamnet.vn/fms/business/198595/japanese-retailers-rush-to-open-more-shops-in-vietnam.html>

36 "Korea's Lotte expands Vietnam real estate business footprint via M&As". DealStreetAsia. 24 October 2016. <https://www.dealstreetasia.com/stories/s-koreas-lotte-strengthens-real-estate-business-in-vietnam-via-acquisitions-56242>

37 "Lotte plans second Hanoi mall". Insider Retail Asia. 1 March 2017. <https://insideretail.asia/2017/03/01/lotte-plans-second-hanoi-mall>

38 "Saigon Co.op da dang hoa mo hinh ban le hien dai". Saigon Co.op. http://www.saigonco-op.com.vn/tintucsukien/saigon-coop-da-dang-hoa-mo-hinh-ban-le-hien-dai_1212.html

39 "Parkson Holdings to expand in new malls, pull out from less popular ones". The Star Online. 12 March 2018. <https://www.thestar.com.my/business/business-news/2018/03/12/parksons-plan>

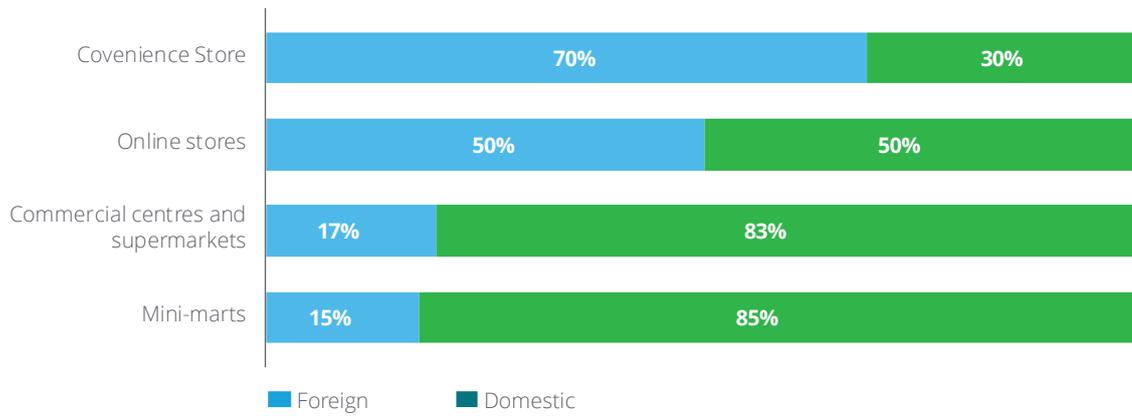
40 "Kinh doanh trung tam thuong mai". Vietnam Finance. 26 November 2016. <http://vietnamfinance.vn/kinh-doanh-trung-tam-thuong-mai-nhin-tu-cai-chet-cua-parkson-viet-tower-20161121040730122.htm>

Convenience stores

Convenience stores are becoming strong and direct competitors of many Traditional Trade channels, such as mom and pop stores, as they offer consumers close proximity and greater convenience.

Across Vietnam, the number of convenience stores have quadrupled since 2012, and minimarkets accounted for the most number of store openings in the first nine months of 2018⁴¹. The attractiveness of convenience stores have not only captured the attention of local players, but also foreign players, with convenience stores emerging as the preferred retail format for many foreign retail investors (see Figure 11).

Figure 11: Domestic and Foreign market share across different retail formats⁴²



41 "Nielsen Shopper Trends 2018". Nielsen. <https://www.nielsen.com/content/dam/niensenglobal/vn/docs/Reports/2018/Nielsen-Shopper-Trend-EN.pdf>

42 Ministry of Industry and Trade

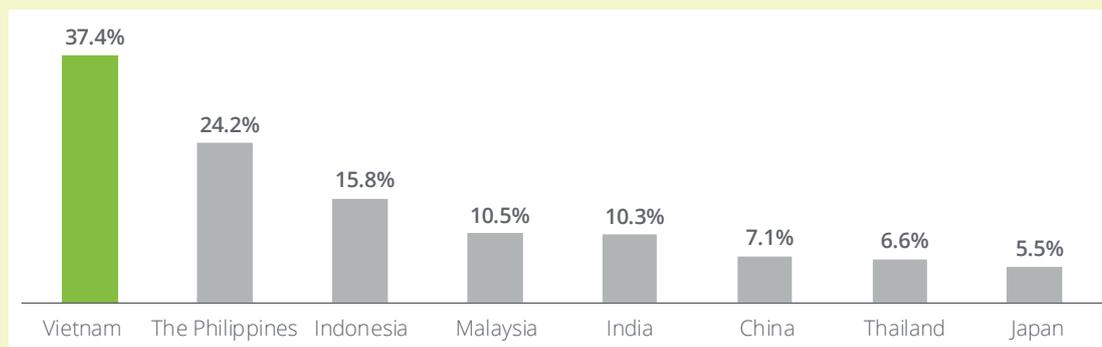
The battle for convenience stores

According to estimates, Vietnam's growth in convenience stores is expected to outperform many of its neighbouring economies, with a CAGR of 37.4% from 2017-2021⁴³ (see Figure 12).

