

VIETNAM

BUSINESS REVIEW

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Yen fluctuation cause distress for big Vietnamese conglomerates



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ECONOMY

Annual Economic Report 2016

VOV - Vietnam's Annual Economic Report 2016 themed "Forging new foundations for economic growth" was announced by the Vietnam Institute for Economic and Policy Research (VEPR) on May 10.

The report said Vietnam's economy had recorded positive developments in the last two years, particularly in industrial production and real estate.

According to the report, new generation free trade agreements such as the TPP and the EU-Vietnam Free Trade Agreement (EVFTA) as well as the ASEAN Economic Community are creating favorable conditions for the private economic sector in Vietnam and the region.

With an improved business environment and reduced tariffs, foreign investment is expected to rise significantly, it said.

E-commerce saes rise rapidly



VNS - In the first 10 months – figures are available only for that period– the sales reported by 839 e-commerce websites were around

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VND11.6 trillion (US\$520 million) compared with VND8.1 trillion in the same period in 2014.

A recent survey of 105 websites by the Ministry of Industry and Trade's e-commerce and information technology department found that 89% of those portals sell products and the rest, services.

Most of them are based in HCM City (44%) or Hanoi (40%), with 97% belonging to companies. 2% are foreign-owned and 1%, State-owned.

13% do business both in the international and domestic markets, 8% focus on a single province and 3% focus completely on foreign markets.

Around 62% are on social networks, with Facebook alone accounting for 70%.

Computers, smart phones, electronic and digital products and office equipment are the most popular items bought online, accounting for 23%.

Fashion products and accessories also account for 23%.

They are followed by real estate (12%), household appliances (10%) and accommodation and tourism (8%).

Some of the most popular websites are pico.vn, lazada.vn, thegioididong.com, esale.zing.vn,

fptshop.com.vn, nguyenkim.com, hc.com.vn, and dienmaycholon.vn. 76% of websites said customers come back for a second time.

Over half the websites that took part in the survey said their major source of revenue is advertising while 23% collect fees on orders and 12 – 18% collect other fees like membership.

Despite the strong growth last year, e-commerce websites face operational challenges. For instance, around 31% of them suffer from a lack of quality human resources, not surprising considering there are around 200,000 websites and they each need at least one IT expert to manage them.

According to vietnamworks.com, demand for internet/online media professionals has surged in recent years.

Additionally, 25% of websites believe that customers who do not trust the quality of products sold online or who worry about paying online would hinder the industry's development, while 22% believe shipping costs are still too high and 20% complain about unhealthy competition among e-commerce websites.

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BANKS & FINANCE

Restructuring credit institution system top priority: SBV governor

VNS - Year 2015 was an important milestone in VN's int'l economic integration with two significant events: establishment of ASEAN Economic Community (AEC) and wrapping up of Trans-Pacific Partnership (TPP) negotiations.

VNS reporter Ngoc Bich talks with the State Bank of VN's Governor Le Minh Hung about the opportunities and challenges that the banking system will face in the near future.

How do you see the opportunities that TPP and AEC will offer to the Vietnamese banking sector?

In terms of openness and trade liberalisation, AEC establishment aims at creating a single market for all ten Southeast Asian countries, thereby giving them more preferential access to member markets and promoting their presence at the markets. The TPP agreement is deemed as "the 21st

century trade agreement" with large coverage, requirements for full liberalisation as well as regulations ensuring a stable and favourable business environment for investors. Specifically, joining the regional & int'l playground, will bring promising opportunities.

Firstly, it is expected that after the TPP comes into effect, VN will receive a large flow of foreign capital into the economy in general and the financial services sector in particular, facilitating the banking system to improve its financial capacity and access low-cost capital sources.

Secondly, participating in the AEC and TPP offers an opportunity for the Vietnamese banking sector to integrate more deeply into the regional and international financial markets.

What are the challenges the banking sector is facing?

First, int'l integration will increase the risks and vulnerability of the domestic financial market to movements in the world's market.

Secondly, VN is a potential market. Thus, the banking sector's openness will encourage large groups or banks from developed countries

among TPP members and from ASEAN's neighbouring countries to penetrate the domestic market.

