



# How does retail industry “float” in the integration process?

*Vietnam Associations of Retailers*

*Dr. Dinh Thi My Loan  
Vice President, General Secretary  
Vietnam Association of Retailers*

**Seminar “ 5 years as a WTO member – To what extent of global trade integration Vietnam was and is to be?”**

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# How does retail industry “float” in the integration process?

## Main Content

- *Concerns and expectations*
- *The establishment and development of Vietnamese retail industry: First lessons*
- *Towards to the future*





**The road from  
Traditional Retail.....**

**....to a “retail industry”  
in Vietnam**





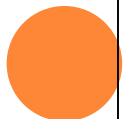
# *Concerns and expectations*

*At the time of Vietnam's entry to WTO, there existed opposite opinions:*

- 1. The possibility of collapse of traditional retail channels as well as modern ones (which have been developed in such a short time)*
- 2. Market opening with the presence of multi-national retail groups with their strength in finance, technology and network will lead the domestic retail industry to a turning point of competition*

**What is the fact in practice?**

**The Vietnam retail business community is not passive but step by step adapting to the new situation and improving their competitive ability**

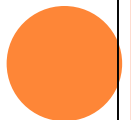






## *Concerns.....*

- The market is scattering, ineffective, mixing...
- Small market scale and poor purchasing power
- The main market is traditional retail, the modern one makes up only 20% nationwide (40%-42% in Ho Chi Minh City and 13% in Ha Noi)
- Retail companies are weak in terms of many aspects
- 4 existing weaknesses ( professional, long-term strategy, financial and logistic capacity)
- Low level of competitiveness





## ..... *and expectations*

- *Confirming that distribution - retail is a potential service industry with high added value and wide spill-over effects*
- *Developing distribution channels (both traditional and modern ones) especially putting focus on infrastructure development*
- *The Government has “the policy to encourage companies and individuals at all economic sectors to do business in distribution – retail areas and to develop human resources”*
- *Creating impetus for distributors to join in stabilizing market price, protecting the ecological environment, protecting the consumers’ health, building a modern and civilized economy*
- *(Overall planning for Vietnam Trade Development during 2011 -2020 and orientation towards 2030),*
- *Development growth rate of overall retail sales and service revenues (based on actual price) increase on average 19% - 20% per year during the period 2011-2015 and 20%-21% per year during the period 2016-2020*



# **Concerns and expectations**

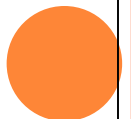
**So many difficulties and challenges**

**There still exists serious diseases....**

1. Development strategy for retail market at 3 levels: the State, industry and corporate
2. Professional, especially in corporate governance and suitable human resources
3. Poor infrastructure and ineffective logistics with supply chain, retail places...

**However, retail business community has made great efforts and achievements**

- **To affirm their role and position in the economy**
- **Service industry towards consumers**
- **Efforts to overcome difficulties in the context of financial crisis and global economic recession**
- **Ready for competition in the integration period**





## *The establishment and development of Vietnam retail industry after 5 years of WTO membership*

**Vietnamese distribution-retail market after 5 years of WTO membership:**

**Vietnamese retail industry established and affirmed their roles and position in the country's economy:**

**Data: The number of companies doing business in retail industry**

# Of total 248,842 companies active in Vietnam according to statistical yearbook 2010, there are 34,660 retail companies (not to mention the retail companies of motorbikes, cars and other vehicles)

It is noted that FDI projects in Vietnamese wholesale-retail industry which were licensed in 2010 account for the large share (177 of total 1,237 projects and registered capital is \$ 426,1 million of all industries' registered capital \$19,886.1 million)

# The contribution of wholesale and retail to GDP is increasing more and more and accounting for big share in economic sectors in

Vietnam (13.32% in 2005 increase to 14.43% in 2010)





