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Prepared By: Kiet Vo

Approved By: Benjamin Petlock

Report Highlights:

Vietnam's modern retail sector saw significant disruption in 2019 when two leading modern retailers, Auchan and Shop&Go, terminated their operations in Vietnam and were sold to two local companies, Saigon Co-op and Vincommerce, respectively. Traditional grocery retailers still dominate Vietnam's retail food sector, while modern retail chains are competing to expand in response to growing consumer demand. Overall economic growth, combined with a sizable young population, rapid urbanization, and consumer concerns about hygiene and food safety are driving changes in consumption patterns. According to the General Statistics Office (GSO) of Vietnam, Vietnam's total retail goods and services revenue in 2018 was approximately \$191 billion, up 11.7 percent over 2017.

Market Fact Sheet: Vietnam

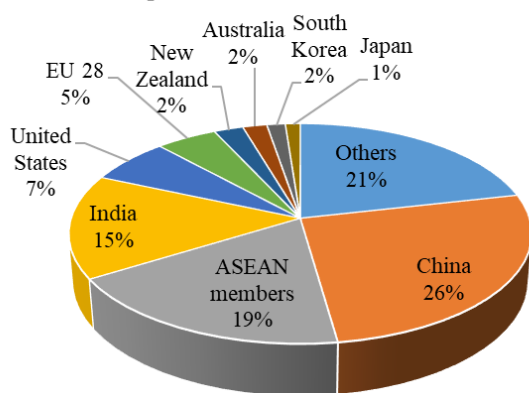
Executive Summary

Vietnam is one of the fastest growing economies in Asia, with Gross Domestic Product (GDP) growth in 2018 reaching a 10-year-high of 7.1 percent. 2019 GDP growth is forecast at 6.6 percent (Worldbank). This has allowed the country to join the ranks of the world's lower middle-income economies.

In 2018, Vietnam's imports of agricultural and related products were estimated at \$34.5 billion, up about 2 percent over 2017 (Trade Data Monitor). In this context, U.S. exports of agricultural and related products to Vietnam hit a record high of \$4.5 billion, up 51 percent over 2017. This significant increase made Vietnam the 7th largest agricultural and related products market for the United States. Vietnam imported about \$14.5 billion of consumer-oriented products in 2018, up 4 percent over 2017. U.S. exports of consumer-oriented products to Vietnam hit a record \$981 million, up 22 percent over 2017.

Imports of Consumer-Oriented

Market share of consumer-oriented products imported into Vietnam in 2018



Source: Trade Data Monitor

Food Retail Industry

Small, traditional retailers still dominate Vietnam's food retail sector, but modern retail channels are expanding in response to growing consumer demand. In 2018, Vietnam's total retail sales of goods and services was \$191 billion, up 11.7 percent over 2017 (Vietnam's GSO).

Quick Facts CY 2018

Imports of Consumer-Oriented Products

- Imports from the world: \$14.5 billion
- Imports from the United States: \$981 million (about 7 percent market share)

Top 10 Growth Products in Vietnam

| | |
|--------------------------------------|----------------------------|
| Tree nuts | Non-alcohol beverages |
| Dairy products | (ex. juices) |
| Poultry meat and products (ex. eggs) | Prepared food |
| Fresh fruits | Pork and pork products |
| Beef and beef products | Processed Vegetables |
| | Chocolate & Cocoa products |

Food Industry by Channels (US\$ billion)

| | |
|--|--------|
| Net revenue of food manufacturing (2015) | \$45.8 |
| Net revenue of beverage manufacturing (2015) | \$4.6 |
| Exports of fishery products (2018) | \$8.8 |
| Exports of fruits and vegetables (2018) | \$3.8 |
| Exports of cashew nuts (2018) | \$3.4 |

Total retail sales of goods and services 2018: \$191 billion

Top 10 Vietnamese Retailers

| | |
|----------------|---------------|
| Aeon Mega Mart | Vinmart |
| MM Mega Market | Circle K |
| Big C | 7 Eleven |
| Co.op Mart | Bach Hoa Xanh |
| Lotte Mart | Satra Food |

GDP/Population 2018

| | |
|----------------|-----------------|
| Population | 97 million |
| GDP | \$241.3 billion |
| GDP per capita | \$2,564 |