What are the existing weaknesses of Vietnamese commercial banks?**What should they do to both integrate and compete efficiently?**

The first and most important thing is to enhance the competitive capacity, improve the capability of risk management and internal supervision. They also have to increase their equity, control asset quality and reduce non-performing loans to ensure the safety of the whole system.

In addition, people's financial product access, though much improved, is still at a low level. This shows that we have not explored drastically the market's potentiality. So under the circumstances of integration, commercial banks should diversify their customer base so that all walks of life will be provided with the banking system. This will help consolidate their position in the domestic playground. To both integrate and compete efficiently, banks should be aware of the opportunities and challenges and that international economic integration is a process.

INVESTMENT

More capital flows into HCMC real estate sector

VNA - More capital continues flowing into HCMC's real estate sector as local companies and foreign partners join hands to take advantage of the new housing law, which allow foreigners to buy houses in Vietnam.

Leading acquisition activities in the first quarter of 2016 is Dat Xanh Group, who spent 61 billion VND to bring its share at the Nong nghiep Print JSC to 111 billion VND to implement the Opal Tower project in Thu Duc District.

The Dat Xanh Group also received a transfer of over 100 bln VND from the Kim Khi Tower project of the HCMC Kim Khi (Metal) JSC in Dis.7.

Meanwhile, the Dream House JSC spent hundreds of billions of dong to buy the project located at 1177 Huynh Tan Phat in District 7.

Besides buying projects, local companies also partner with foreign partners. Nam Long Group and Japanese investors Hankyu Realty and Nishi Nippon Railroad signed a cooperation agreement to develop the Fuji Residence project in Dis.9 with a total investment of 1,300 bln VND (\$57m). The Phat Dat Realty Development JSC, An Gia Investment and Japan's Creed Group Investment

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Fund partnered to develop the River City project, worth \$500m, in District 7.

Minh Nguyen Long and L&L – LuckyLand companies will team up with Singapore's SynGience Finance Corps to implement the DepotMetro Tower project in District 12. SynGience will contribute 400 billion VND (17.6 million USD).

Other remarkable acquisitions in the city's real estate sector in the first quarter include Keppel Land's \$93.9m purchase of part of the Empire City project in District 2; Truong Loc Phat and Phat Dat's purchase of the project at 132 Ben Van Don in District 4; the selling of Thao Dien Plot to Capitaland Vietnam and Duxton Hotel Saigon being sold to New Life RE.

According to HCMC Real Estate Association (HoREA) in 2015, the city has approved the transfer of 23 projects, 2.55 times higher than 2014.

3 US investors plan \$4b real estate project in Thu Thiem

VIR - US companies Steelman Partners, Cantor Fitzgerald, and Weidner Resorts are looking to build a \$4b multifunctional project in Thu Thiem new urban area, according to newswire cafev.vn.

The three investors proposed the project at a recent meeting with HCMC People's Committee. Earlier, at a meeting with Prime Minister Nguyen Xuan Phuc, William Weidner, chairman and CEO of Weidner Resorts, said that the group of investors wanted to build a modern trade centre with multiple functions, including entertainment, offices to let, and a shopping mall, adding that by joining the Trans-Pacific Partnership, Vietnam would attract investment from all over the world, and that Ho Chi Minh City had a lot of potential for development.

The project is going to have an area of 11 hectares and is to be built in about three years. It is going to be the biggest investment by US private companies in Vietnam.

Steelman Partners has been rather active in Vietnam. The company joined the designing team of Grand Ho Tram integrated resort in the southern province of Ba Ria-Vung Tau and Happyland Hotel in the southern province of Long An. Cantor Fitzgerald provides investment services and is present in 30 markets all over the world. Weidner Resorts is a developer and manager of a multitude of hotels and five-star integrated resorts in the US and Asia.

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ENTERPRISES

Startups register businesses in Singapore, why?



VNN - Many Vietnamese startups are registering their business in Singapore instead of Vietnam.

Three years ago, Nguyen Hoang Trung, born in 1992, dropped out of KAIST in South Korea and teamed up with his friends to develop Lozi, a social network which shares information about fashion, places for the youth to eat and aesthetic services.

Lozi has 4 million hits every month, while Lozi's apps have 600,000 downloads. In late 2015, Lozi received a big investment sum from Golden Gate Ventures from Singapore and DesignOne from Japan.

