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Vietnam

Retail Foods

Sector Report 2018

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Report Highlights:
Vietnam's food retail sector is still dominated by small traditional traders, but modern retail channels are expanding in response to growing consumer demand and competition in the modern retail food sector is growing. Overall economic growth, including a sizable young population, rapid urbanization, and concerns about hygiene and food safety are driving changes in consumption patterns. In 2017, Vietnam's total retail goods revenue and accommodation, food, and beverage service revenue reached about US$173 billion, up 10.9 percent over 2016.

Market Fact Sheet: Vietnam

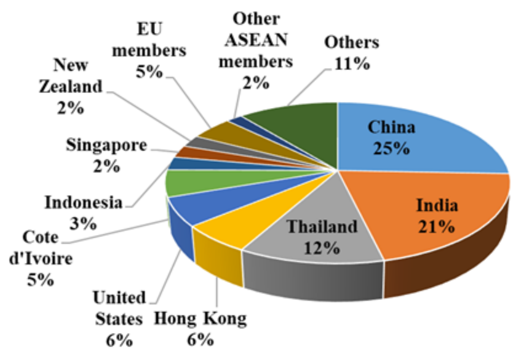
Executive Summary

Vietnam is one of the fastest growing economies in Asia, maintaining about 6 percent annual GDP growth over the past 10 years. This has allowed the country to join the ranks of the world's lower middle-income economies. Vietnam is a leading producer and exporter of a variety of agricultural products including rice, coffee, pepper, cashews, and fish products. Exports of the top ten agricultural products were reported at $24.8 billion in 2017, equivalent to 11.5 percent of Vietnam's total exports. The country also imports large amounts of diverse agricultural and food products to meet its growing market demand, for both human and animal consumption. In 2017, Vietnam's imports of agricultural and food products reached $24.7 billion,[1] up 8 percent over 2016. U.S. exports were $2.95 billion and Vietnam is the 10th largest agricultural and related products market for the United States.

An overview of Vietnam's economy is available in the 2017 Exporter Guide.

Imports of Consumer-Oriented Products

Vietnam's imported $13.9 billion of consumer-oriented products in 2017, up 11 percent over 2016. The top five exporters were China, India, Thailand, Hong Kong, and the United States. These five countries make up 70 percent of the total export value. U.S. exports of consumer-oriented stood at $807 million, accounting for approximately 6 percent of the market.



Source: Global Trade Atlas (GTA) and U.S. Census Bureau Trade Data

Food Processing Industry

The Vietnamese food and beverage manufacturing industry is comprised of 8,820 registered companies employing nearly 600,000 workers in 2015.[2] Approximately 84 percent are small companies with fewer than 50 employees. Food and beverage manufacturing is one of the government's prioritized industries in Vietnam. According to local sources, the Vietnamese food processing industry has been growing steadily at about 7 percent over the last five years. Annual food consumption value in the country makes up about 15 percent of the GDP and grows by 10 percent per year, while beverage consumption grows at 6.7 percent per annum.

Food Retail Industry

Small traditional retailers still dominate Vietnam's food retail sector, but modern retail channels are robustly expanding in response to growing consumer demand. Vietnam's total goods retail revenue and accommodation, food and beverage service revenue in 2017 reached about US$173 billion, up 10.9 percent over 2016.

Quick Facts CY 2017

Imports of Consumer-Oriented Products

- Imports from the world: $13.9 billion
- Imports from the United States: $807 million (about 6 percent market share)

List of Top 10 Growth Products in Vietnam

Tree nuts	Non-alcohol beverages (ex. juices)
Dairy products	Prepared food
Poultry Meat and products (ex. eggs)	Processed Vegetables
Fresh fruits	Chocolate and Cocoa Products
Beef and beef products	Processed Fruits

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 (2017)	$8.3
Exports of fruits and vegetables (2017)	$3.5
Exports of cashew nuts (2017)	$3.5

Total retail sales of goods and services 2017: $173 billion

Top 10 Vietnamese Retailers

Aeon Mega Mart	Auchan
MM Mega Mart	Vinmart
Big C	Aeon Fivimart
Co.op Mart	Circle K
Lotte Mart	7 Eleven

GDP/Population 2017

Population *(millions)*:	93.7
GDP *(billions USD)*:	223.9
GDP per capita *(USD)*:	2,385

Sources: GTA; GATS; Vietnam's GSO, Vietnam Customs, Post Vietnam

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
U.S. products are perceived as safe and premium quality	*U.S. products are still more expensive than their peers, partly due to higher tariffs and freight*
Opportunities	***Threats***
Growing market demand and increased focus on food safety	*Free Trade Agreements reduce tariffs on competitors' products*