Sources: TDM; GATS; Vietnam's GSO, Vietnam Customs, Post Vietnam, IMF

| Advantages | Challenges |
|---|--|
| U.S. products are perceived as safe and of premium quality. | U.S. products are still more expensive than their peers, partly due to higher tariffs and freight costs. |
| Growing market demand and increased focus on food safety | Free Trade Agreements reduce tariffs on competitors' products. |

Contact: FAS Vietnam

Office of Agricultural Affairs in Hanoi

Tel.: 84-24-3850 6106; Email: aghanoi@fas.usda.gov

Office of Agricultural Affairs in Ho Chi Minh City

Tel.: 84-28-35204630; Email: atohochiminh@fas.usda.gov

SECTION I. MARKET SUMMARY

Vietnam's modern retail foods sector has grown steadily over the past three years and continues to evolve in 2019. Strong economic growth, increasing foreign investment, benefits from free trade agreements (FTAs), a growing middle class with higher disposable income, rapid urbanization, and heightened concerns about hygiene and food safety are major factors fueling the sustainable growth in the sector. Retail sale prices, excluding sales taxes, for modern grocery retailers increased from \$22.1 billion in 2013 to \$35.6 billion in 2018 (Euromonitor).

Existing modern retail food chains are continuously enlarging their market share by expanding their distribution networks, not only in first-tier cities like Hanoi and Ho Chi Minh City, but also in second-tier cities and provinces across the country. In addition, new players continue to invest in the retail food sector in Vietnam to take advantage of this potential. The number of modern grocery outlets jumped from around 1,000 in 2013 to nearly 4,000 in 2018. Many modern retail chains have both hyper/supermarkets and convenience stores under one brand umbrella (see Table 1). However, this growth has also led to increased competition that has already resulted in numerous chains abandoning the market after sustaining heavy losses.

Traditional wet markets and small independent stores (traditional grocery retailers) are still dominant in the Vietnam retail market, though their growth rate is not as fast as for modern retail chains. Sales revenue generated by traditional retailers in 2018 was estimated at \$43 billion, accounting for 92 percent of total grocery retail sales. According to Vietnam's GSO, there were approximately 8,600 wet markets across the country in 2017.

The sustainable growth of traditional grocery retailers is fueled by proximity to residential areas, competitive prices, concentration of diverse products in one market place, flexibility in dealing with customers, and improved handling of products, which leads to better product quality.

Table 1: Major Modern Retail Chains in Vietnam

| Hyper/Supermarkets | Convenience Stores |
|--|---|
| Aeon Mega Market (www.aeon.com.vn) | 7-Eleven (www.7-eleven.vn) |
| Aeon Citimart (www.aeonicitimart.vn) | B's Mart (www.bsmartvina.com) |
| Big C (www.bigc.vn) | Bach Hoa Xanh (www.bachhoaxanh.com) |
| Co-op Mart (www.co-opmart.com.vn) | Cheers |
| Co-op Extra (http://coopextra.net) | Circle K (www.circlek.com.vn) |
| E-Mart (www.emart.com.vn) | Co-op Food (www.co-opmart.com.vn) |
| Hapromart (www.haprogroun.vn) | Co-op Smile (www.co-opmart.com.vn) |
| K-Mart | Family Mart (www.famima.vn) |
| Lottemart (http://lottemart.com.vn) | GS 25 (http://gs25.com.vn) |
| MM Mega Market (http://mmvietnam.com) | Ministop (www.ministop.vn) |
| Nam An Market (https://namanmarket.com/) | Q-Mart+ (https://qmart.com.vn) |
| Q Mart (https://qmart.com.vn) | Vinmart+ (https://vinmart.com/) |
| Vinmart (https://vinmart.com/) | |