Before receiving the investments, Lozi was valued at \$2 million. Analysts commented that the 7-digit investment is rarely offered to young businesses like Lozi.

Lozi is not alone. Analysts said there is a strong movement of Vietnamese choosing Singapore as the place for them to start up their

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business.

Nguyen Huu Tuat, CEO of mPos Vietnam, said mPos Vietnam now operates as a subsidiary of Softpay Mobile International, a company that Tuat and his co-workers established in Singapore in October 2014.

mPos Vietnam now develops apps which allow non-cash payment, with which mPos' devices can connect with smartphones and sellers can turn any smartphone into a mobile payment point. As such, a pavement shop can also accept payment in cards at low costs.

Besides Vietnam, mPos has also set up businesses in Singapore, Indonesia and Malaysia while it targets the Cambodian market.

Nguyen Minh Quy, CEO of Internet Novaon, who also registered business in Singapore, finds it understandable why Vietnamese now like setting up business in Singapore.

"In Singapore, you will need one dollar and two days only to set up a business," he said. "This is how the government encourages businesses."

Do businesses in Singapore 'grow up' faster?

When asked why Lozi decided to declare its birth in Singapore, Lozi

Hanoi's director Pham Quang Huy said Singapore is a developed economy, while the policies are open and welcome businesses from all over the world.

"Trees, if they are grown on fertile soil, will be able to grow fast," he said.

Huy went on to say that all businesses wish to expand their operation scale and reach out to the world market. The business registration in Singapore helps in implementing their plans.

Tuat, a co-founder of Softpay Mobile, said he wants to see the business grow and launch an IPO in the US and Hong Kong in the future.

"If so, our company must not be headquartered in Vietnam," he said.

The CEO of Novaon also noted that a business established in Singapore can more easily call for investment from investment funds. There are about 40 funds in Singapore.

Building strong small business brands for Vietnam

VOV - An effective brand strategy involves crafting a positive image of a company that invokes trust and confidence in the eyes of the public, says PhD Nguyen Quoc Thinh, a lecturer from the Vietnam University of Commerce.

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ENTERPRISES

A brand is one of the most valuable assets of any company, he said at a recent speech in Hanoi, and building and protecting a brand should be a high priority for all local businesses of any size.



In today's globalized business world, a brand has many benefits. It most often accounts for a consumer's decision to choose one company's product or service over that of another competitor.

Strong brands not only allow for a company to distinguish its product from that of its rivals but also permit it to charge a premium for its product, create reservoirs of goodwill and help it expand into new markets, said Mr. Thinh.

Who do you trust?

The fundamental problem that local companies face is that they are moving from a business climate largely characterized by cooperation with the government to one of open market competition. Mr. Thinh said most local companies as of yet haven't made the transition and have failed to take the initiative to fend for themselves

and effectively market themselves and establish their brand identity.

As evidence, he cited the results of a recent study conducted by the Vietnam University of Commerce. Since 2003, the government has had a program in place to help local companies create their brands internationally.

The program was specifically aimed at exporters, to encourage them to work in concert with the development of a national trademark. Yet a recent survey by the Vietnam University of Commerce revealed that only nine companies out of the 147 surveyed had ever heard of the program.

Ideally the program was supposed to work so that tra and basa catfish exports to overseas markets, such as the US, would be dually labelled as coming from Vietnam along with a specific company name, said Mr. Thinh.

"This would allow for the nurturing of both the 'Made-in-Vietnam' national trademark while simultaneously reinforcing the company brand."

He said it would also permit customers in the US to develop a high level of loyalty and trust in specific catfish brands shipped from Vietnam. As it stands now

customers only know that the catfish originated from Vietnam.

As a consequence, if a customer in the US purchases an inferior catfish product and is dissatisfied, the customer associates the poor quality with all products Made-in-Vietnam and not just the one specific company directly responsible.

"Think about it," said Mr. Thinh, if only one out of 70 companies produces an inferior product, the other 69 suffer the consequences in lost sales, diminished reputation and the national trademark is impaired.

"It's a sad situation."

Vu Xuan Truong from the Vietnam University of Commerce in turn pointed out the importance of local companies registering their brand names at the Office of Intellectual Property of Vietnam.