Currently, Vietnam possesses a relatively low concentration of convenience stores: while convenience stores typically represent about 20% of the market in other economies, the figure in Vietnam is less than 10%⁴⁴. Its ratio of convenience stores to residents is also lower, at one store for every 54,400 residents. This is in contrast to markets such as South Korea, where the figure is one for every 2,100 residents, and China, where the figure is one for every 24,900 residents⁴⁵.

This opportunity for growth has not escaped the attention of domestic and foreign retailers alike. Vingroup, for instance, has plans to open 4,000 convenience stores by 2020⁴⁶, while Saigon Co.op has acquired existing networks of small grocery stores, mostly in rural areas, to expand its market presence⁴⁷. At the same time, retail giant 7-Eleven aims to increase its number of stores to 1,000 within 10 years, while South Korea's GS25 embarks on an endeavour to open 2,500 stores in the next 10 years⁴⁸.

Figure 12: CAGR of retail sales for convenience stores for 2017-2021



43 IGD Research, <https://www.igd.com/about-us/media/press-releases/press-release/t/igd-vietnam-tipped-to-be-asias-fastest-growing-convenience-market/i/16565>

44 "Mini-marts boom as Vietnam's shoppers shift spending patterns". Reuters. 14 October 2015. <https://www.reuters.com/article/vietnam-retail/mini-marts-boom-as-vietnams-shoppers-shift-spending-patterns-idUSL3N11Y2IH20151014?feedType=RSS&feedName=financialSector>

45 "Vietnam Retail Sector 2017". Savills. <http://pdf.savills.asia/pacific-research/vietnam-research/spotlight/spotlight-vietnamretail-evolution-vi-0911.pdf>

46 "Vinmart & Vinmart+ se co 200 sieu thi va 4000 cua hang vao nam 2020". Vingroup. 16 January 2018. <http://vingroup.net/vi-vn/tin-tuc-su-kien/tin-tuc-hoat-dong/banle/vinmartvinmart-se-co-200-sieu-thi-va-4000-cua-hang-vao-nam-2020-3154.aspx>

47 "Saigon Co.op nhay vao kenh ban le truyen thong bien cua hang tap hoa thanh dai ly hien dai". Tapchibanle. 16 March 2017. <http://tapchibanle.org/2017/03/saigon-co-op-nhay-vao-kenh-ban-le-truyen-thong-bien-cua-hang-tap-hoa-thanh-dai-ly-hien-dai/>

48 "Cuoc chien cua hang tien loi". VnExpress. 21 May 2018. <https://kinhdoanh.vnexpress.net/tin-tuc/doanh-nghiep/cuoc-chien-cua-hang-tien-loi-3676214.html>

Digital platforms

Amidst the proliferation of physical channels, digital platforms are also emerging in the retail market, with players such as Adayroi, Lazada, Shopee, and Tiki leading the pack. The growth potential of Vietnam's digital retail market has also captured the attention of several e-commerce giants, with Amazon launching an initiative with the Vietnam e-Commerce Association to provide e-commerce services to a group of 140 local businesses⁴⁹.

Tiki moves from B2C to B2B2C⁵⁰

Founded in 2010 as a web-based book retail business, Tiki has since expanded its offerings to a wider range of products, including home appliances, electronics products, and health care products.

Earlier in March 2017, Tiki announced that it would be transforming its business model from a B2C platform to a Business-to-Business-to-Consumer (B2B2C) platform. This strategic shift appeared to be well-received by investors: following a USD 50 million investment from JD.com at the end of 2017⁵¹, Tiki received another USD 10 million from STIC Investments in early 2018⁵².

The demand for digital experiences

As Vietnamese consumers become increasingly sophisticated, they are constantly on the lookout for new products and experiences. In response, retailers are offering several different concepts that integrate offline shopping experiences with digital experiences to cater to this demand.