Table 2: Understanding Vietnam’s Food Retail Sector: Advantages and Challenges for U.S. products

| Advantages | Challenges |
|--|---|
| Strong GDP growth, higher per capita income, rapid urbanization, and growing food safety concerns support the development of the modern retail sector. | The uncertainty of government regulations negatively affects local importers of food and food ingredients. |
| Rising disposable income boosts demand for higher quality and safe food and food ingredients. | The majority of low and middle-income households in small cities and rural areas cannot afford imported products due to widening income inequality. |
| Consumers in Vietnam view U.S. products as high quality and safe. | U.S. products are still expensive to middle- class households in first-tier cities. |
| Consumer awareness of global retail brands is increasing, with more international brands entering Vietnam. | U.S. exporters are often perceived as not flexible or responsive to importers’ needs or the local business environment. For example, some U.S. products are packed in large sizes that limit purchases. |
| Growing perception of modern retail outlets as cleaner, safer, more comfortable, more enjoyable, and containing more diverse food and beverage products over wet markets | A reference price list and high import duties make U.S. products less competitive and sometimes discourage importers from diversifying their portfolio with U.S. products. |
| More modern retail chains are managed by foreigners, increasing the opportunities for imported products, including those from the United States. | Most modern retail chains are owned and managed by Asian investors. Products from these respective countries are more competitive due to free trade agreements with Vietnam. |
| Vietnam’s continued economic integration and its FTA negotiations give more openings to foreign products in general. | U.S. competitors have gained access to the Vietnam market for many consumer-oriented products. For example, the United States competes with France, New Zealand, Korea, and Japan. |

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

FAS strongly encourages potential U.S. exporters to review related [GAIN attaché reports](#); in particular, the Exporter Guide, Food Agricultural Import Regulations and Standards (FAIRS) report, Food Ingredients Report, and Hotel and Restaurant Industry (HRI) Food Service Sector Report. GAIN and FAIRS reports are regularly updated online to keep U.S. exporters apprised of the latest information related to Vietnam's food standards and safety regulations.

U.S. new-to-market exporters should also look into export requirements for Vietnam by other USDA agencies, including the Food Safety and Inspection Service (FSIS) (www.fsis.usda.gov), the Animal and Plant Health Inspection Service (APHIS) (<https://www.aphis.usda.gov/aphis/home/>), and the Agricultural Marketing Service (AMS) (<https://www.ams.usda.gov/>).

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

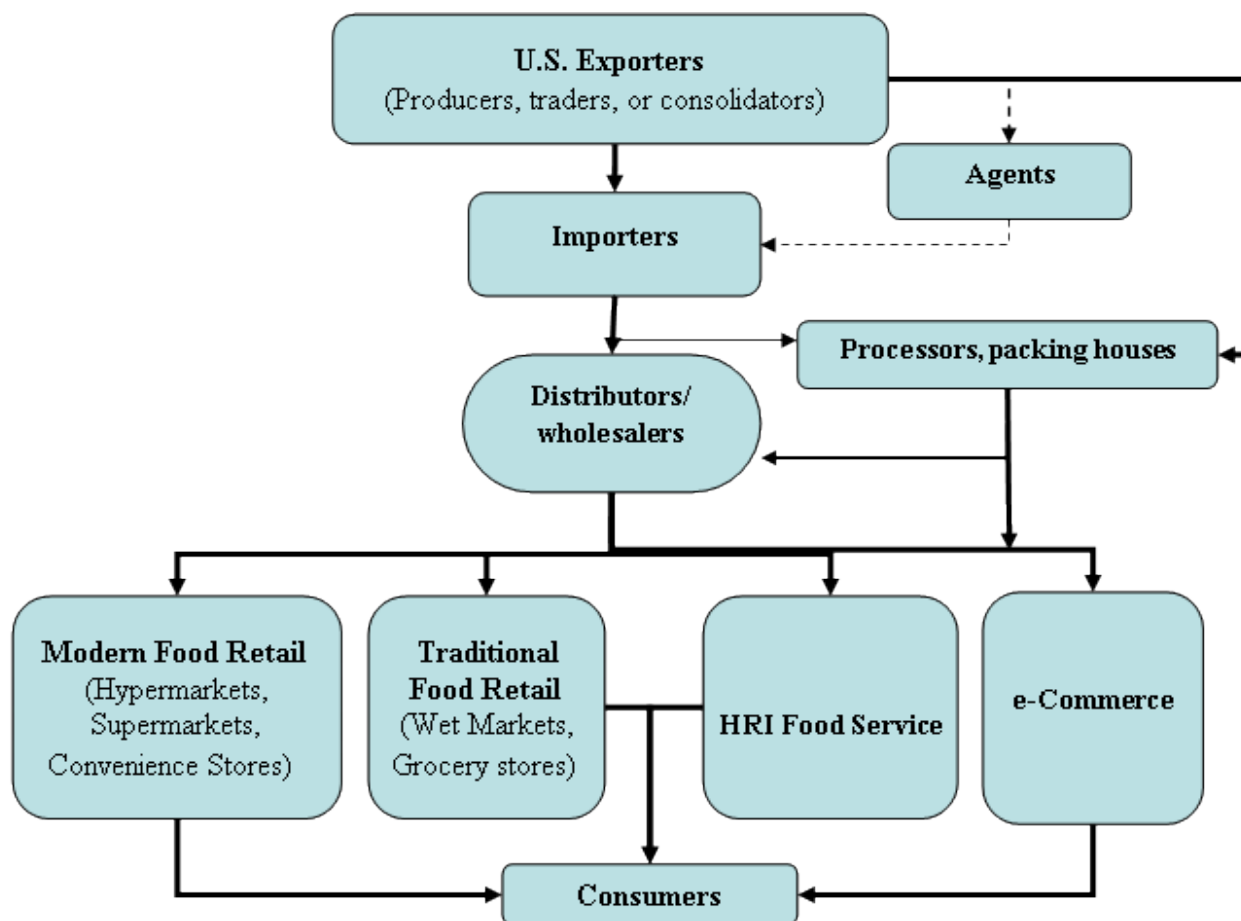
FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements and to identify potential buyers. FAS/Vietnam and USDA Cooperators assist new-to-market U.S. exporters, including lists of importers/traders/processors, market insights, and information on import procedures. Contact information is available in the [2017 Exporter Guide](#). Exporters can also benefit from engaging with State Departments of Agriculture and State Regional Trade Groups.

