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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. Vietnam's HRI market continued to be hit hard by the COVID-19 pandemic, resulting in a 21 percent decline in revenue from \$20.7 billion in 2020 to \$16.3 billion in 2021. Despite the challenges of 2021, exports of U.S. consumer-oriented products to Vietnam still increased eight 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.

Market Fact Sheet: Vietnam

Executive Summary

The fourth wave of the COVID-19 outbreak in 2021 lowered the Gross Domestic Product (GDP) growth of Vietnam to 2.6 percent. However, Vietnam was able to reopen following a successful vaccination policy and saw an economic rebound begin in 2022. In the latest report in August 2022, the World Bank predicted the country's GDP growth rate could rebound to 7.5 percent in 2022 and 6.7 percent in 2023.

According to Trade Data Monitor, LLC., global exports of consumer-oriented products to Vietnam in 2021 remained almost unchanged from 2020 with the export figure standing at \$13.2 billion. Compared to 2020, U.S. exports still increased eight percent to over one billion in 2021, making the United States the second largest exporter of consumer-oriented products to Vietnam.

Country	Market Share of Consumer-Oriented Products Imported into Vietnam in 2021
China	31%
United States Consumption	8%
Singapore	7%
Thailand	7%
EU 27 External Trade (Brexit)	6%
Others	41%

Food Service Industry

According to Euromonitor, the 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 heavy impact of COVID-19, the revenue from accommodation, food, and beverage services in 2021 dropped to \$16.3 billion, a decline of 21 percent compared to 2020.

Quick Facts CY 2021

Imports of Consumer-Oriented Products

- Imports from the world: \$13.2 billion
- Imports from the United States: \$1 billion

List of Top 10 Growth Products

- Chocolate & Cocoa Products
- Dog & cat food
- Dairy Products
- Tea
- Non-Alcoholic Bev. (Ex. Juices, Coffee, Tea)
- Tree nuts
- Condiments & Sauces
- Soup & Other Food Preparations
- Bakery Goods, Cereals, & Pasta
- Spices

Food Industry by Channels in 2021 (U.S. billion)

Food Processing	\$67.2
Beverages Production	\$6.8
Exports of fishery products	\$8.9
Exports of fruits and vegetables	\$3.5
Exports of cashew nuts	\$3.6

Food Service Revenue in 2021: \$16.3 billion

GDP/Population 2021

Population (<i>millions</i>):	98.5 million
GDP (<i>billions USD</i>):	\$363 billion
GDP per capita (<i>USD</i>):	\$3,694

Sources: Trade Data Monitor, LLC.; General Statistics Office (GSO), Vietnam Customs, Euromonitor, World Bank, Post Vietnam.

SWOT Analysis

<p>Strengths: U.S. products are perceived as safe and of premium quality.</p>	<p>Weaknesses: U.S. products are often more expensive than products of other competing countries, largely due to higher tariffs and freight costs.</p>
<p>Opportunities: Growing market demand and increased focus on food safety.</p>	<p>Threats: Free trade agreements (FTAs) reduce tariffs on competitors' products. High inflation weakens consumer spending on premium products.</p>

SECTION I. MARKET SUMMARY

From January 2020 to April 2021, Vietnam was successful in controlling the transmission of COVID-19, with only 2,852 infection cases reported. However, this situation changed dramatically when the fourth wave of the COVID-19 pandemic (comprising of the Delta variant) hit the country from the end of April to December 2021. During this time, the outbreak spread to all 63 provinces of Vietnam with over 1.7 million COVID-19 cases recorded. To cope with the new wave of infection, the Government of Vietnam (GVN) applied different levels of social distancing and lockdown policies¹, including restricting, or closing the operations of all food service outlets and public events. These policies affected all major cities in Vietnam including Ho Chi Minh City (HCMC), Hanoi, Hai Phong, Da Nang, and Can Tho. HCMC, the country's economic hub, which contributed over one fifth of Vietnam's GDP in 2020, went through the longest and strictest lockdown from May to September 2021. According to GSO, HCMC witnessed a negative growth rate for the first-time ever, shrinking by 6.8 percent, compared to the same period a year ago.