Zalora, for instance, introduced the "click-and-mortar" format that aims to combine its offline and online shopping experiences⁵³. Under this format, consumers can visit a physical store to try on products, make purchases on computer terminals located in the showrooms, and wait for their products to be delivered to them. Another retailer, Toromart, also opened its first "checkout-free" store in Ho Chi Minh City, where consumers only need to scan a QR code on their e-wallet app to pay for products⁵⁴.

49 "Amazon is entering Vietnam". Business Insider. 13 March 2018. <https://www.businessinsider.com/amazon-to-enter-vietnam-2018-3>

50 "Startup Tiki có quá tham vọng khi chuyển mô hình kinh doanh?". Baodautu. 14 March 2017. <https://baodautu.vn/startup-tiki-co-qua-tham-vong-khi-chuyen-mo-hinh-kinh-doanh-d60147.html>

51 "Chinese e-commerce firm JD.com pours \$44 million in Tiki.vn". Vietnam Investment Review. 16 November 2017. <https://www.vir.com.vn/chinese-e-commerce-firm-jdcom-pours-44-million-in-tikivn-53877.html>

52 "Investors pour millions of dollars into Vietnamese e-commerce". Vietnam Investment Review. 4 December 2017. <https://www.vir.com.vn/investors-pour-millions-of-dollars-into-vietnamese-e-commerce-54348.html>

53 "Vietnam makes strides in buying into online shopping". Channel NewsAsia. 12 March 2017. <https://www.channelnewsasia.com/news/asia/vietnam-makes-strides-in-buying-into-online-shopping-8280752>

54 "First cashier free convenience store appears in Ho Chi Minh City". The Saigon Times. 28 July 2017. <http://english.thesaigontimes.vn/57209/First-cashier-free-convenience-store-appears-in-HCMC.html>



Deloitte's retail survey

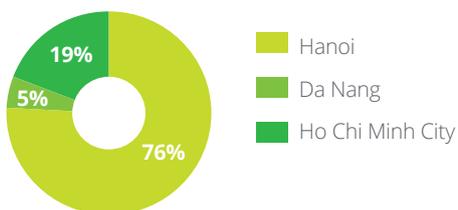


Methodology

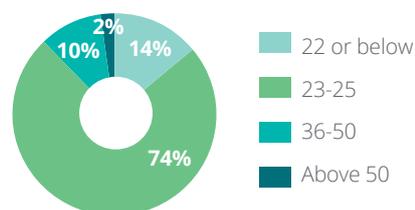
In late 2018, Deloitte conducted a retail survey to uncover some of the latest consumption patterns in Vietnam, including consumer preferences for the different purchasing channels across several key consumer product categories, and some of the consumer's digital behaviours and attitudes towards online shopping. Using a combination of online and offline questionnaires, the survey covered 700 households in the two key cities of Hanoi and Ho Chi Minh City, which are currently the focus of many domestic and foreign retail players, given their rapid uptake of Modern Trade channels and e-commerce.

