Understanding Market Trends and Consumers in Vietnam
Vietnam Demographics – Population Distribution

From a total national population of 88 million, approximately 22% are concentrated across 5 major cities – where HCM and Hanoi primarily accounts for 17% of the overall population.
Per Capita Annual Disposable Income, Spending and Saving

- The general trend exhibits that the population is getting more affluent on an annual basis, supported by high employment rate in the cities (below 4% unemployment rate).
- Given this scenario, this demonstrates that there is a promising growth in the domestic consumption market.

Source: GSO 2012, World Bank

Source: Euromonitor
Vietnam Income Band by Age (2011)

- There are 2 distinct groups of people with different levels of income.
- There is a large group of people within the age of 20–30 that have significantly lower income than those in the 30 to 59 age range. (These 2 groups make up about 50% of the population.
- Highest income earners are mostly those in their early 40s.

Source: Euromonitor
What does all these mean?

• Growing market size coupled with growth in consumerism.

• Majority of the more affluent reside in the cities.
  – Most of the affluent are age 35 to 59 years old. Target for premium brands and products.

• Market potential lies in the major cities – HCM and Hanoi (17% of overall population).

• Relatively positive outlook on spending (consumer confidence Index = 95, same as Singapore)
Vietnamese Consumers
Some Key Characteristics of Vietnamese Consumers

- Vietnamese Consumers are generally “Ethnocentric” – loyal to country’s brands and products.
- 71% believe that local products are of high quality
- 80% prefer domestically produced garments

Consumers are easily convinced to make purchases due to
  - Price Discounts
  - Free Gifts with purchase!

- Rise in number of working women.
- More women taking up senior positions
- Women want to share more responsibilities in life’s decision.
- 90% feel that their role is changing for the better
Where they shop for essentials: FMCG

- Retail outlets are growing at a rate of 1.2%
- Out of home consumption has reduced; while In-Home enjoyment has increased.

Source: Euromonitor
What are the common areas where money is spent?

Education, Healthcare, F&B products and Personal care are key areas of expenditure.
What are major “fear” in the minds of Consumers?

Likely concerns are ....

- Fruit Juices 46%
- Soy Milk 44%
- Beans/Peanuts 37%
- Cholesterol-Reduced Cook oil 35%
- Liquid Milk 31%
- Yogurt 18%

Volume Growth

Economy

Job Security

Health

Rising Food prices
Functional food and Drinks becoming popular

- There is a growing trend in functional food
- There was an increase in number of functional products from 400 (2000) to 1000 (2012) in the market
- 56% and 48% of residents in Hanoi and HCM respectively consume functional food.

![Graph showing increase in total players from 2000 to 2012](image)

Source: Euromonitor
Focus on In-Home Enjoyment

Several FMCG brands are convincing cost conscious Vietnamese that their outdoor lifestyle can be transferred in home.

**Comfort:** Spa at home!

Maggi: Encourage cooking at home

**Rejoice:** Bring spa to home
Purchasing patterns of FMCG

• Urban consumers are more busy.
• Perception of 2/3 housewives:
  “I will buy bigger pack size because it is less expensive”
• It is not the visual, 56% of consumers do their maths ($ per kg) – smart shoppers

Source: Kantar World Panel
Purchasing patterns of FMCG

- Lower income consumers down-size from bottle to sachets to fight inflation.
- Common with Shampoo and detergent.
- Some trade downwards – switching to house brands or local brands.
Purchasing patterns of FMCG

- Consumers are often attracted to **product innovation**.
- New product lines or brand extension have potential to invoke interest.

Source: TNS
Luxury and Premium Products: Are there Opportunities?

- The affluent do not feel the impact slower economy, still maintain affluent lifestyle
- In 2011, only 14% of population had bought a luxury/premium item in a year.

**Income > USD 70,000**

8.2 mil

19% of urban population

“I don’t feel much different. I don’t feel the impact of the economic crisis on me”

Source: TNS

**Income: USD 1,500 to 10,000 per year**

“Too much stress, the worry always sticks in my mind, we don’t even have time to feel worry of relaxed”
How is their luxury lifestyle defined?
What is considered premium / luxury products to the affluent?

- **Premium Quality**
- **Premium Price**
- **Country of Origin**
- **Used by Famous people**
- **Unique Design**
- **Exclusive/Hard to find**

Price > VND10,000,000
Popular sought after premium / luxury brands in Vietnam

Close to 2 in 3 affluent consumers are willing to pay premium prices for technology related items

Source: TNS
CASE EXAMPLE:
FOOT WEAR MARKET IN VIETNAM
Overview: Vietnam Footwear Market

**Market size**
- **US$1b** Market value
- **US$700m** Organized Market
- **US$300m** Unorganized Market
- **75 million** Pairs/ year

**Distribution Structure**
- US$700m Organized Market
- US$300m Unorganized Market

**Brand Domination**
- **25%** Foreign brands
- **75%** Local & unbranded

**Price distribution**
- Organised mkt: 41.70% (Low Price), 20.30% (Value), 17.90% (Mass Premium), 9.10% (Premium)
- Unorganised mkt: 7.00% (Low Price), 18.90% (Value), 65.10% (Mass Premium), 9.10% (Premium)

75 million Pairs/year
Over the forecast period of 2013-2018, projected CAGR of 8%.