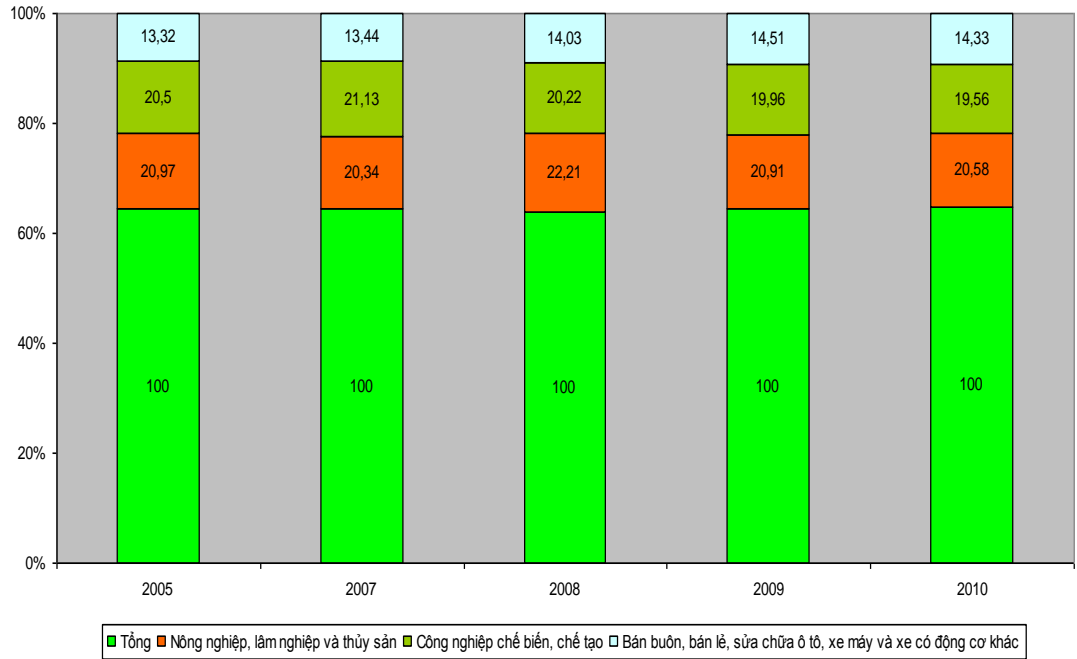
# *The establishment and development of Vietnamese retail industry*

- # **The number of labors** in wholesale and retail industry is third greatest, only after agriculture – forestry – aquiculture industry and processing and manufacturing industry: more than 5.5 million people of total more than 49 million labors nationwide
- # Of total retail revenues of goods and services in Vietnam, retail holds the dominant share of more than 79% (VND 1,220,780 billion) compared with other industries such as accommodation and food services (about 11%: VND 170,816 billions) and travel services (nearly 10%: VND 150,275.6 billions) according to the latest data of 2010)
- # Foreign direct investment outflow is still limited
- In general : Data in 2/2011: 575 projects invested in 55 countries and territories worldwide with the total registered capital of more than USD 23.7 billions, of which Vietnamese companies' capital reached more than USD 10 billions.
- For wholesale – retail sector, there are 98 projects with the invested capital of nearly USD 151 millions



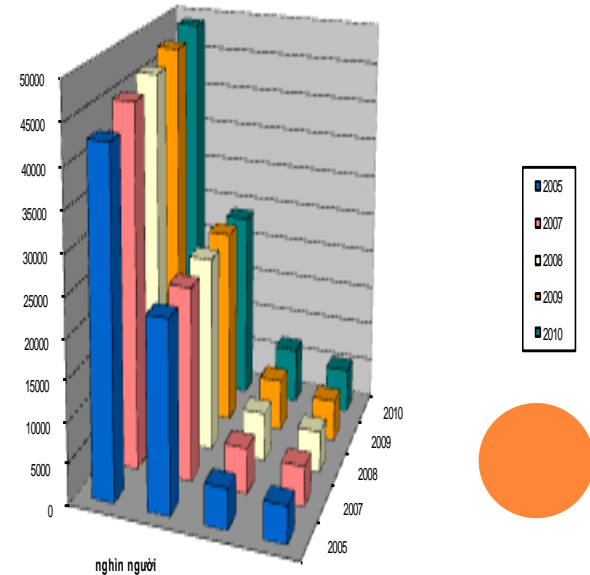
- *Source: Foreign Investment Agency, Ministry of Planning and Investment*