Demographics of survey respondents

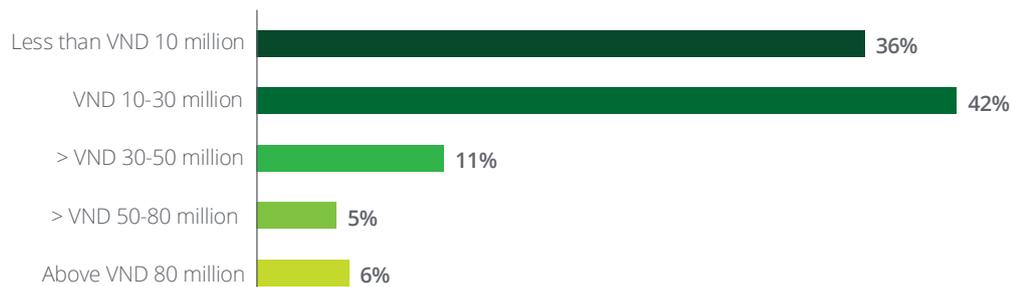
Geographical distribution



Age distribution



Monthly household income distribution

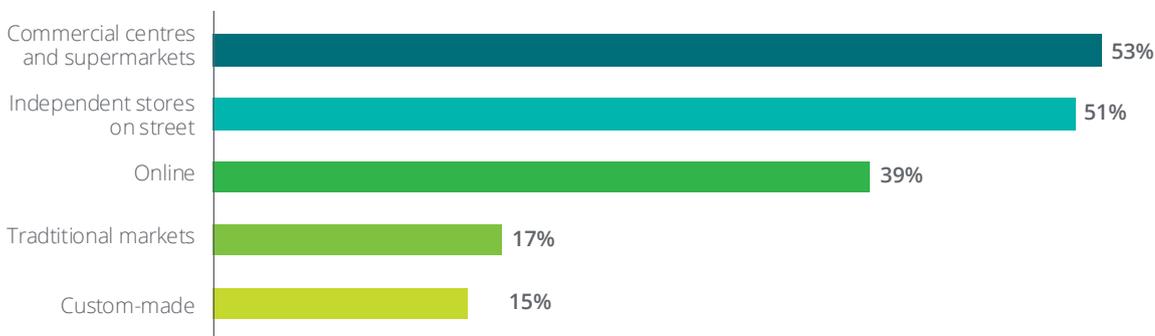


1. Purchasing channels

Clothing, footwear and personal accessories

The entry and expansion of international fast-fashion brands in Vietnam has contributed to a vibrant retail scene, and an increasing preference for Modern Trade channels, such as commercial centres, for the purchase of clothing, footwear and personal accessories. Online retail channels, most of whom offer delivery services, are also rising in popularity amongst survey respondents (see Figure 13).

Figure 13: Preference for different purchasing channels for clothing, footwear and personal accessories

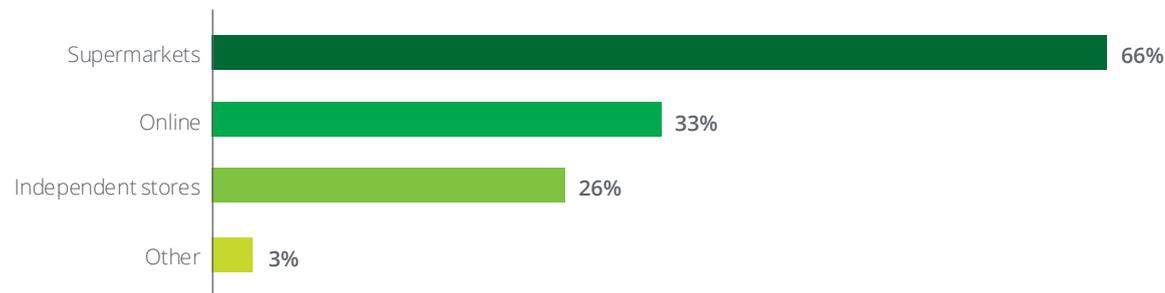


Source: Deloitte's retail survey (2018)

Cosmetics and personal hygiene products

With the rise of middle-class consumers in Vietnam, there has been an increasing demand for cosmetics and personal hygiene products, including skincare and makeup products. Although survey respondents typically visit supermarkets to make these purchases, they are also increasingly moving towards online channels (see Figure 14). In response, many companies are deploying social media marketing campaigns to appeal to these consumers.

Figure 14: Preference for different purchasing channels for cosmetics and personal hygiene products



Source: Deloitte's retail survey (2018)

Electronics products

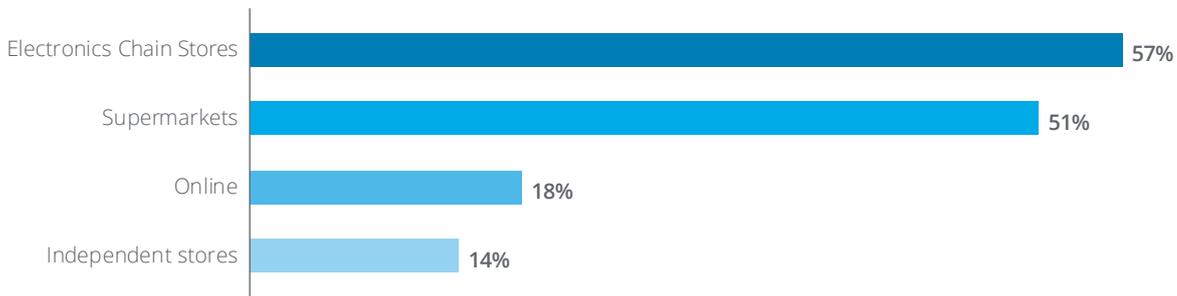
Electronics chain stores are the overall preferred channel for the purchase of electronics products by survey respondents (see Figure 15). For these products, consumers may also adopt “showrooming” purchase behaviours, where they browse or try items in physical stores, but ultimately make the purchase online to benefit from promotional deals. Alternatively, they may also adopt “webrooming” purchasing behaviours, where they browse products online, but make the purchase in a physical store.

