United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution

Date: July 08,2020

Report Number: VM2020-0069

Report Name: Retail Foods

Country: Vietnam

Post: Hanoi

Report Category: Retail Foods

Prepared By: Kiet Vo

Approved By: Benjamin Petlock

Report Highlights:

According to the Vietnam General Statistics Office (GSO), total 2019 food and beverage retail sales were estimated at $51 billion, a 13 percent increase over the previous year, with modern retail food channels accounting for approximately 14 percent. However, despite this expansion, three grocery store chains exited the Vietnam market, including Vingroup, Vietnam's largest grocery retailer, due to intense competition. In 2020, the COVID-19 outbreak hit the retail food sector in the short term, but has offered expanded opportunities for e-commerce to grow.

Market Fact Sheet: Vietnam

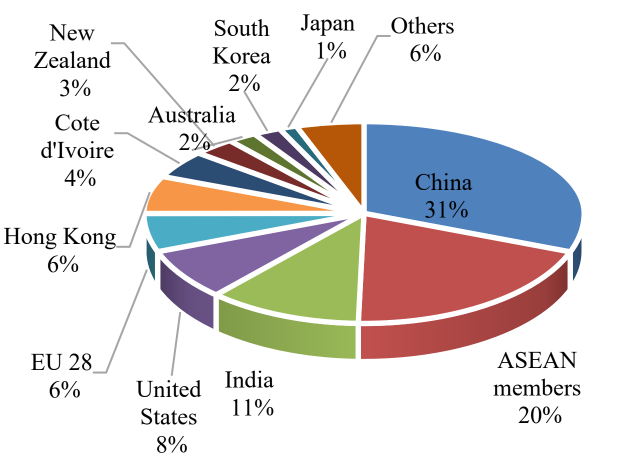
Executive Summary

Vietnam has remained one of the fastest growing economies in Asia, with gross domestic product (GDP) growth in 2019 reaching 7 percent. In 2020, GDP growth is forecast down to 2.8 percent due to negative impacts of the COVID-19 pandemic (World Bank).

According to Trade Data Monitor (TDM), global exports of consumer-oriented and agricultural related products (distilled spirits and fish products) serving Vietnam's retail food channels were down 22 percent year on year, from $20.4 billion in 2018 to $15.9 billion in 2019. U.S. exports remained steady at $1.1 billion, but U.S. market share rose 1 percentage point, from 6 percent in 2018 to 7 percent in 2019. Vietnam is the 12th largest market for U.S. consumer-oriented products, seafood, and distilled spirits.

Imports of Consumer-Oriented

Market share of consumer-oriented products imported into Vietnam in 2019



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 2019, Vietnam's total retail sales of goods and services was approximately $213 billion, up 11.8 percent over 2018, in which food and beverage retail sales were estimated at $51 billion [Vietnam's General Statistics Office (GSO) and Ministry of Industry and Trade].

Quick Facts CY 2019

Imports of Consumer-Oriented Products

- Imports from the world: $12.8 billion
- Imports from the United States: $973 million

Top-10 Growth Products in Vietnam

Dairy products	Prepared food
Poultry	Pork and pork products
Fresh fruits	Processed vegetables
Beef	Chocolate and cocoa products
Non-alcohol beverages (ex. juices)	Snack food NESOI

Food Industry by Channels in 2019 (billion USD)

Manufacture of food products	$62.5
Manufacture of beverages	$7.4
Exports of fishery products	$8.5
Exports of fruits and vegetables	$3.7
Exports of cashew nuts	$3.3

Total retail sales of goods and services 2019: $213 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 2019

Population	97 million
GDP	$262 billion
GDP per capita	$2,564

Sources: TDM; GATS; GSO; Vietnam Customs

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

Outlook for 2020

As of June 24, Vietnam has gone 70 days without a recorded case of community transmission of COVID-19. However, while Vietnam has successfully contained the spread of the virus, the ongoing pandemic has severely affected the country's economy, including the modern retail food sector. Many consumers reduced their spending during the first half of 2020, either in anticipation of an economic downturn or because they have been laid off or are working reduced hours due to disruptions from COVID-19.