Cơ cấu tổng sản phẩm trong nước theo giá thực tế phân theo ngành kinh tế và phân theo thành phần kinh tế



# The establishment and development of Vietnamese retail industry

Lao động từ 15 tuổi trở lên đang làm việc tại thời điểm 1/7 hàng năm phân theo ngành kinh tế





# *The establishment and development of Vietnamese retail industry*

## **# The number of companies doing business in retail industry**

- Of total 248-842 companies active in Vietnam as of 31/12/2009 (2010 statistical yearbook), there are 34,660 retail companies (not to mention retail of motorbikes, cars and other vehicles) which are mainly small and medium sized companies, even super small ones
- Retail always holds dominant rates of more than 79%( VND 1,220,708 billions) compared with other sub-sectors such as accommodation, food services (about 11%: VND 170,816 billions) and travel services (nearly 10%: VND 150,275.6 billions) – the latest data of 2010.
- It should be noted that FDI projects in Vietnamese wholesale-retail industry which were licensed in 2010 account for large share (177 of total 1,237 projects and registered capital \$ 1 millions of all industries' registered capital \$ 19,886.1 millions)
- Comments





# *The establishment and development of Vietnamese retail industry*

## **Vietnamese retail market**

### **Overcoming the slow-down**

- 2009 – 2011: many severe difficulties and challenges ....negative growth rate in large retail market in the world
- Vietnam: Total retail revenues of goods and services in 2011 reached more than VND 2000 billions (about USD 90 billions), increased 24.2% compared to 2010
- The above growth rate is exclusive of price rise: 4.7%

### Comments:

- According to the forecast of the company providing consultancy and global market analysis services RNCOS: total revenues will reach USD 85 billions in 2012
- Vietnamese business Community has developed in many aspects: number, structure, network, human resources...
- ***“Crisis creates opportunities, please don’t miss it”***





# *The establishment and development of Vietnamese retail industry*

*5 years of WTO membership >> Market opening >>*

*The participation of foreign retailers:*

- >> New wind has changed the appearance of Vietnamese retail service industry*
- >> More options for consumers*
- >> Vietnamese retail companies have faced with pressure of competition ->> try to overcome themselves*
- >> The competition between modern and traditional retails ->> Consumers get benefits*

*Foreign invested companies present in Vietnam: Big C (16), Metro Cash & Carry (17), Parkson (04), Lotte (04), ... and many other brands.*







## □ NEW BRANDS – 2011 - 2012



### • Luxury brands:

Christian Louboutin,  
Chanel, Burberry, Cartier, Ralph Lauren, v.v

• Cosmetics: Dior, Chanel, M.A.C

• Fashion: GAP, DKNY, Warehouse, LYN Around

• Accessories: Coach, Charles David

• Fast foods: Subway, Burger King,  
Domino Pizza

• Ice-cream: Baskin Robbins

• Convenience Stores: Family Mart,  
G7-Ministop, Circle K ...





# *The establishment and development of Vietnamese retail industry*

- **Vietnamese retail market: diversified potential with long term prospect of a market with young population, strong growth, high pace of urbanisation...**
- **Expanding retail systems and improving service quality:**
  - Super market group: SaigonCoop, HaproMart, Satra Mart, BigC, Fivimart, Intimex; Maximark, ....
  - Group of companies specializing in electronics-machinery: Nhóm chuyên doanh điện tử - điện máy: Nguyễn Kim; Pico ; Trần Anh, Việt Long; HC Home Center ; Thiên Hòa, Topcare, MediaMart, ...
  - Group of specialized companies: Fahasa (Magazines, publications...) ; Phú Nhuận Jewelry (PNJ), Sai Gon Jewelry(SJC); Food Retail VNF1 ; MeLinh Hypermarket (Inter decor), VinatexMart (Garment and Fashion), Mobile World (mobile phones); Kangaroo (water filtering machine, civil electronics), ...
  - Shopping Centers: Diamand, Lotte, Parkson; International Joint Stock Company C&T (CT Group); Pico Plaza; ...
  - Convenience Stores: G7 – Ministop, Family Mart, ...
  - Distribution-retail network of manufacturers: Vinamilk (Milk and fruit juices); Unilever Vietnam(consumer goods); May 10, Việt Tiến, Nhà Bè (Garment); Vissan (Foods); Tôn Hoa Sen, Vina Giấy, Bitis, (Footwear) ,vv...
  - Network of traditional markets