Electronics chain stores venture beyond their core business

Across Vietnam, electronics chain stores are embarking on expansion strategies. For instance, market leader Mobile World, with 950 outlets across 63 provinces, recently acquired Tran Anh Digital to expand its network of stores⁵⁵. Following its merger with Central Group, Nguyen Kim is also expanding its operations through a partnership with supermarket chain Big C⁵⁶.

Their expansion, however, is not limited to their core businesses. Indeed, Mobile World and FPT Retail have begun to venture beyond their traditional businesses and into pharmacy retail chains. In 2017, Mobile World purchased a 40% stake in the pharmacy chain, Phuc An Khang⁵⁷, while FPT Retail acquired the pharmacy chain, Long Chau, with expectations that its pharmaceutical business will make up 40% of its total revenue within the next 3-4 years⁵⁸.

Figure 15: Preference for different purchasing channels for electronics products



Source: Deloitte's retail survey (2018)

55 "Mobile World completes acquisition of Tran Anh Digital". Vietnam News. 4 January 2018. http://bizhub.vn/markets/mobile-world-completes-acquisition-of-tran-anh-digital_291155.html

56 "Nguyễn Kim dồn dập mở cửa hàng điện máy tại Big C". VnExpress. 8 December 2016. <https://vnexpress.net/kinh-doanh/nguyen-kim-don-dap-mo-cua-hang-dien-may-tai-big-c-3510582.html>

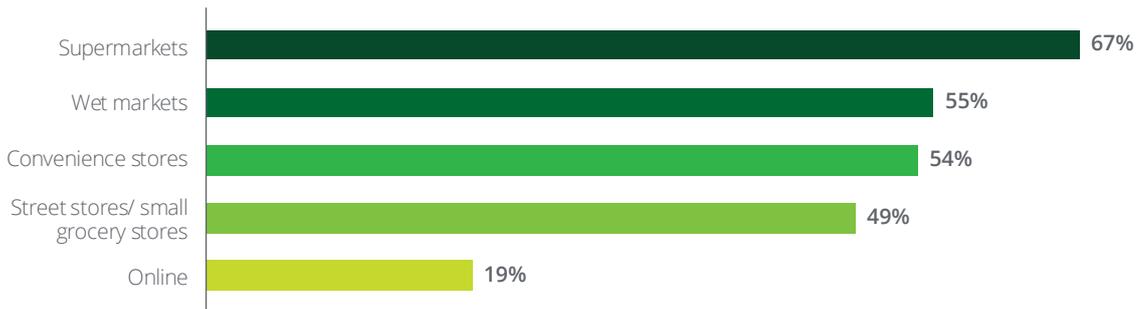
57 "Mobile World officially acquires Phuc An Khang Pharmacy". Vietnam Investment Review. 19 December 2017. <https://www.vir.com.vn/mobile-world-officially-acquires-phuc-an-khang-pharmacy-54848.html>

58 "FPT Retail was quoted at 220 USD million having a big expectation for Apple products". FRT Retail. <http://fvt.vn/en/company-information/fpt-retail-was-quoted-at-220-usd-million-having-a-big-expectation-for-apple-products-2/>

Food and beverages

For the majority of survey respondents, supermarkets and wet markets are the preferred purchasing channels for food and beverages, closely followed by convenience stores (see Figure 16). Nevertheless, Traditional Trade outlets, such as street stores, remain familiar places to shop, even as online channels gain popularity, especially with the rise of mobile applications, such as Foody and Lozi.

Figure 16: Preference for different purchasing channels for food and beverages



Source: Deloitte's retail survey (2018)

Wet markets dominate for fresh food

Across Vietnam, wet markets – which are typically concentrated in rural areas, and scattered across urban cities – continue to dominate the market for fresh food, even with the proliferation of commercial centres and supermarkets (see Figure 17). This preference, however, seems set to change as convenience stores continue to increase in popularity⁵⁹.