Participation in trade shows and trade missions may offer good opportunities to better understand the market and engage directly with potential importers, distributors, and local partners. There are two USDA-endorsed trade shows in Vietnam: Food and Hotel Vietnam is the most important show for consumer-oriented products and takes place biennially in Ho Chi Minh City. Food and Hotel Hanoi is another large show focused on the northern market that takes place in alternating years. Visit <https://foodnhotelvietnam.com/> for further information.

Market Structure

Most consumer-oriented products reach the shelves of retail food channels through importers. Recently, some of the largest modern retail food chains have started directly importing fresh fruits, beef and beef products, seafood, and non-alcoholic beverages for their outlets.

Figure 1: Retail Market Structure in Vietnam



Recent Developments in the Modern Retail Food Sector

While most major modern retailers have been continually increasing their number of outlets across the country, two significant chains, Shop&Go and Auchan, left the Vietnam market during 2019.

Shop & Go, a 24/7 convenience store chain owned by Good and Life from Singapore, opened in 2006 in Ho Chi Minh City and had over 100 stores by 2016. In April 2019, Good and Life decided to sell its 87 remaining stores, 70 in Ho Chi Minh City and 17 in Hanoi, to Vincommerce, a subsidiary of the Vietnamese conglomerate Vingroup, for \$1 due to heavy losses. By the end of 2016, the accumulated losses of Shop & Go were reported at nearly \$8.9 million.

Auchan, the last Western player in the modern retail sector in Vietnam, suddenly announced its withdrawal from the Vietnam market this year. Established in 2015 with an ambitious plan of investing \$500 million in 300 outlets across the country, Auchan handed over its 18 stores in Vietnam to Saigon Co-op earlier this year. Before Auchan, other Western retailers also abandoned the Vietnamese market, including Casino Group (French), and Metro Cash and Carry (German).

SECTION III. COMPETITION

Competition in Vietnam's food retail sector is extremely high, not only between modern food retailers and traditional retailers, but also between modern food retailers themselves. As noted above, some key international players have recently withdrawn from the market. In addition to the international companies, the domestic brands Fivimart, Maximart, and G7 Mart have ceased operations.