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[1] Global Trade Atlas (GTA)

[2] Vietnam's General Statistics Office (GSO)

SECTION I. MARKET SUMMARY

Vietnam's modern retail food sector has grown steadily over the past three years. Strong economic growth, benefits from free trade agreements, a growing middle class with higher disposable income, rapid urbanization, and concerns about hygiene and food safety are major factors fueling the sustainable growth in the sector. Existing modern retail food chains have gradually enlarged 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. New players continue to invest in the retail food sector in Vietnam to take advantage of this growing potential.

Though traditional wet markets and small independent stores still dominant the Vietnam retail market, the modern retail food sector has had a faster growth rate. The compound average growth rate (CAGR) of sales of modern grocery retailers in the past five years reached 14.6 percent, versus 9.5 percent for that of traditional grocery retailers (See Table 1). Similarly, the number of modern groceries has grown 260 percent since 2012, compared to only 5 percent for traditional grocery outlets (See Table 2).

Table 1: Vietnam's Grocery Retail Sales by Channel, million US

Retail channels	2012	2013	2014	2015	2016	2017
Modern Grocery Retailers	**1,712**	**2,097**	**2,696**	**2,807**	**3,254**	**3,612**
Growth rate		22%	29%	4%	16%	11%
Convenience Stores	40	49	67	125	228	286
Hypermarkets	456	657	1,037	907	1,104	1,256
Supermarkets	1,216	1,390	1,591	1,775	1,922	2,070
Traditional Grocery Retailers	**39,303**	**46,804**	**53,742**	**58,109**	**61,980**	**67,331**
Growth rate		19%	15%	8%	7%	9%
Food/Drink/Tobacco specialists	872	988	1,189	1,341	1,435	1,587
Independent Small Grocers	11,547	13,554	15,387	16,741	17,997	19,687
Other Grocery Retailers	26,884	32,262	37,166	40,027	42,548	46,057
Total Grocery Retailers	**41,015**	**48,900**	**56,437**	**60,916**	**65,235**	**70,943**
Growth rate		19%	15%	8%	7%	9%

Source: Post's processing on Euromonitor data with World Bank's exchange rate of VND 22,370 for 2017

Table 2: Number of Modern Retail Outlets and Traditional Outlets

Retail Channel	2012	2013	2014	2015	2016	2017
Modern Grocery	**897**	**1,054**	**1,211**	**1,748**	**2,600**	**3,272**
Convenience Stores	356	463	565	1,008	1,790	2,086
Hypermarkets	25	32	41	49	54	56
Supermarkets	516	559	605	691	756	1,130
Traditional Grocery	**629,222**	**635,176**	**641,542**	**447,556**	**652,988**	**658,005**
Food/Drink/Tobacco Specialists	4,715	5,167	5,612	6,286	6,670	7,041
Independent Small Grocers	218,775	220,088	221,500	22,696	223,809	224,758
Other Grocery Retailers	405,732	409,921	414,430	418,574	422,509	426,206
Total Grocery Retail Outlets	**630,119**	**636,230**	**642,753**	**449,304**	**655,588**	**661,277**

Source: Euromonitor

Table 3: Understanding Vietnam's Food Retail Sector, Advantages and Challenges

Advantages	Challenges
Consumers in Vietnam view U.S. products as high quality and safe.	U.S. competitors have gained access to the Vietnam market for specific products, for example beef, apples, and pears from France, New Zealand, Korea, and Japan.
Consumer awareness of global retail brands is increasing with more international brands entering Vietnam. Modern retailers' focus on quality and safety favors U.S. brands.	U.S. exporters are often perceived as not flexible or responsive enough to importers' needs or the local business environment. For example, some U.S. products are packed in large sizes that limit purchases.
Strong GDP growth, higher per capita income, rapid urbanization, and growing food safety concerns support the development of modern retail sector.	U.S. products are still expensive to middle-class households
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 to diversify 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.	Products from countries with free trade agreements with Vietnam are more competitive than those from the United States.

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 report, Food Agricultural Import Regulations and Standards (FAIRS) report, Food Ingredients report, and Hotel and Restaurant Industry (HRI) Food Service Sector report are highly recommended. GAIN and FAIRS reports are regularly updated online to keep U.S. exporters up to 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 updated by other USDA agencies, including the Food Safety and Inspection Service (FSIS) (www.fsis.usda.gov), the Animal and Plant Health Inspection Service (APHIS) (www.aphis.usda.gov), and the Agricultural Marketing Service (AMS) (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.