Figure 17: Number of commercial centres, supermarkets, and wet markets in Vietnam⁶⁰



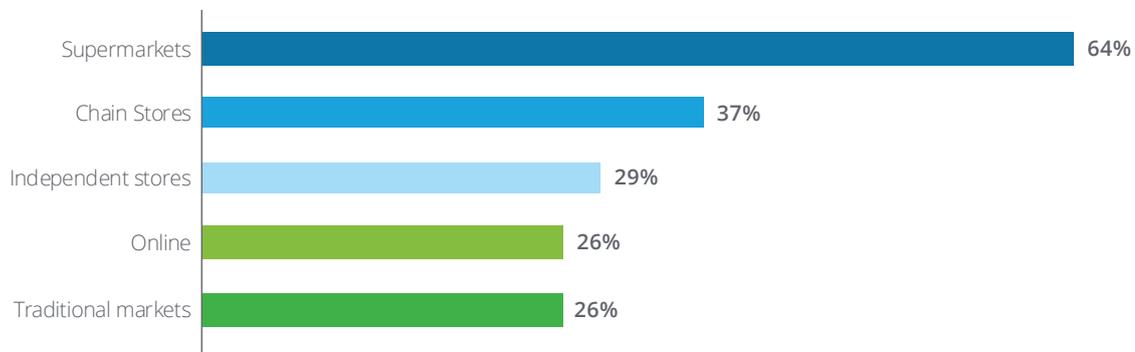
59 "Sieu thi mini va cua hang tien loi gia tang thi phan ban le". Vietnambiz. 12 February 2018. <https://vietnambiz.vn/sieu-thi-mini-va-cua-hang-tien-loi-gia-tang-thi-phan-ban-le-45897.html>

60 General Statistics Office

Home appliances

Supermarkets and electronics chain stores are the survey respondents' most popular purchasing channels for home appliances (see Figure 18). Competition in this product category appears to be intensifying, as evidenced by the recent closure of numerous smaller electronics chain store players.

Figure 18: Preference for different purchasing channels for home appliances



Source: Deloitte's retail survey (2018)

2. Digital behaviours

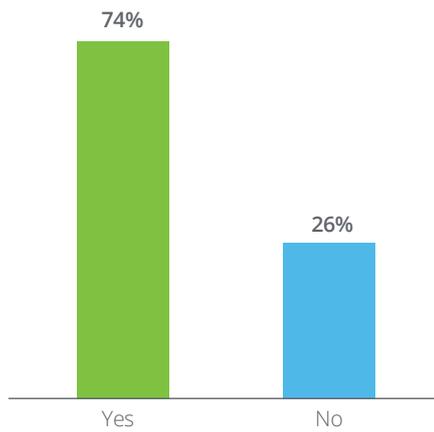
Perceptions of online shopping

Consumers in Vietnam are accustomed to the use of digital channels: nearly three-quarters of survey respondents have indicated familiarity with online shopping (see Figure 19).

In general, survey respondents perceived online shopping to be convenient – as it enables them to save time, and shop from anywhere as long as they have their phones and Internet access – and felt that online shopping gives them access to a greater variety of products (see Figure 20).

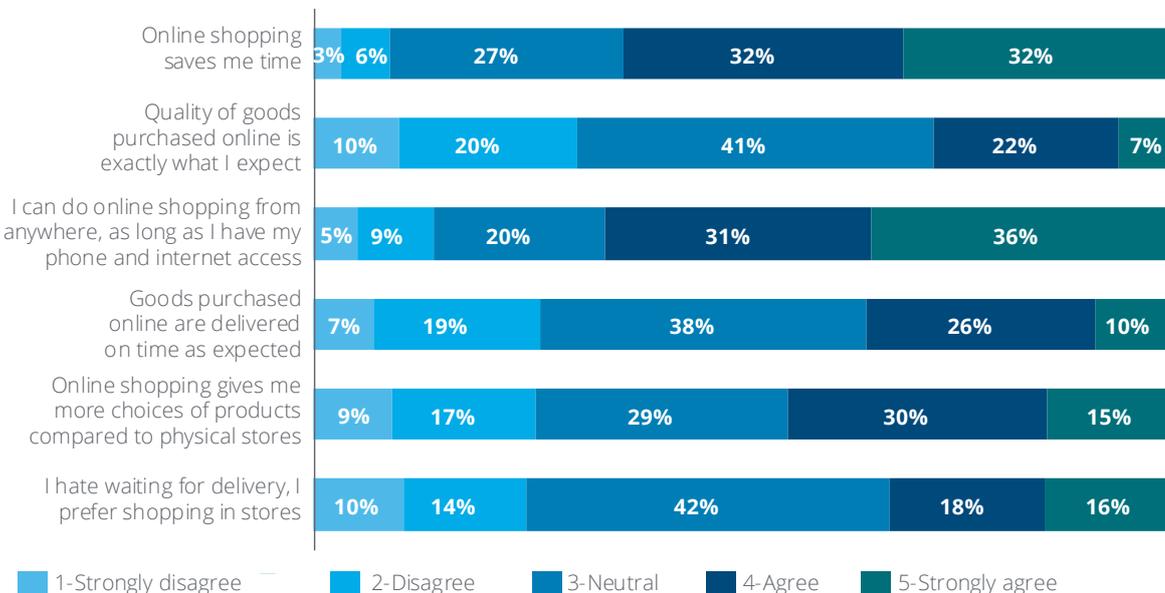
However, several concerns remain around delivery time and product quality. For instance, the need to wait for delivery and difficulties in ascertaining product quality online are some of the issues that have been raised by survey respondents.