Footwear market is dominated by unbranded products from neighbouring countries, especially from China.

However the average spending is low compared with other countries with just 1.5 pairs value at US$10.7 per pair.

Sales of Footwear by Region

- HCM, 32%
- Hanoi, 20%
- Other provinces, 48%
Social Class & Age: Spending on Footwear

- The market for mid-range footwear would cater primarily for those falling into the Social Class of D and E. They make up approximately 66% of the population which will provide an ample market size for mass footwear brands.

Legend

Social Class A are individuals with a gross income over 200% of an average gross income of all individuals aged 15+.

Social Class B are individuals with a gross income between 150% and 200% of an average gross income of all individuals aged 15+.

Social Class C are individuals with a gross income between 100% and 150% of an average gross income of all individuals aged 15+.

Social Class D are individuals with a gross income between 50.0% and 100% of an average gross income of all individuals aged 15+.

Social Class E are individuals with a gross income less than 50.0% of an average gross income of all individuals aged 15.

Makes up of approx 66% of population. Spends 2% of their disposable income on footwear

Makes up of approx 25% of Middle income that spends 3-4% of their income on footwear

Makes up of approx 9.3% of who often purchase luxury brands. Spends approx 5% of income on footwear
Footwear Market Sales by Segments

- Sales of women footwear accounts for more than half of all footwear sold in Vietnam, double of what men purchase in a year.

**Sales distribution by volume**

Diagram 13

- Women: 57%
- Children: 15%
- Men: 28%

**Sales distribution by value ($)**

Diagram 14

- Women: 57%
- Children: 7%
- Men: 36%
Branded vs Unbranded by Region

- Consumers in HCM and Hanoi tend to be much more brand conscious than those living in other provinces when it comes to purchasing footwear.
- With higher disposable income, the consumers in these 2 cities are better able to afford branded footwear as opposed to those living in other provinces.

![Bar chart showing brand preference by region](chart.png)
Distribution of Popular International Brands

HCM + Hanoi = 500 Store Outlets

Total Sports Stores
109 Stores

Top 3

- Nike = 40 stores
- Adidas = 40 stores
- New Balance = 6 stores*
Distribution of Popular International Brands

HCM + Hanoi = 500 Store Outlets

Top 5

1. Converse = 40 stores
2. Bata = 21 stores
3. Superga = 15 stores
4. Nine West = 14 stores
5. Clarks = 9 stores
Competitive Landscape: Unbranded vs. Branded Footwear

The following illustrates how the competition for the Vietnam footwear is structured based on the different types of competitors and the market segments they target.

The Competition

International brands (E.g. Nike, Clarks, Nine West)

Local brands (E.g. Biti’s)

Unbranded Footwear

Premium/Niche Market

Mid Market

Mass Market

Vietnam Footwear Market

Consumers who want social status and with reasonable disposable income.

Made up of middle income consumers who wants quality, reasonable design and affordable price.

Consumers seeking fast fashion, makes frequent purchase – particularly women or low income consumers.
Competitive Landscape

Price range

- < VND 1 mil
- VND 1 - 3 mil
- > VND 3 mil
Major Market Trends in Footwear

| Burgeoning demand for footwear | • Population is growing  
| • Ratio of footwear to population is 0.77 |

| Heightening demand for Women’s Footwear | • Getting more fashion conscious with exposure to foreign media  
| • More are working and making their own decisions |

| Newer segments: Men’s and Children’s Footwear | • Needs to shoes for different occasion to fit lifestyle  
| • Higher birth-rate |

| Men’s Sports Footwear gaining popularity | • Getting more active and require shoes specialised for sports activities. |

| Increasing unit price of shoes | • Footwear steadily increased by 6%  
| • Affluent customers in cities driving price up. |

| Stronger presence from International Brands | • Mid to high income getting more social status conscious – drive demand for international brands. |
In Summary …

• Consumerism is growing primarily in key cities supported by growth in disposable income.

• Opportunities lies in:

  **Mass Consumers**
  – Demand for Health related products and services
  – Demand In-home enjoyment

  **Affluent Consumers**
  – More affluent consumers (10% to 19%) want more hedonistic and luxury experience.
  – Social status consciousness among city dwellers: Premium and luxury brands