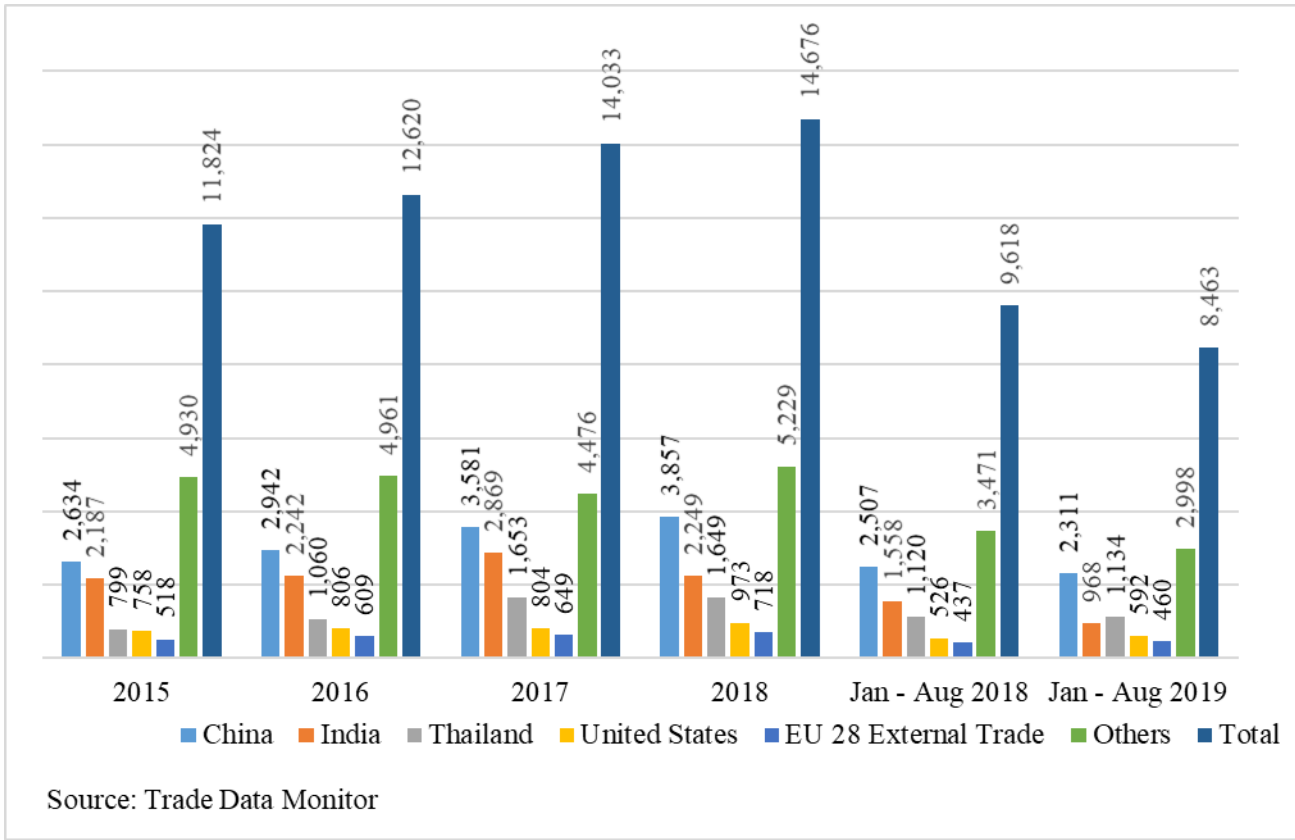
While traditional grocery retailers are able to compete on proximity, competitive prices due to low operational costs, flexibility in bargaining and discounting, and long-standing personal relationship with buyers, they have issues with hygiene and food safety. Meat, fish, and fresh produce at wet markets are openly exposed to the air for hours until the buyers take them home. Packaged foods, like dairy products (cheese, liquid milk) and canned foods, are not properly stored in coolers. Eventually, temperature changes, poor handling, and pests lead to quality deterioration.

Products on the shelves of modern retail outlets are usually sold at higher prices than the same items at traditional retail channels. Space rental, electricity for air conditioning and cold storage, labor costs, and taxes lead to high operations costs and increase retail sale prices. However, modern grocery retailers try to attract customers by offering clean, spacious, and enjoyable shopping environments, diverse products, promotional programs, and value-added services. Modern retail chains are attempting to expand their distribution networks to gain market share, but many are also suffering from losses due to high operating costs and fierce competition.