Figure 19: Familiarity with online shopping



Source: Deloitte's retail survey (2018)

Figure 20: Perceptions of online shopping

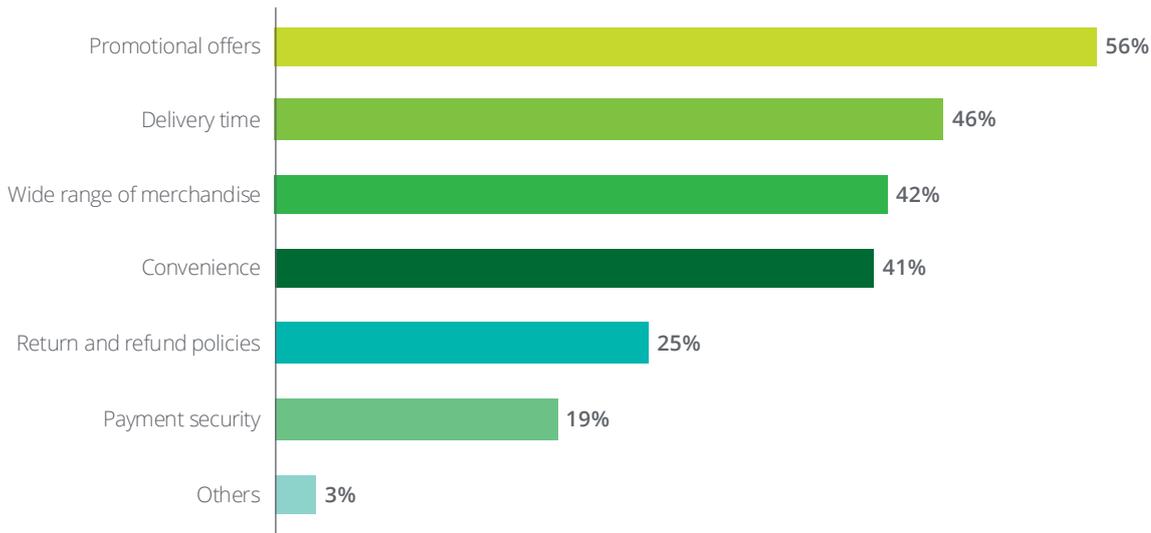


Source: Deloitte's retail survey (2018)

Drivers of online shopping

For the majority of survey respondents, promotional offers are the top driver of online shopping, implying that price is the top consideration. This is followed by delivery times, as well as the availability of a wider range of merchandise (see Figure 21).

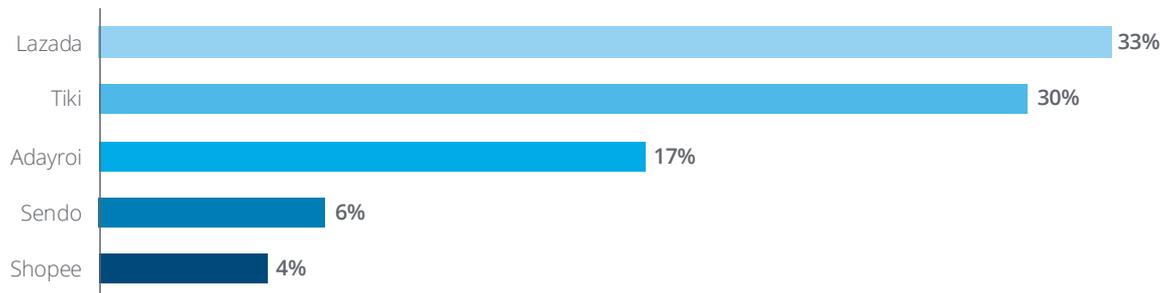
Figure 21: Drivers of online shopping



Source: Deloitte's retail survey (2018)

In terms of B2C channels, Lazada and Tiki emerged as the most popular platforms amongst survey respondents (see Figure 22). Nonetheless, we are also witnessing the rise of C2C platforms, as 45% of survey respondents reported having purchased items on social media channels, such as Facebook and Instagram. Indeed, these social networks are not only useful for consumers to search for reviews and compare products: for many smaller businesses, these platforms can be easy and cost-effective ways to increase consumer awareness and drive sales.