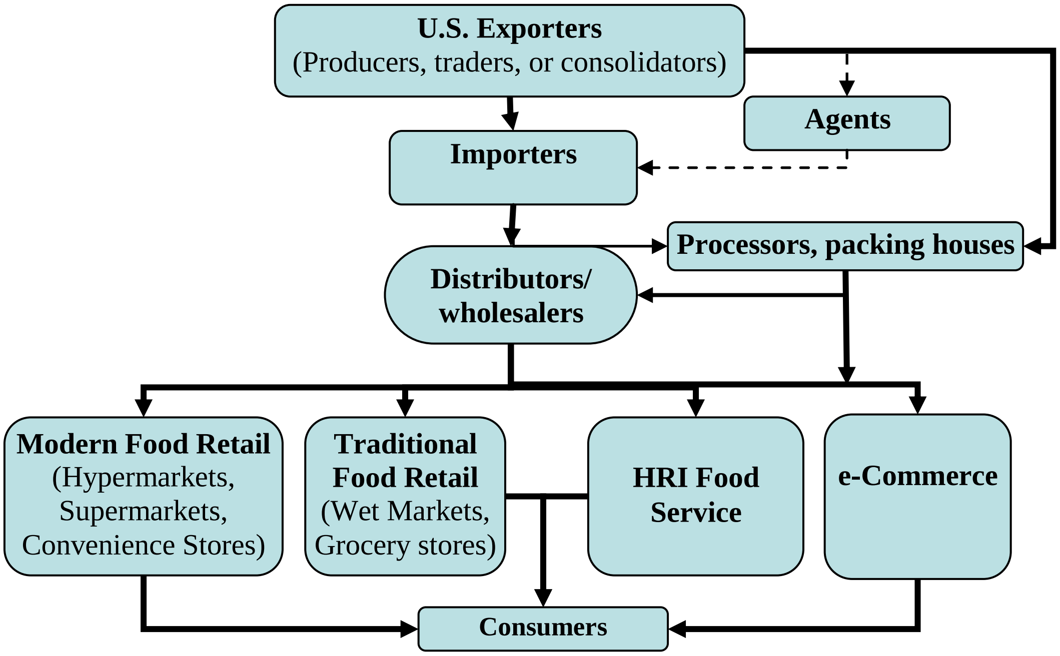
FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements and to identify potential buyers. FAS/Vietnam and USDA Cooperators provide assistance to new-to-market U.S. exporters, including lists of importers/traders/processors, market 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. Food and Hotel Vietnam is the most important show for consumer-oriented products and takes place biennially in Ho Chi Minh City. Visit http://www.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, and non-alcohol beverages for their outlets.

Figure 1: Retail Market Structure in Vietnam



<u>Recent Developments in the Modern Retail Food Sector</u>

Mergers and acquisitions (M &A)) have fallen in the past two years after Central Group Vietnam took over Big C, TTC Group (Thailand) acquired Metro Cash and Carry, and Aeon (Japan) purchased Citimart, Fivimart, and Ministop. However, the country may be primed for a M & A boom as the government eases limits on foreign ownership. Currently, food retail outlets continue to grow steadily. For example, Bach Hoa Xanh, a local fresh food mini-supermarket chain, opened its first store in 2015 and has rapidly increased its network. Today, it has 400 stores across Ho Chi Minh City and plans to celebrate its 500th store opening at the end of 2018.

Along with the expansion of existing chains, new local and international players are breaking into the market. For example, 7-Eleven, from Japan, opened its first store in District 1 of Ho Chi Minh City (HCMC) in June 2017. Within one year, the number of stores steadily increased to 18 and 7-Eleven laid out its plans to have 1,000 stores in the next ten years. GS25, a Korean chain, opened its first stores in HCMC in January 2018 and announced plans to open 2,500 stores across the country in the next 10 years.

T&T Group, a local conglomerate covering a variety of businesses including real estate, banking, manufacturing, and imports/exports, has also recently entered the food retail sector with two brand new modern food retail chains, QMart, a supermarket, and QMart+, a convenience store. Unlike the other players who publicly announced their ambitious goals, T&T Group is quietly expanding its outlets in Hanoi. Since its first store opened last January, T&T has steadily expanded its reach to 11 stores by mid-2018, including 4 Qmart and 7 Qmart+.