Vietnam's modern food retail stores saw significantly reduced foot traffic in April and May due to social distancing measures and fears of physical contacts, with some studies showing drops of 80 percent in both Ho Chi Minh City (HCMC) and Hanoi. With reduced traffic, rental costs became burdensome and many stores attempted to renegotiate their rental contracts or closed locations. For example, Big C, a leading retailer, is rumored to be considering closing an outlet in Ho Chi Minh City due to disagreements on rental rates.

COVID-19 has provided market opportunities for e-commerce in Vietnam. According to Vietnam's General Statistics Office (GSO), 68.5 million, or 70 percent, of Vietnam's population has internet access and about 43.7 million Vietnamese use smartphones. According to the Vietnam e-Commerce Association, e-commerce was already experiencing significant annual growth of 30 percent over the past two years and estimates that the market could reach $13 billion by the end of 2020.

During the mandated social distancing period for three weeks in April, and for at least a month after, consumers changed their shopping behavior. Online shopping platform providers in Vietnam, including Tiki, Shopee, Lazada, Sendo, Foody, and Postmart, reported operating at full capacity to capture the growing demand, expanding their product ranges to include both food and beverage products and essential healthcare products, and offering diverse services to attract consumers, such as free delivery, contactless delivery, and discount programs. While some of the demand has dropped off from its peak, industry had noted that it remains robust.

Food delivery and non-cash payment services have also developed to meet accelerating online shopping demand. Technology transport providers, including Be, Grab, and GoViet, collaborated with modern retailers and online shopping platforms to develop new applications, allowing consumers to shop for food products, including fresh produce, online and have the products delivered at home. Similarly, non-cash payment transactions via Zalopay, VN Pay QR, Napas, Moca, and Momo reportedly increased by at least 30 percent in recent months.

Review of 2019

Modern Retail Chains

Vietnam's modern retail foods sector saw significant growth in 2019. According to GSO, total 2019 food and beverage retail sales were estimated at $51 billion, a 13 percent increase over the previous year, with modern retail food channels accounting for approximately 14 percent of the total. 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 continue to fuel the sustainable growth in this sector.

Several existing modern retail food chains, including BRG, Aeon, and Bach Hoa Xanh, continued to expand their distribution networks, not only in Hanoi and HCMC, but also in second-tier cities and provinces across the country. Some modern retail chains have both hyper/supermarkets and convenience stores in their distribution channels (Table 1). The number of modern grocery outlets jumped from around 1,000 in 2013 to over 4,000 in 2019.

Competition in the sector remains fierce with three leading modern retailers withdrawing from the market and three major online platforms closing in 2019. Shop&Go, a Singaporean-invested convenience store chain, exited Vietnam by selling its 87 stores to Vincommerce, a retail subsidiary of the Vietnamese conglomerate Vingroup, in April. Auchan, a French-invested supermarket chain, followed by selling its 18 stores to Saigon Co-op, a state-owned Vietnamese retailer in mid-May 2019.

In one of the major events of the year, Vingroup suddenly withdrew from the retail sector at the end of 2019. Vingroup originally entered the sector in 2014 by acquiring Ocean Retail which had 13 stores in Hanoi. Since then, Vingroup expanded to become the largest retail chain in Vietnam. By September 2019, the conglomerate owned over 2,600 retail outlets: VinMart supermarkets and VinMart+ convenience stores, operated under Vincommerce; hundreds of home appliances stores under Vinpro; a retail online platform, "A-Day-Roi"; and 14 VinEco high-tech agricultural farms. With heavy investment and aggressive growth, Vingroup surprised the market by its sudden decision to exit. In mid-December, Vingroup closed Vinpro, shut down A-Day-Roi, and sold over 2,600 VinMart and VinMart+ stores and 14 high-tech farms to the Masan Group, another Vietnamese conglomerate which specializes in manufacturing consumer-oriented foods. Vingroup's shares in VinCommerce and VinEco were converted into shares of a new company, with Masan Group taking control.

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.aeoncitimart.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://coopxtra.net)	**Circle K** (www.circlek.com.vn)
E-Mart (www.emart.com.vn)	**Co-op Food** (www.co-opmart.com.vn)
Hapromart (www.haprogroup.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/)	
BRG (https://brggroup.vn/)	

E-commerce

As mentioned above, while the sector saw healthy growth in 2019, some major players exited due to tough competition. Robins.vn, an e-commerce platform belonging to Central Group Vietnam, which owns the Big C supermarket chain with 35 outlets across the country, closed in March 2019 after two years of operation. Lotte.vn, the e-commerce arm of Lotte Vietnam, shut down September 2019 due to low traffic and tough competition.

