Required Report: Required - Public Distribution **Date:** September 30, 2021

Report Number: VM2021-0081

Report Name: Food Service - Hotel Restaurant Institutional

Country: Vietnam

Post: Hanoi

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

This report provides the latest update regarding developments in Vietnam's Hotel, Restaurant, and Institutional (HRI) food service sector and provides a road map for exporters wishing to enter the market. Revenue from Vietnam's HRI market declined by 17 percent to $21.3 billion in 2020 due to the COVID-19 pandemic. However, exports of U.S. consumer-oriented products maintained their market share at 7 percent. Post expects the sector to see a strong rebound over the next few years, cementing Vietnam as an attractive export market for U.S. consumer-oriented and agricultural products.

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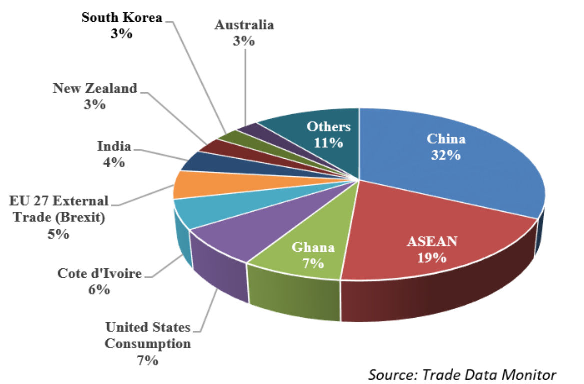
Market Fact Sheet: Vietnam

Executive Summary

Vietnam continues to be one of the fastest growing economies in the world in 2020, with Gross Domestic Product (GDP) growth reaching 2.9 percent. In August 2021, the World Bank lowered the Vietnam's GDP forecast to 4.8 percent due to the negative impacts of the most recent COVID-19 outbreak.

Imports of Consumer-Oriented Products

According to Trade Data Monitor (TDM), annual global exports of consumer-oriented products to Vietnam were down 12 percent year-over-year, from $14.9 billion in 2019 to $13.1 billion in 2020. Although U.S. exports dropped 11 percent over 2019 to $928 million, the U.S. market share remained unchanged at 7 percent in 2020, making Vietnam the 14th largest market for U.S. consumer-oriented products.



Food Service Industry

According to Euromonitor, Vietnam's Hotel, Restaurant, and Institutional (HRI) sector is comprised of over 300,000 outlets in the following subsectors: restaurants, bakeries, cafés and bars, street stalls, hotels, and institutional catering services. Due to the impact of COVID-19, the revenue from accommodation, food, and beverage services in 2020 sunk to $21.3 billion, a decline of 17 percent compared to 2019.

Quick Facts CY 2020

Imports of Consumer-Oriented Products

- Imports from the world: $13.1 billion
- Imports from the United States: $928 million

List of Top 10 Growth Products in Host Country

- Tree nuts
- Pork & pork products
- Dog & cat foods
- Condiments & Sauces
- Soup & Other Food Preparations
- Spices
- Fresh fruits
- Dairy Products
- Fresh & processed Vegetables
- Eggs & products

Food Industry by Channels in 2020 (U.S. billion)

Manufacture of food products	$65.8
Manufacture of beverages	$7
Exports of fishery products	$8.4
Exports of fruits and vegetables	$3.3
Exports of cashew nuts	$3.2

Food Service Revenue in 2020: $21.3 billion

Top 10 Food Service Operators

Golden Gate Trade & Services	Minor International PCL
Red Sun ITI	Imex Pan Pacific F&B
Yum! Brands Inc	Coffee House Vietnam
Lotte Group	Starbucks Corp
Jollibee Foods Corp	Phuc Long Coffee & Tea

GDP/Population 2019

Population *(millions)*: 97.6 million
GDP *(billions USD)*: $269 billion
GDP per capita *(USD)*: $2,777

Sources: TDM; GATS; Vietnam's General Statistic Office (GSO), Vietnam Customs, Euromonitor, Post Vietnam.

SWOT analysis	
Strengths: U.S. products are perceived as safe and of premium quality.	**Weaknesses:** U.S. products are often more expensive than products of other competing countries, partly due to higher tariffs and freight costs.
Opportunities: Growing market demand and increased focus on food safety.	**Threats:** Free trade agreements (FTAs) reduce tariffs on competitors' products.