Competition between imported and locally-produced consumer-oriented products is also fierce. Vietnam is a large producer of agricultural products including pork, poultry, fruits, and vegetables. The country is also developing burgeoning food processing and agro-industrial sectors. Leading multinationals have established food processing operations in Vietnam, and are able to offer a wide range of western-style products at reasonable prices.

Competition between U.S. and other countries' consumer-oriented products is also growing more intense. Vietnam has become more globally integrated by signing a range of FTAs and the majority of products from FTAs partners face lower tariffs than U.S. products. Another important feature that is reshaping Vietnam's food retail sector is the inflow of capital from other Asian countries such as Thailand, Japan, and South Korea, which are Vietnam's FTA partners. This has also resulted in the proliferation of Asian-branded products on the shelves of food retail outlets across Vietnam.

Figure 2: World Exports of Consumer-Oriented Products to Vietnam (Million USD)



SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Fresh produce, meat and meat products, poultry, seafood, milk and dairy products, condiments and sauces.

Top Consumer-Oriented Products Imported from the World

World exports of consumer-oriented products to Vietnam totaled \$14.6 billion in 2018 (Trade Data Monitor), up 5 percent over 2017. The top-five export items and their respective global shares were: 1) fresh and processed vegetable (\$2.6 billion, 18 percent share); 2) beef and beef products (\$2.5 billion, 17 percent share); 3) fresh fruit (\$2 billion, 14 percent share); 4) tree nuts (\$1.8 billion, 12 percent share); and 5) dairy products (\$0.8 billion, 6 percent share).

Top Consumer-Oriented Products Imported from the United States

U.S. exports of consumer-oriented products hit a record high of \$981 million in 2018, up 22 percent from 2017. The top-five export items were: 1) tree nuts (\$289 million, 29 percent share); 2) dairy products (\$145 million, 15 percent share); 3) poultry meat and products (\$110 million, 11 percent share); 4) fresh fruit (\$102 million, 10 percent share); and 5) beef and beef products (\$82 million, 8 percent share).

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

Pork meat, cheese, ice cream, sweets and snacks, wine, craft beer, frozen and dried fruit, live seafood (geoduck, lobster, king crab, fish, oyster), cooked and prepared shellfish, frozen wild salmon.

Product Not Present because They Face Significant Barriers

Edible white offal (pork, beef, and chicken), citrus aside from oranges, strawberries, and certain kinds of seafood.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Please refer to the [FAS/Vietnam Exporter Guide 2017](#) for links to additional sources of information, including Post contacts, State Regional Trade Groups, USDA Cooperators, and Vietnamese government agencies.

Other Useful Websites:

The Embassy of Vietnam in Washington <http://www.vietnamembassy-usa.org>

Ministry of Agriculture and Rural Development www.mard.gov.vn

MARD/Department of Animal Health <http://www.cucthuy.gov.vn>

MARD/Plant Protection Department <http://www.ppd.gov.vn>

MARD/ National Agro-Forestry-Fisheries Quality Assurance Dept. <http://www.nafiqad.gov.vn>

Ministry of Health <http://www.moh.gov.vn>

Vietnam Food Administration <http://vfa.gov.vn>

General Department of Vietnam Customs <http://www.customs.gov.vn/English/>

Directorate for Standards, Metrology & Quality <http://www.tcvn.gov.vn/> or <http://en.tcvn.vn>

Ministry of Industry & Trade <http://www.moit.gov.vn>

Vietnam Tourism Administration http://www.vietnamtourism.com/e_pages/news/

National Assembly of Vietnam <http://www.na.gov.vn>

Vietnam Ag Biotechnology <http://www.agbiotech.com.vn>

American Chamber of Commerce in Vietnam <http://www.amchamvietnam.com>

Major Media Websites:

Vietnam News <http://vietnamnews.vnagency.com.vn/>

Vietnam Economy News <http://news.vneconomy.vn/>

Vietnam Investment Review <http://www.vir.com.vn/news/home>

Saigon Times Daily <http://english.thesaigontimes.vn/Home>

Saigon Times Weekly <http://www.thesaigontimes.vn/epaper/SGTW/>

Saigon Tiep Thi <http://www.vnnnews.net/tag/saigon-tiep-thi>

Tuoi Tre News <http://www.tuoiotrenews.vn/>

Attachments:

No Attachments