Traditional Grocery Retailers/Wet Markets

Traditional wet markets and small independent stores (traditional grocery retailers) still dominate Vietnam's retail market. GSO estimated sales revenue generated by traditional retailers in 2019 at $44 billion, accounting for 86 percent of total grocery retail sales.

The continued growth in traditional grocery retail can be attributed to factors such as proximity to residential areas, competitive prices, concentration of diverse products in one marketplace, flexibility in dealing with customers, and gradual improvements in product handling. Despite this growth, concerns with hygiene and food safety remain due to the infrastructure constraints of traditional and wet markets.

For example, as packaged foods, like dairy products (cheese, liquid milk) and canned foods, are not properly stored, external factors, such as temperature changes, improper handling, and pests can lead to quality deterioration over time. In addition, meat, fish, and fresh produce at wet markets are openly exposed to the air and temperature changes for hours until the buyers take them home.

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 operation costs and increase retail sale prices. Modern grocery retailers strive to attract customers by offering clean, spacious, and enjoyable shopping environments, diverse products, promotional programs, and value-added services.

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 and regulation implementation negatively affects local importers of food and food ingredients.
Rising disposable income boosts demand for higher quality and safe food and food ingredients.	Most low and middle-income households in small cities and rural areas cannot afford imported products.
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.
The growing number of modern retail chains increases the opportunities for imported products, including those from the United States.	U.S. competitors, including the EU, Canada, New Zealand, Korea, and Japan, also have access to the Vietnam market for many consumer-oriented

	products.
Vietnam's continued economic integration and its FTA negotiations give more openings to foreign products in general.	Some U.S. products are at a tariff disadvantage as competitor countries sign FTAs with Vietnam.

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, the Food Agricultural Import Regulations and Standards (FAIRS) report, the Food Ingredients report, and the Hotel and Restaurant Industry (HRI) Food Service Sector report. FAS regularly updates these reports 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.

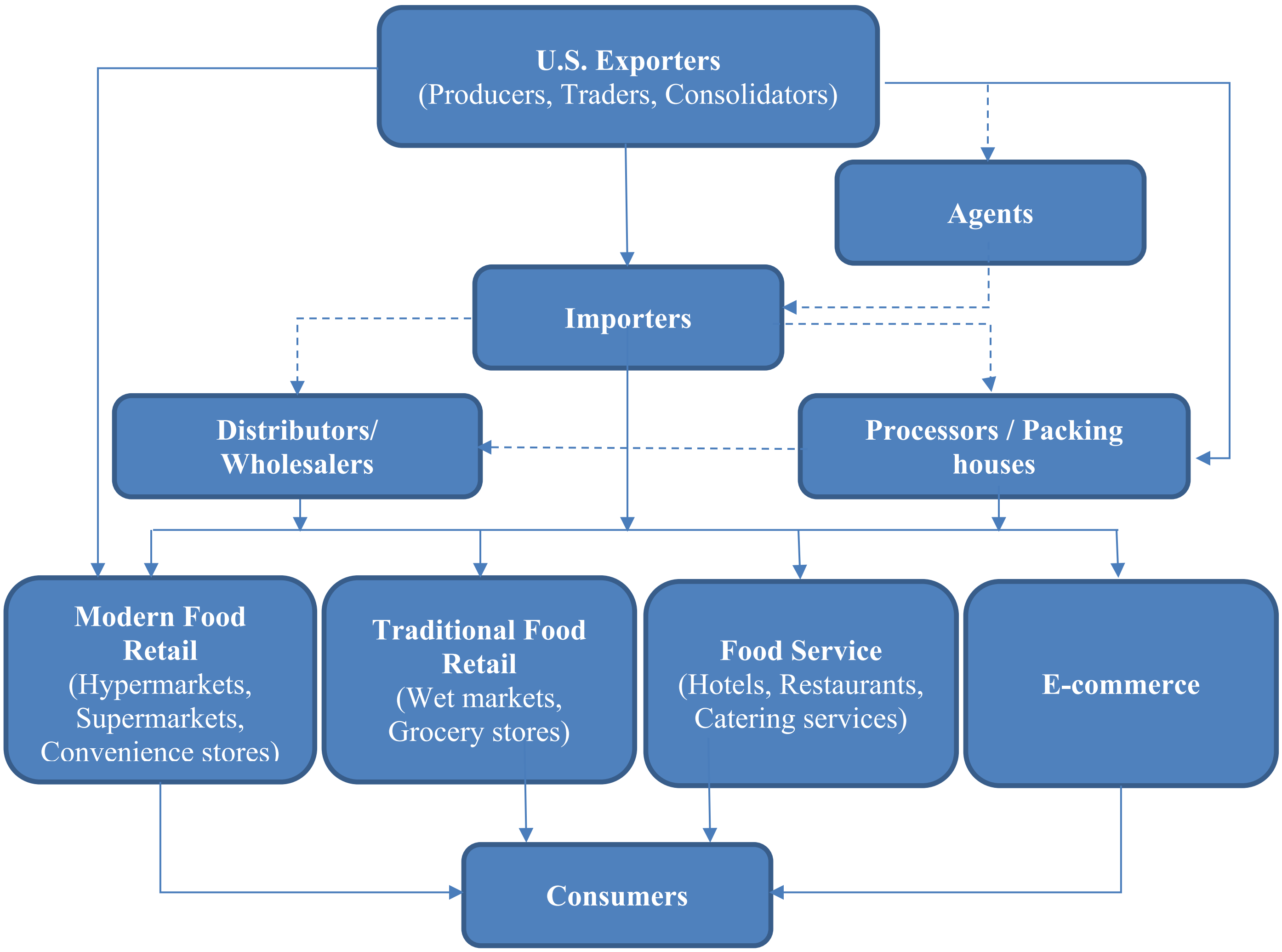
FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements and to identify potential buyers. FAS/Vietnam and USDA Cooperators assist new-to-market U.S. exporters, including lists of importers/traders/processors, market insights, and information on import procedures. Contact information is available in the 2019 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 every two years 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/ and https://foodnhotelhanoi.com/en-us/ for further information.