Overall, COVID-19 had a heavy impact on the performance of Vietnam's economy, resulting in a decline of 2.6 percent in GDP growth rate in 2021, the country's lowest growth figure in over a decade. Consequently, the country's HRI sector experienced a downward trend in revenue, dropping to \$16.3 billion in 2021, a fall of 36 percent in comparison with its pre-pandemic performance in 2019 (See Figure 1). Because of the prolonged lockdown, all food service outlets such as restaurants, cafes, bars, bakeries, and canteens suffered losses in sales, labor shortages, and increased costs of ingredients. These challenges forced many companies, both international and local brands, to close their businesses permanently. Hard Rock Café, Dunkin Donuts, and Subway were among the food service operators to withdraw their presence in Vietnam following the outbreak of COVID-19. The GVN closed the border to international travels in March 2020 following the outbreak of COVID-19 in China. This led to a significant drop in the revenue of tourism, hotels, resorts, and air caterers. As a result, there were only 157,300 foreign tourists to Vietnam in 2021, a drop of 96 percent as opposed to the previous year.

¹ *Social distancing measures include but not are limited to 1) staying at home, except for trips to buy essential goods such as food and medicine, for emergencies, and working at factories and businesses that remain open, 2) maintain a minimum distance of two meters when meeting others, 3) gatherings of more than two people are prohibited in all public places, and outside/in front of workplaces, schools, and hospitals, 4) "3-on-site" requirement which mandated factories to house employees on-premises, as a condition to allow continued operations. Other COVID preventative measures included restrictions on movement for those without travel permits and frequent COVID testing on all truck and barge drivers.*

Figure 1: Revenue from Accommodation, Food, and Beverage Services and Number of International Tourist Arrivals (2013-2022)



Source: Post calculations; General Statistics Office

However, starting in October 2021, the GVN adopted new strategies to control the pandemic and restart the economy, moving from a “Zero-COVID” policy towards a return to pre-COVID levels of activity. These efforts included the massive COVID-19 vaccination campaign with over 150 million doses administered by the end of December 2021, the lifting of social distancing restrictions, and the resumption of in-person dining at restaurants in big cities.

As a result of these strategies, Vietnam’s HRI sector began to see positive signs of recovery as, after months of lockdown at home, many consumers wanted to resume dining out and traveling. Many restaurant chains such as Golden Gate Group, Red Sun Group, KFC, Lotteria, and Pizza 4P’s expanded their businesses, opened new stores, and introduced new menus to cater to consumer demands post COVID-19. Domestic tourism also saw an impressive recovery with over 80 million domestic tourist arrivals in the first eight months of 2022, well exceeding the full-year goal of 60 million.

With its vaccination success, Vietnam reopened its borders and allowed entry for all international tourists in March 2022 and further eased entry requirements in May 2022 when COVID-19 testing requirements for foreign travelers were fully removed. These entry changes have been positive, however, Vietnam’s foreign tourism has yet to make a full recovery. Over 1.4 million foreign tourists came to Vietnam during January to August 2022, and this was an impressive increase of 1,370 percent from the same period last year. However, this 2022 figure is still less than 87 percent compared to number of foreign visitors that came in 2019 before the pandemic. Vietnam remains optimistic and aims to welcome five million foreign tourists by the end of 2022.

Vietnam’s hotel sector has also entered a vibrant recovery period with upscale hotel projects recommencing across the country, including the Fusion Saigon Center, Mandarin Oriental, Somerset Da Nang, Citadines Marina Ha Long, and Regent Phu Quoc. In June 2022, the world’s largest hotel chain,

Marriott International, announced an expansion plan to add eight hotels under the brands of Marriott, Sheraton, and Four Points by Sheraton in Vietnam. In the first eight months of 2022, revenue from accommodation, food, and beverage services reached \$16.1 billion, a rise of 340 percent in comparison with the same period a year ago.

COVID-19 had extensive effects on consumer eating and drinking habits and preferences to which food service operators quickly adapted. Eating-at-home and healthy eating increased in popularity during and post COVID-19, and many restaurants developed new delivery and takeaway menus to cater to these rising demands. The number of customers using food delivery services also increased during and after the pandemic. A December 2021 consumer survey by the Vietnamese market research company Q&ME showed that, 83 percent of those surveyed used food delivery services, up 62 percent from the previous year. Many food service operators launched online businesses on popular food delivery platforms, such as Grab, Shopee Food, and Baemin. Pizza 4P’s, one of the leading pizza chains in Vietnam, opened an online shop on Shopee Food, introducing their signature pizzas and pastas in the frozen ready-to-eat format for consumers who opt to eat at home. (See Figure 2)