# *The establishment and development of Vietnamese retail industry*

## ***Motivations:***

- Modern retail continues to develop strongly in Vietnam (Data in 5/2011: nearly 640 supermarkets/hypermarkets and 100 shopping centres...)
- Traditional retail channel has changed in terms of quality under pressure of competition. By the end of 2010, nearly 8,600 markets of all kinds. Not only shopping, going to market for funs is also a typical cultural characteristics of Vietnamese
- Internet, social networks and mobile phones are new opportunities for Vietnamese retail industry in the future
- Normal level: 100,000 people/big trading center, 10,000 people/super market/1-3 convenience store ->> modern retail in Vietnam is by far to meet the needs.
- ***The market still has much room for both overseas and domestic investors***





# *The establishment and development of Vietnamese retail industry*

## ***Motivations:***

- *Relatively young population with the effect of internet, television, travelling... has increased the need for shopping, especially the segment of customers with modern life style interested in high technology products*
- *Urbanization process and industrial life style ->> increase the need for convenience and time saving.... United Nations forecasts that urban population will increase to 50% in early 2040s (currently 29%) (Source: BMI)*
- *Modern Vietnamese consumers not only care about reasonable prices but also have the need for the freshness of products, promotion activities, safety, friendly and caring services*





# Towards the future

## *Message from the Prime Minister:*

“Our domestic market is a big market with high growth rate and stability

Companies should improve their competitiveness..., develop distribution system, consider it as a basis to set up the chain between manufacture, distribution and consuming as well as the basis for establishing stable distribution channel.

State agencies need to create favorable conditions for domestic companies to invest in developing distribution system with the aim to building Vietnamese strong retail companies. This must become political thinking and practical actions of leaders of industries and regions

Domestic market and companies are key factors creating internal power of our country”.







# Towards the future

- **Awareness:** to develop a modern distribution – retail industry with high effectiveness is the only way to become developed economy
- **Big challenges:** the shift of distribution-retail industry from traditional scale, definitions, structure, system and business practice to an effective commercial industry high productivity, modern technology and oriented-consumers ->> competitive distribution-retail market
- Modernization of retail industry – not simple
- Deeper integration ->> New environment, culture, society and appearance of Vietnamese consumers
- Competition
- Expanding the network and improving the service quality ->> business philosophy: For the benefits of community
- Refer to the experiences from international retailers, business associations in the world (retail associations of Japan, Korea, Singapore, Thailand...)





# Towards the future

- Sustainable development... from the starting point of 2011 – the first year of second decade, 21<sup>st</sup> century
- >>> Figures of some outstanding member companies: opening hundreds of new retail places (from shopping centers, super markets....to food stores, convenience stores...), diversifying services, improve service quality...

How does retail industry “float” in the integration process?

Vietnamese economy: Going to the sea... don't be “a group of coracle”!

The retail industry and “the ability to go to the sea” in integration: Express their determination>>Role, responsibility of associations as well as members and companies in the industry





# Towards the future

Community of retail companies:

Be ready to cooperate

Be ready for opening, integration and fair competition in the diversified, changeable retail market

Together improve the position of Vietnam in the world map of retail services

Towards to “ Retail industry for the benefits of future life and economy”

*Going to the sea with a suitable ship*





**Thank you!**

*Dr. Dinh Thi My Loan  
Vice President, General Secretary  
Vietnam Association of Retailers*

*Tel.:844.6275 3379; Fax:844.6275 3393  
loanmydinh@gmail.com*