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SECTION I. MARKET SUMMARY

Although the COVID-19 pandemic challenged global growth in 2020, Vietnam remained one of the best performers during this difficult time when compared to its regional neighbors and other countries around the world. Vietnam Gross Domestic Product (GDP) growth was 2.9 percent in 2020, compared to the worldwide contraction of 3.5 percent (World Bank). Although this GDP growth beat the original Government of Vietnam (GVN) target of 2.5 percent, it was still the country's lowest rate over the past ten years.

Since March 2020, the GVN have imposed a series of restrictions to try and control the spread of COVID-19 in Vietnam including closing the border to foreign tourists and applying different degrees of social distancing policies. These measurements had a heavy impact on the performance of the HRI sector in 2020 and through 2021. Compared to the same period in 2019, international tourist arrivals dropped by almost 80 percent in 2020 and 97 percent in the first eight months of 2021. Consequently, the revenue from accommodation, food, and beverage services in 2020 sunk to $21.3 billion, a decline of 17 percent compared to 2019 (See Figure 1). Although food service operators offered attractive promotions targeting local customers to try and fill the lack of international tourists, they were still unable to compensate for their losses. Restaurants and cafes reorganized their business models towards home delivery and take-away service to adapt to social distancing restrictions. Food ordering apps and online ordering platforms have grown significantly during the COVID-19 outbreak.

Figure 1: Revenue from Accommodation, Food, and Beverage Services and Number of International Tourist Arrivals (2013-2021)

Source: Post calculations; GSO

COVID-19 had extensive effects on consumers' eating and drinking habits and preferences to which food service operators have quickly adapted. During the outbreak, people limited their social contacts and public gatherings, including on-site dining. As a result, eating-at-home became increasingly popular, and restaurants, cafes, and caterers developed new delivery and takeaway menus to cater to this rising demand. Many large hotpot restaurant chains such as Haidilao or Kichi-Kichi introduced special hotpot combos for home delivery with cooking equipment available for borrowing. Due to limits on air travel, airline caterers sold lunch boxes through their company websites as a promotion to consumers nostalgic for in-flight meals. Hotels also offered home-banqueting packages, which offered to send chefs and waiters to serve at customers' venues, as well as staycation promotions to attract local tourists (Figure 2).

Figure 2: Special home delivery services during COVID-19 outbreaks

Despite these efforts, the fourth and ongoing wave (at the time of this report) of COVID-19 that started in April 2021 has been the most serious in Vietnam, resulting in the suspension of eating and drinking outlets, delivery and takeaway services, hotels, and domestic travel. All food service operators in Vietnam's main economic and tourist centers, including Ho Chi Minh City, Hanoi, Da Nang, Nha Trang, Hai Phong, as well as other provinces, have been severely affected in the past months. From January to August 2021, the revenue from accommodation, food, and beverage services plummeted to $11 billion, a sharp decline of 80 percent compared to the same period a year ago. At the time of this report, the resumption of international tourists and domestic travel remains unclear.

U.S. food and beverage products face a number of advantages and challenges in the Vietnam HRI sector (See Table 1).

Table 1: Advantages and Challenges Facing U.S. Products in the HRI Sector

Advantages	**Challenges**
Continued economic growth with curbed inflation, a strong inflow of overseas remittances, and stable foreign direct	The uncertainty of GVN regulations negatively affects local importers of food and food ingredients.

investment (FDI).	
Vietnam's ongoing global economic integration and its FTA negotiations create more openings for foreign products.	Market access, technical barriers to trade, sanitary and phytosanitary issues, and high tariffs limit imports of U.S. consumer-oriented products.
Rising disposable incomes boost demand for higher quality and safer food and food ingredients.	The majority of low and middle-income households in small cities and rural areas cannot afford imported quality and safer products.
U.S. food and food ingredients are considered high-quality and safer.	U.S. products are often more expensive than local products or imports from Vietnam's FTA partners and local products.
Growing international tourist arrivals, new investment in upscale hotels and resorts projects, and expanding food service outlets in first and second tier cities offer more opportunities for imported consumer-oriented products.	The lack of cold storage, logistical issues, and high-operational costs restrict the penetration of U.S. consumer-oriented products to food service outlets in third tier and smaller cities.
Vietnam's young population is open to trying new food and beverage experiences.	Many Vietnamese diners favor Asia cuisines over Western. U.S. cuisine is sometimes associated with fast food.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