Figure 2: Frozen food packages of Pizza 4P’s



Source: Pizza 4P’s website

Although increasing in popularity, U.S. food and beverage products face 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, strong inflow of overseas remittances, and stable foreign direct investment (FDI).	The uncertainty of GVN regulations negatively affects local importers of food and food ingredients.
Vietnam’s ongoing global economic integration and its FTA negotiations create	High tariffs, limited market access compared to countries with FTAs, and technical barriers to trade limit imports of U.S. consumer-

more openings for foreign products.	oriented products.
Rising disposable incomes boost demand for higher quality and safer food and food ingredients.	Most low and middle-income households in small cities and rural areas cannot afford imported products.
U.S. food and food ingredients are considered high-quality and safer which is especially important to Vietnamese consumers in the context of a recent food safety scandal in Vietnam.	U.S. products are often more expensive than local products or imports from Vietnam's FTA partners.
Growing international tourism, new investment in upscale hotels and resorts projects, new international flight connections, 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 [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.

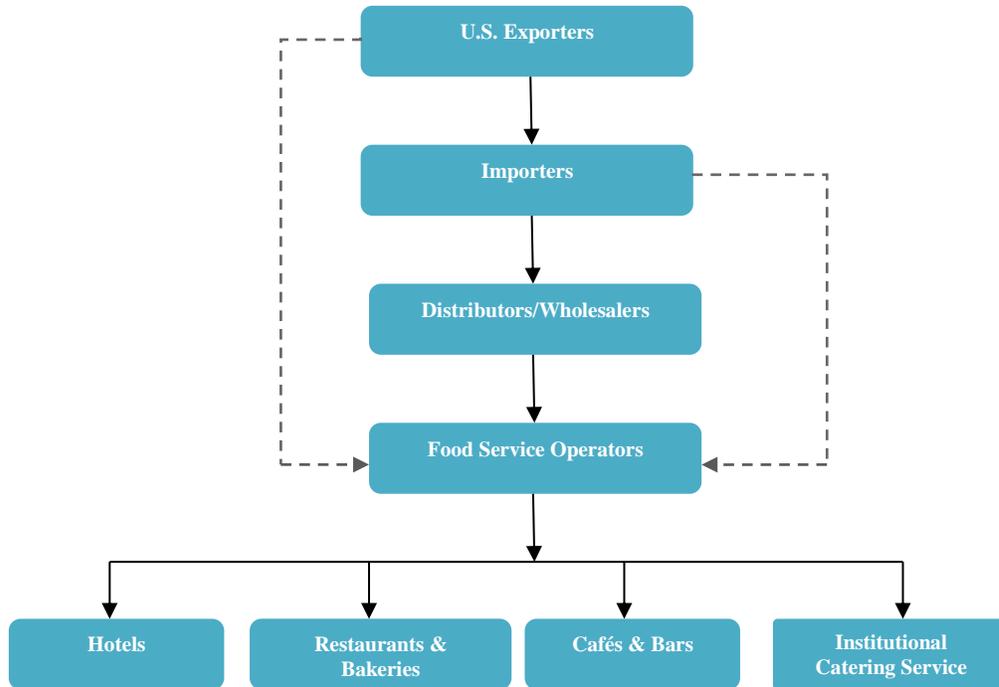
In addition, U.S. exporters should also refer to the United States Department of Commerce's [Vietnam Country Commercial Guide](#) for further information about doing business in the Vietnam market.

Market Structure

Partnerships with local distributors continue to be the best channel for new 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. News stories about food treated or contaminated by toxic chemicals are recurring in the media, and most recently a scandal about fake VietGap (Vietnamese Good Agricultural Practices) products, have made Vietnamese consumers, especially inhabitants of urban areas, more cognizant of food origin, quality, and safety.

In general, most Vietnamese consumers perceive imported food and food ingredients from markets other than China as high quality and safe, though many of these imported food products are more expensive than local options due to high import 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 reduce 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 (such as blueberries, cherries, grapes, apples, and oranges), fresh and processed vegetables, beef and pork products, poultry, tree nuts, chocolate and cocoa products, dog and cat foods, and non-alcoholic beverages.