Table 4: Top hypermarket & Supermarket Chains in Vietnam

Retailer Name & Outlet Type	Website	No. of Outlets	
		2016	2018
Aeon Mega Mart Hypermarkets	www.aeon.com.vn/	5	6
Aeon Fivimart Supermarkets	http://fivimart.com.vn	23	23
Aeon Citimart Supermarkets	http://www.aeoncitimart.vn/	27	29
Auchan Supermarkets	https://auchan.vn	10	20
Big C Hypermarkets and Supermarkets	http://www.bigc.vn	34	35
Co.Opmart Supermarkets	http://www.co-opmart.com.vn/	80	96
K-Mart Supermarket		16	60
Lotte Mart Supermarket	http://lottemart.com.vn	14	14
MM Mega Mart Wholesales stores	http://mmvietnam.com	19	19
Vincom Department stores		26	54
Vinmart Supermarkets		80	63

Table 5: Top Convenience Stores

Retailer Name	Website	No. of Outlets	
		2016	2018
7-Eleven	https://www.7-eleven.vn/	0	18
Annam Gourmet	http://annam-gourmet.com	5	5
Bach Hoa Xanh	https://www.bachhoaxanh.com	16	384
B's Mart	http://www.bsmartvina.com/	160	168
Circle K	https://www.circlek.com.vn	217	278
Co-opFood	http://www.co-opmart.com.vn	96	210
Co-op Smile	http://www.co-opmart.com.vn	20	76
Family Mart	http://www.famima.vn	65	120
Foodcomart	http://foodcosa.vn	38	38
Hapromart	http://www.haprogroup.vn/	20	20

Ministop	http://www.ministop.vn/	66	120
Qmart+		0	7
Satrafood	http://satra.com.vn/	100	180
Shop & Go	http://shopngo.com.vn	128	121
Vinmart +		700	812

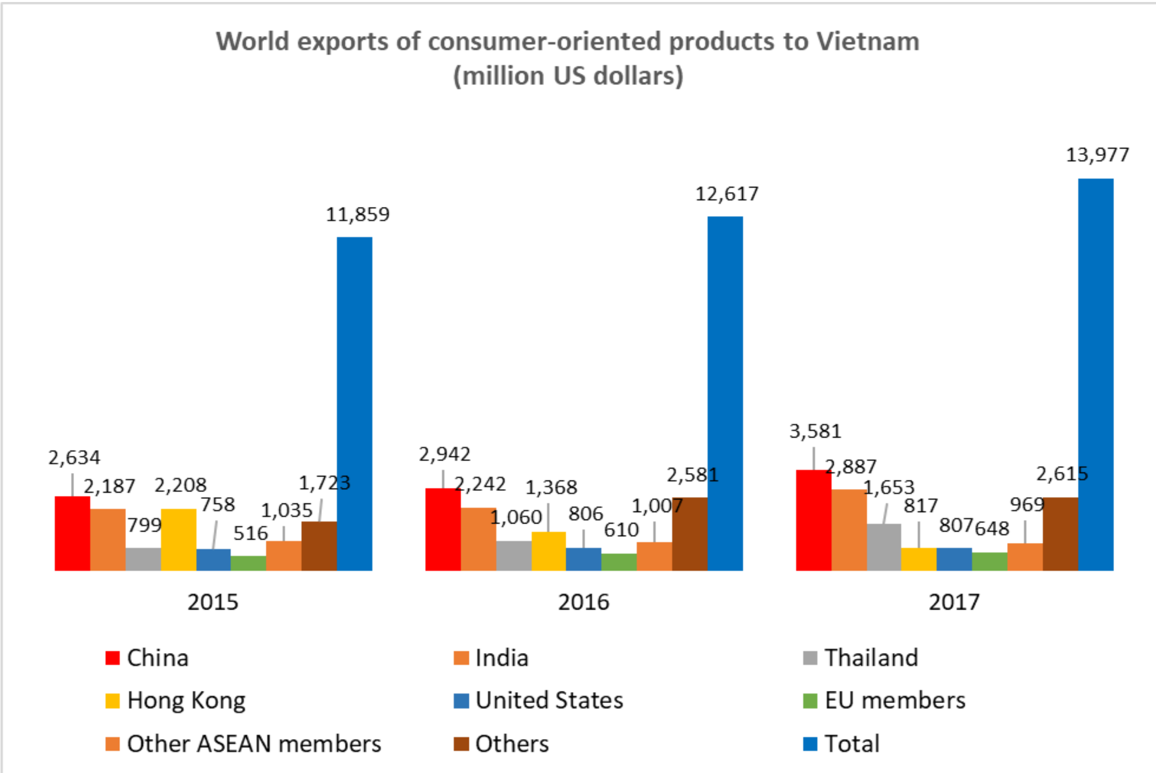
SECTION III. COMPETITION

Competition in the food retail sector in Vietnam is extremely tough, not only beween modern food retailers and traditional retailers (wet markets and groceries), but also between modern food retailers themselves. Modern food retail chains are making huge investments in expanding their outlets, marketing and promotion campaigns, and value added services, to compete with the traditional chains and other modern food retail competitors.