Market Structure

Most consumer-oriented products reach the shelves of retail food channels through importers, distributors, and processors (Figure 1). 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



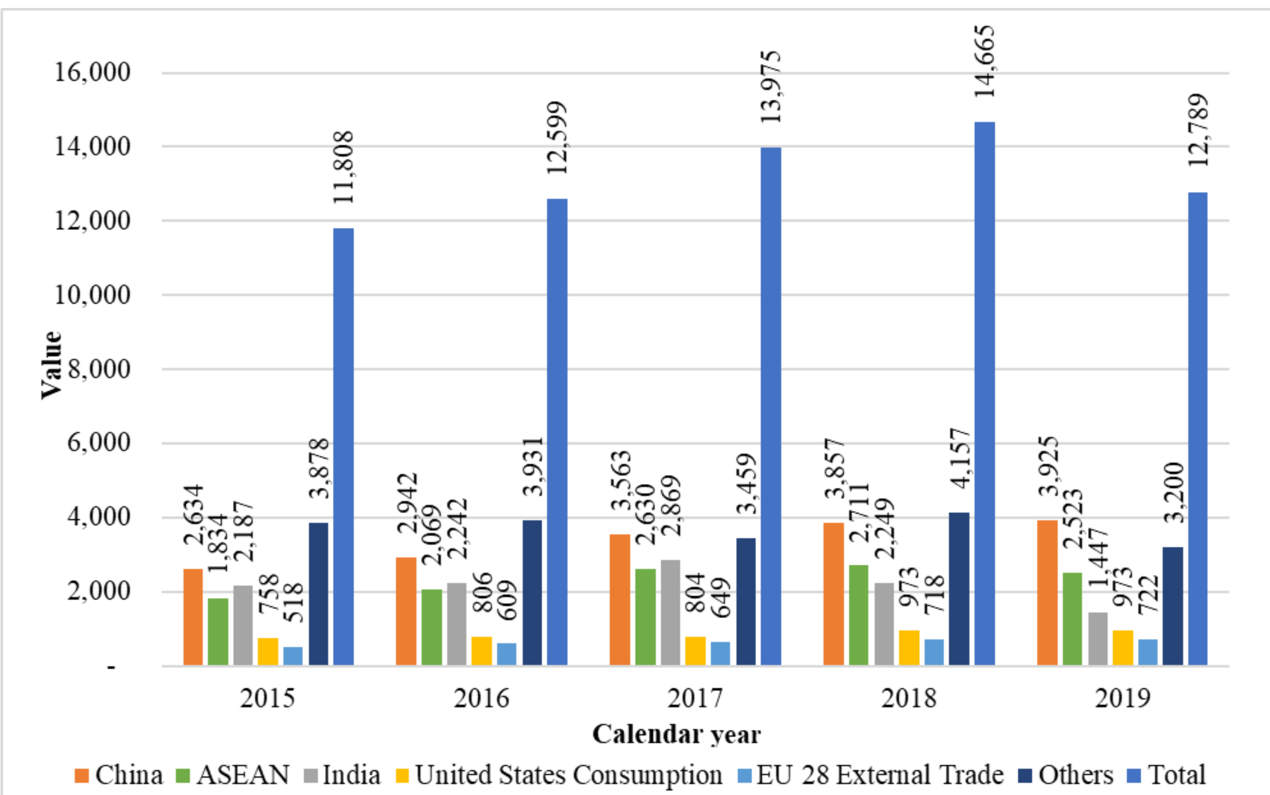
SECTION III. COMPETITION

Competition between imported and locally produced consumer-oriented products is fierce, as 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, with leading multinationals establishing food processing operations in Vietnam and offering a wide range of western-style products at reasonable prices.

Competition between U.S. consumer-oriented products and those from other countries is also growing more intense as Vietnam continues to globally integrate through a range of multilateral FTAs, including the recently ratified EU-Vietnam FTA (EVFTA) which will take effect on August 1, 2020. At the EVFTA's entry into force, approximately 70 percent of Vietnam's exports will enter the EU duty-free and the remaining tariffs will be abolished over a 7-year period. Please see GAIN report VM2020-0059 for more details.

Decree 57/2019/ND-CP issued by the Government of Vietnam (GVN) on May 25, 2020, will reduce tariff rates on a number of agricultural products, including dairy products, ethanol, almonds, apples, grapes, wheat, walnuts, frozen potatoes, raisins, and chilled pork, which are imported from most favorite nations (MFN), including the United States, beginning on July 10, 2020. In addition, this decree has temporarily reduced the MFN tariff rate for frozen pork from 15 percent to 10 percent from July 10 until December 31, 2020. U.S. exports of these products reached $340 million in 2019. Please see GAIN report VM2020-0051 for more details.

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



Source: Trade Data Monitor

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential
Pork meat, fresh produce, poultry, seafood, milk and dairy products, condiments, and sauces.

Top Consumer-Oriented Products Imported from the World
According to Trade Data Monitor, world exports of consumer-oriented products to Vietnam totaled $12.8 billion in 2019, down 13 percent from 2018 (Figure 2). China is the only country that saw marginal growth in its exports of 2 percent. U.S. and EU export revenue in 2019 remained the same as 2018, while India, members of the Association of Southeast Asian Nations (ASEAN), and other countries saw significant declines in exports.

The world's top-five export of consumer-oriented items to Vietnam and their respective shares of the total were: 1) fresh fruit ($2.5 billion, 20 percent share); 2) fresh and processed vegetable ($2.1 billion, 16 percent share); 3) beef and beef products ($1.9 billion, 15 percent share); 4) tree nuts ($1.2 billion, 9 percent share); and 5) dairy products ($0.95 billion, 7 percent share).

Top Consumer-Oriented Products Imported from the United States
U.S. exports of consumer-oriented products to Vietnam totaled $973 million in 2019, equal to 2018 exports; however, the United States captured 7.6 percent of market share, up one percent from the previous year. The top-five export items were:1) dairy products ($170 million, 17 percent share); 2) poultry meat and products ($140 million, 14 percent share); 3) fresh fruit ($139 million, 14 percent share); 4) tree nuts ($121 million, 12 percent share); and 5) prepared food ($117 million, 12 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, and frozen wild salmon.

Product Not Present because They Face Significant Barriers
Edible white offal (pork, beef, and chicken), fresh 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 2019 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://cucthuy.gov.vn/Pages/default.aspx
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.tuoitrenews.vn/

Attachments:

No Attachments