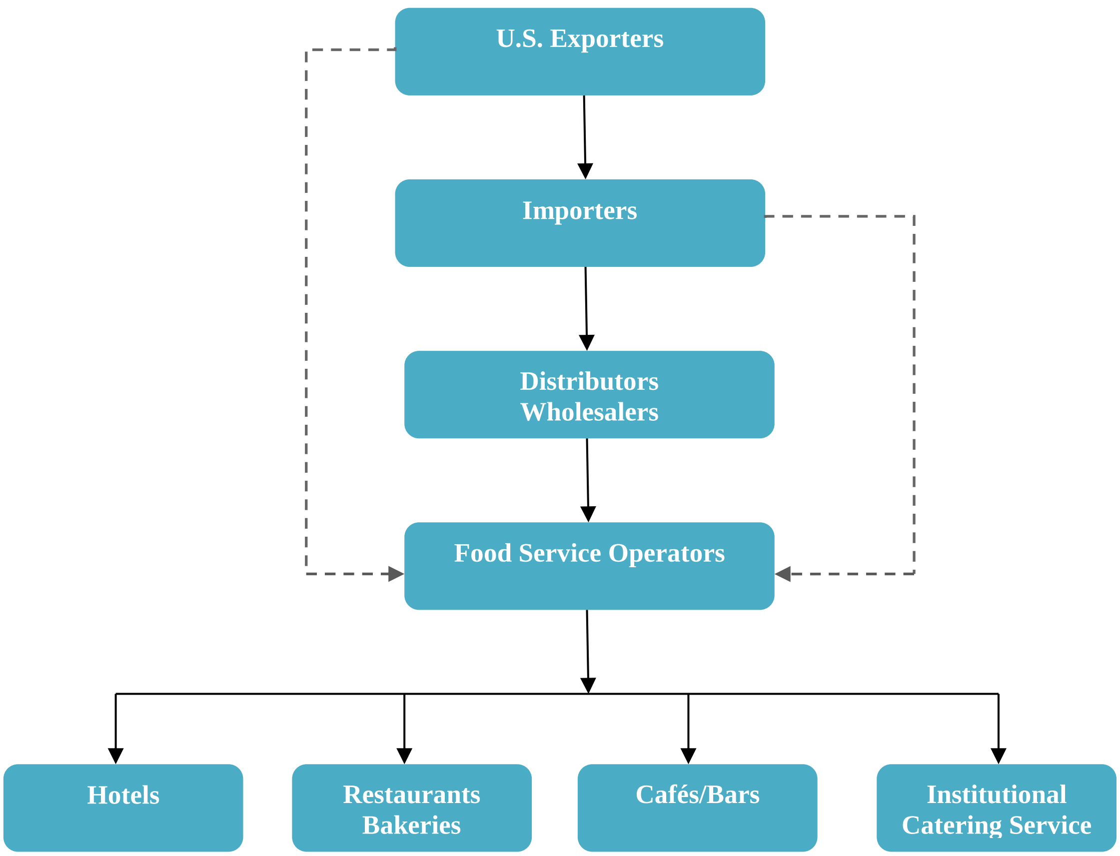
Post recommends that new-to-market U.S. exporters refer to the most recent GAIN attaché reports; in particular, the Exporter Guide, the Food and Agricultural Import Regulations and Standards (FAIRS) report, the Food Processing Ingredients report, and the Food Retail report, which could facilitate their entry into the Vietnam market.

In addition, U.S. exporters should also refer to the United States Department of Commerce's Country Commercial Guide Report for further information about the Vietnam market.

Market Structure

Partnerships with local distributors continue to be the best channel for U.S. exporters of food and beverage products to Vietnam's HRI sector. Complex regulations, costly and burdensome import procedures, high import tariffs, and logistical concerns are some of the critical issues that most domestic HRI stakeholders are unlikely to handle; therefore, purchasing imported products from distributors or wholesalers is still popular in Vietnam's HRI sector. Only a few of the largest food service operators, such as quick-service restaurants/fast food chains, full-service restaurant chains, and bakeries, can import a few key food ingredients directly, including beef, poultry, seafood, dairy, and frozen potatoes.