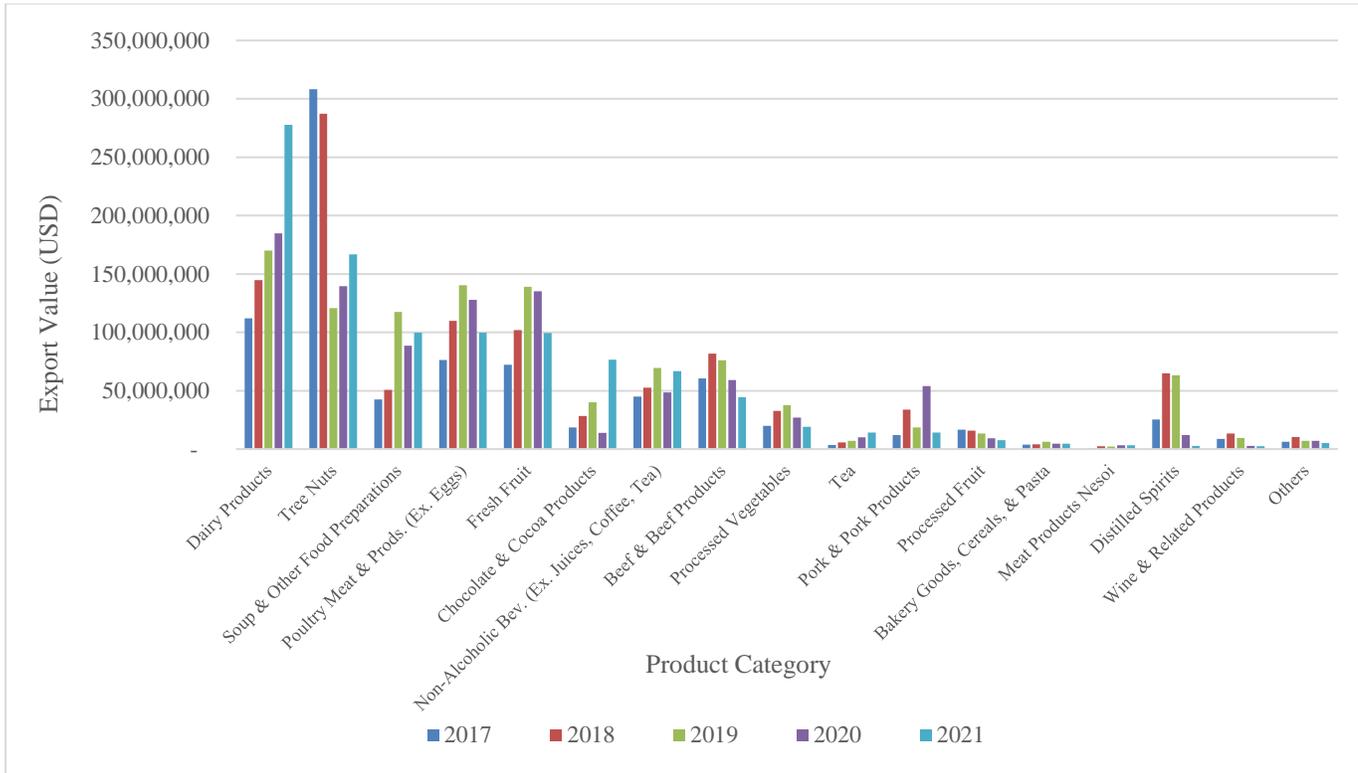
Top Consumer-Oriented Products Imported from the World

In 2021, total consumer-oriented products imported from the world to Vietnam remained unchanged at \$13.2 billion. Top imported 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

Despite being heavily affected by COVID-19, Vietnam remained one of the top 20 largest markets for U.S. exports of consumer-oriented products. The United States continued to be the second largest exporter of consumer-oriented products to Vietnam with sales of consumer-oriented products to Vietnam rising by eight percent from \$928 million in 2020 to over \$1 billion in 2021. Top U.S. consumer-oriented products exported to Vietnam included dairy products, tree nuts, soup and other food preparations, poultry meat and products (excluding eggs), fresh fruits, chocolate and cocoa products, and non-alcoholic beverages. These categories accounted for about 88 percent of the total export value of U.S. consumer-oriented products to Vietnam in 2021 (See Figure 4).

Figure 4: Exports of U.S. Consumer-oriented Products into Vietnam in 2017-2021



Source: Trade Data Monitor, LLC.,

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

Products with the highest growth rates between 2020 and 2021 were chocolate and cocoa products, fresh vegetables, dog and cat food, tea, condiments and sauces, non-alcoholic beverages, and tree nuts.

Products 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 some meat products including lamb, white offal products from beef, pork, and poultry, and beef bones with marrow; fresh fruits, including citrus (aside from oranges), 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 HCMC. These 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@usda.gov or atohochiminh@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](#)

Useful 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 Vietnam 2022 Sub-sectors profile.pdf](#)