Figure 22: Preference for different B2C platforms

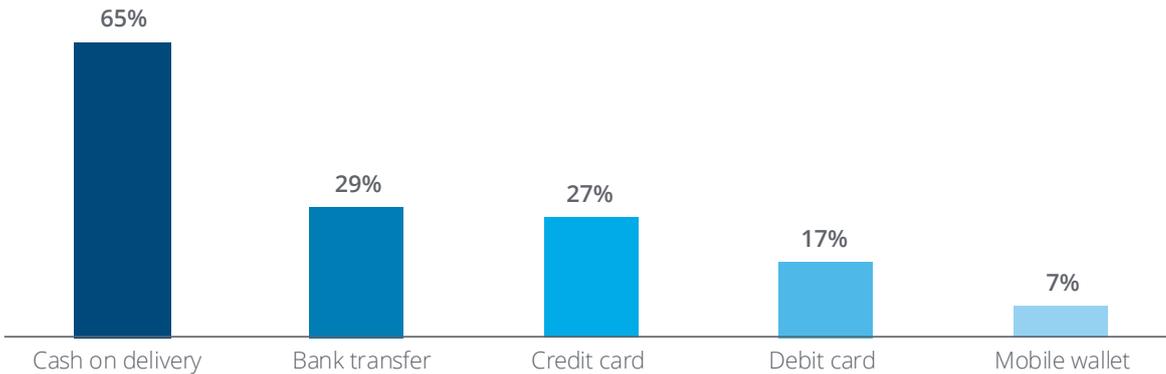


Source: Deloitte's retail survey (2018)

Online payment methods

Even as they do their shopping online, the majority of survey respondents still continue to prefer pay with cash on delivery (see Figure 23). This was followed by bank transfers, as well as credit cards and debit cards, implying that several concerns still remain around issues such as payment security.

Figure 23: Preference for different payment methods for online shopping



Source: Deloitte's retail survey (2018)

QR codes take off

By providing a quick and convenient solution for the transfer of money and purchase of items, QR code payment has quickly taken off through word-of-mouth in Vietnam.

In 2017, VNPAY introduced its VNPAY QR code mobile application in 2017. Currently, its QR code payment system is supported by more than 7,000 points of sales⁶¹, and plans are in place to roll it out on leading e-commerce platforms, such as Adayroi, Lazada, Sendo, and Tiki in the coming years⁶².

61 "QR Code: Tro thu cua thuong mai dien tu". Nhipcaudautu. 5 January 2018. <http://nhipcaudautu.vn/thi-truong/qr-code-tro-thu-cua-thuong-mai-dien-tu-3321928>

62 "Mobile payment the next big thing". Vietnam Investment Review. 24 March 2018. <http://www.vir.com.vn/mobile-payment-the-next-big-thing-57602.html>

Looking ahead



With the rise of e-commerce in Vietnam, companies are exploring different ways to capitalise on this wave of growth. There remain, however, several strategic considerations that they will need to make when embarking on this endeavour.

Firstly, companies must keep in mind their goals for sustainable, long-term development even as they pursue short-term goals. Although there are many untapped opportunities for growth within Vietnam's e-commerce space, the competition is intense and enormous amounts of investment is often required to establish the necessary logistics and infrastructure, and for brand-building activities in the form of marketing and advertising. The recent high-profile closures of several e-commerce platforms, and the repeated losses of many other players, is testament to the scale of this challenge.

Secondly, companies will need to consider how they can integrate their physical and digital channels to deliver a holistic and seamless experience for the consumer. Indeed, several local retail giants in Vietnam have already begun investing in omni-channel strategies, such as a retail ecosystem that encompasses touchpoints across the brand's entire portfolio of retail businesses, including commercial centres, supermarkets, convenience stores, and e-commerce platforms.

Finally, companies will need to find ways to tap into digital payment ecosystems to see how they can best leverage network effects and smart payment solutions to provide a differentiated customer experience. At the same time, they will need to invest in payment and data security, as the lack of secure and safe transactions is one of the key impediments for online shopping and payment.

Ultimately, the path to success lies in curating experiences to engage and entice consumers by connecting with them at the right touchpoints, at the right time, and with the right messaging. To respond to the rapidly evolving consumer preferences and behaviours, companies will need to innovate quickly and respond swiftly when navigating the digital retail landscape in Vietnam.

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