Figure 3: Distribution Flow Chart for U.S. Products to Vietnam's HRI Food Service Sector



Sub-Sector Profiles (see Attachment)

SECTION III. COMPETITION

Public awareness of hygiene and food safety have improved significantly in Vietnam over the last few years thanks to the proliferation of social networking sites. Recent news stories of food treated or contaminated by toxic chemicals have made Vietnamese consumers, especially inhabitants of urban areas, more cognizant of food origin, quality, and safety.

In general, the majority of Vietnamese consumers perceive imported food and food ingredients from markets other than China as high quality and safe, though many of these food products are more expensive than local options due to high tariffs and transportation costs. In food service operations, price, quality, and consistency in the supply of food ingredients are the three most important factors across all subcategories. Most premium imported foods go to luxury hotels, high-end restaurants, bakeries, and some of the well-known fast-food chains, while lower-value imported food ingredients target local eateries, street stalls, and industrial catering services. The remainder of western food products and ingredients are on the shelves of modern retail chains.

Even though there are numerous business opportunities, Vietnam is a challenging and fiercely competitive market. Vietnam's integration into the global economy has transformed the country into a stronghold of imported international food brands. In FTA negotiations, in exchange for FDI inflows and favorable export markets, Vietnam has committed to lowering import tariffs, eliminating quotas, increasing market access for goods and services, strengthening protections for intellectual property rights, enhancing legislative and regulatory transparency, and improving commercial dispute settlement and trade facilitation processes. Vietnam's FTAs with other trading partners, especially those that extract and eliminate tariffs, can threaten the competitiveness of U.S. food and agricultural exports.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Dairy products, fresh fruits (blueberries, cherries, grapes, apples, oranges…), fresh and processed vegetables, beef and pork products, poultry, and tree nuts.

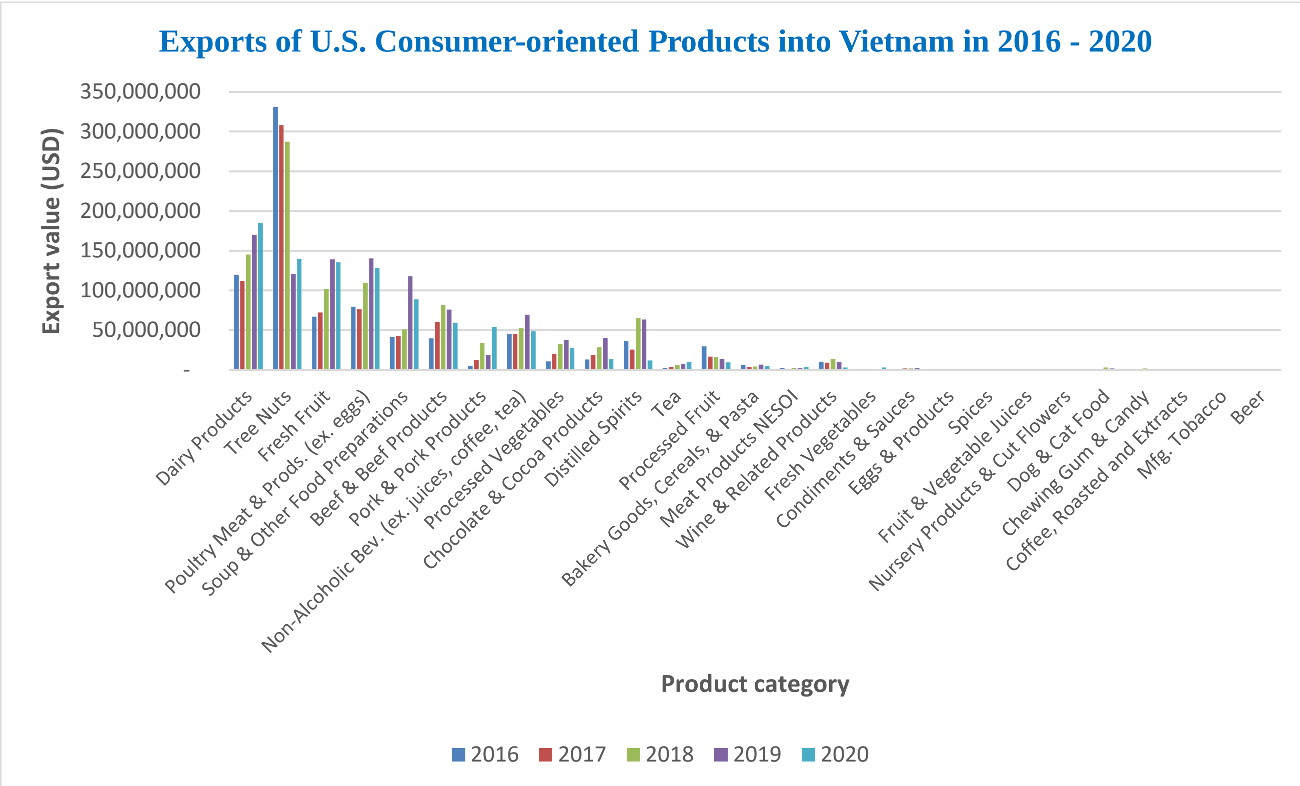
Top Consumer-Oriented Products Imported from the World