Competition between imported and locally produced consumer-oriented products is also growing. Vietnam is a large producer of agricultural products including pork, poultry, and fruits and vegetables. The country is also developing a burgeoning food processing and agro-industrial base. Leading multinationals have established food processing operations in Vietnam, and are able to offer a 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 through a range of free trade agreements (FTAs) with foreign trading partners. 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. 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



Source: Global Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS

Despite the strong competition, some U.S. consumer-oriented products are making inroads into the growing Vietnamese market for various reasons, including increased consumer awareness of U.S. product quality and price competitiveness.

Table 6: Top Consumer-Oriented Products Imported into Vietnam (mil. US$)

Product category	World exports to Vietnam		U.S. exports to Vietnam		U.S. market share	
	2016	2017	2016	2017	2016	2017
Beef & beef products	2,461	2,731	40	61	2%	2%
Tree nuts	2,448	2,167	331	308	14%	14%
Fresh fruit	1,370	2,050	67	72	5%	4%
Processed vegetable	984	1,224	11	20	1%	2%
Dairy products	725	825	113	105	16%	13%
Non-alcoholic beverages (ex. Juices, coffee, tea)	433	507	44	43	10%	9%
Poultry meat & prods (ex. Eggs)	610	387	79	76	13%	20%

Source: Global Trade Atlas

Table 7: Top Consumer-Oriented Products Imported from the United States (mil. US$)

Product Category	2016	2017	2017/2016 % change	Jan - Sep 2017	Jan -Sep 2018	Period/Period % Change
Tree nuts (mainly Almond, Hazelnut, Walnut, Pecan, Pistachio)	331	308	-7%	99	158	60%
Dairy products (mainly skim milk powder, whey and lactose)	120	112	-7%	72	113	57%
Poultry meat and products (mainly quarter leg, dropped due to cheaper price)	79	76	-4%	45	85	89%
Fresh fruits (apples, table grapes and cherries)	67	72	8%	38	56	47%
Beef & beef products	40	61	52%	42	50	19%
Non-Alcoholic Bev. (ex. juices)	47	48	1%	36	40	11%
Prepared food	46	44	-5%	30	35	17%
Processed vegetables (mainly frozen potato products)	10	20	95%	17	27	62%
Chocolate & cocoa products	13	18	43%	13	21	61%

Source: U.S. Census Bureau Trade Data

Products Not Present in Significant Quantities, but Have Good Sales Potential

Pork products, cheese, ice cream, craft beer, frozen and dried blueberry, fresh potatoes, live seafood (geoduck, lobster, king crab), live and frozen shellfish, frozen wild salmon.

Products Not Present because They Face Significant Barriers

Edible white offal (pork, beef, and chicken), citrus, strawberry.

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, USDA Cooperators, Vietnamese government agencies, Vietnamese databases, and industry organizations.

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
HCMC Department of Planning & Investment http://www.dpi.hochiminhcity.gov.vn/invest/
Vietnam Tourism Administration http://www.vietnamtourism.com/e_pages/news/
National Assembly of Vietnam http://www.na.gov.vn
Ho Chi Minh City's Website http://www.eng.hochiminhcity.gov.vn/eng/news/
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/

Foreign Agricultural Service (FAS)
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 in order to actively assist U.S. exporters of agricultural and agricultural 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 the following:

FAS Hanoi, Vietnam
Office of Agricultural Affairs
Rose Garden Tower, 3rd Floor
170 Ngoc Khanh, Ba Dinh District, Hanoi
Tel: (84.24) 3850-5000; Fax: (84.24) 3850-5130
Email: aghanoi@fas.usda.gov

FAS Ho Chi Minh City, Vietnam
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Diamond Plaza, 8th floor
34 Le Duan Blvd, District 1, HCMC
Tel: (84.28) 3520-4630/3520-4636
Fax: (84.28) 3520-4633
Email: atohochiminh@fas.usda.gov