In 2020, total world exports of consumer-oriented products to Vietnam were $13.5 billion, a decrease of 12 percent from 2019. Top export items, accounting for over 80 percent of the total export value, included fresh fruits, tree nuts, dairy products, beef and pork products, fresh and processed vegetables, packaged products, and non-alcoholic beverages.

Top Consumer-Oriented Products Imported from the United States

Vietnam remained one of the top-20 largest markets for U.S. exports of consumer-oriented products over the last five years. In 2020, U.S. exports of agricultural products to Vietnam dropped 5 percent from the previous year to $3.4 billion, mainly due to the effects of COVID-19 on the country's economy. However, the United States maintained its 7 percent market share from last year. Top U.S. consumer-oriented products exported to Vietnam included dairy products, tree nuts, fresh fruits, poultry meat and products (excluding eggs), food preparations (i.e. ingredients such as non-dairy creamers, supplements, fortificant premixes), and beef and pork products. These categories accounted for almost 85 percent of the total export value of U.S. consumer-oriented products to Vietnam (See Figure 4).

Figure 4: Exports of U.S. Consumer-oriented Products into Vietnam in 2016-2020



Source: TDM

Products Not Present in Significant Quantities but which have Good Sales Potential

During the COVID-19 pandemic, Vietnamese consumers preferred products that were seen as "healthy", including cheese, fresh fruits (oranges, mandarins, pomelo…), tree nuts, seafood, grains, beans and peas.

Product Not Present because of Significant Barriers

There are consumer-oriented products that have the potential for high demand but are not present in the market due to significant barriers. These products include, but are not limited to meat, including white offal products from beef, pork, and poultry, beef bones with marrow, and lamb; fresh fruits, including citrus (aside from orange), peaches, nectarines, plums, melon, and strawberries; and fresh vegetables (aside from fresh potatoes).

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Department of Agriculture / Foreign Agricultural Service

The first point of contact for updated reports and trade data is the USDA/FAS Web Page: http://www.fas.usda.gov.

FAS has two offices in Vietnam, one at the U.S. Embassy in Hanoi and the other at the U.S. Consulate General in Ho Chi Minh City. The two offices are located at the major political and economic hubs of Vietnam and actively assist U.S. exporters of agricultural and related products, including consumer-oriented food products and fishery products. U.S. exporters seeking assistance for market access issues or any other trade issues in Vietnam can contact FAS Vietnam through email: aghanoi@fas.usda.gov or atohochiminh@fas.usda.gov.

Additionally, U.S. exporters can contact State Regional Trade Groups (SRTGs) and/or FAS Cooperators and Participants for their valuable assistance.

List of Ministries/Agencies Responsible for Food Policies:

Ministry of Agriculture and Rural Development (MARD)
MARD/Plant Protection Department (PPD)
MARD/Department of Animal Health (DAH)
MARD/Directorate of Fisheries
Vietnam Food Administration (VFA)
Ministry of Trade and Industry (MOIT)

Useful Websites:

General Department of Vietnam Customs
Vietnam National Administration of Tourism
National Assembly of Vietnam
American Chamber of Commerce in Vietnam

Major Media Websites:

Vietnam News	http://vietnamnews.vnagency.com.vn/
Vietnam Investment Review	https://www.vir.com.vn/
Saigon Times Daily	https://english.thesaigontimes.vn/
Tuoi Tre News	http://www.tuoitrenews.vn/
Vietnam Net News	https://vietnamnet.vn/en/
VN Express News	https://e.vnexpress.net/

Attachments:
HRI 2021 Sub-sectors profile.pdf