The most profitable companies around the globe, small and large, have a single thing in common, said Mr. Truong, they have established themselves as a leader in their particular industry by building a strong brand.

MARKET & PRICES

Car sales record 42% annual surge in April

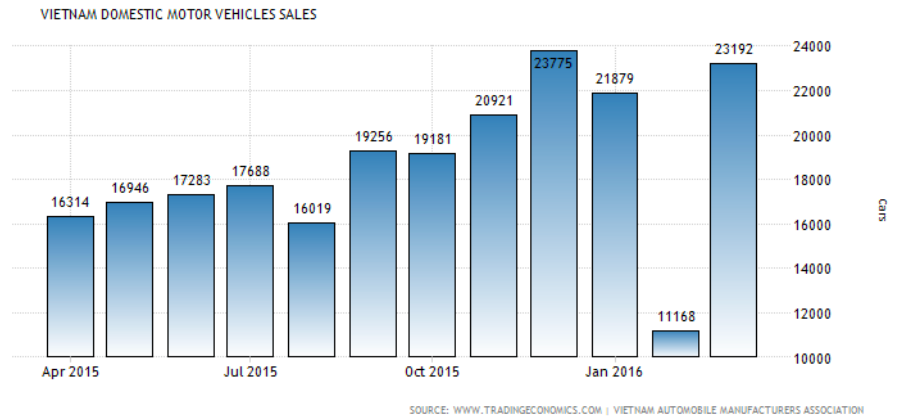
VOV - Car sales in Vietnam were posted at 25,725 units in April, soaring by 42% from a year earlier, according to VN Automobile Manufacturers' Association (VAMA). The sold volume comprises automobiles produced by VAMA members and imported by non-VAMA companies.

They include 13,743 passenger cars (up 3.7% from March), 9,663 commercial vehicles (up 5%), and 2,319 special-purpose vehicles (up 1.3%).

While 19,500 sold units were assembled domestically, a 2.5% decrease from the previous month, 6,225 others were completely built units (CBU) imported from other countries, rising by 29% month on month.

Regarding the sharp increase in the CBU sales, industry insiders said the special consumption tax rates on some automobiles with engine capacity of over 2,500 cubic centimeters will be raised substantially on July 1. Therefore, local people made use of the pre-July period to purchase imported CBUs to avoid higher prices.

In the first four months, 85,414 cars were sold, rising by 28% from the



same period last year. They included 66,121 domestically assembled units and 19,293 imported ones, up 37% and 4% year on year respectively.

Vietnamese prefer to patronize foreign-made goods

VOV - The vast majority of the nation's consumers say they prefer to purchase foreign made products instead of lower priced local alternatives, according to Dinh Thi My Loan, president of the Vietnam Retailers Association.

Speaking at a recent conference in Hanoi, Loan told guests that consumers are reporting they buy foreign goods because they perceive them as having higher quality and because they have upscale brand names.

"The brand names carry with them a certain prestige that similar locally produced products don't possess," said Loan.

"In the past, far too many businesses automatically assumed that the lower prices of locally produced goods were a positive and would drive their competitiveness with foreign goods entering the market," said Loan.

"But now they are finding out they were dead wrong," she said.

For some consumers in the nation, especially the younger ones, current fashions and trends are an important consideration when making the decision to acquire a product, said Loan.

Through television, these consumers are becoming increasingly aware of the fashions and trends in other parts of the world. Hence, the global fashions and trends dictate the preference for foreign goods for these individuals.

But increasing numbers of people are going for international brands rather than local ones, she said, because the product changes the

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image these consumers have of themselves.

It makes them feel proud, more beautiful or handsome, and smarter when they buy imported items because, to them, the purchase is a status symbol that depicts social acceptability and class.

At the Metro, Aeon and Lotte supercentres, which are rapidly gaining in domestic market share, foreign produced goods are pushing Vietnamese made products right off the shelves.

Currently, over 90% of all instant noodles at these stores come from Thailand, the RoK, Japan or Malaysia.

Mr Loan said even though a foreign package of noodles costs up to US\$.80 (VND16,000), three-fold that of a Vietnamese packet of noodles, many consumers still prefer them.

"When respect to glass housewares you won't find many stores selling Vietnamese made products," said Mr Loan.

"Most plates, bowls, cups and other glassware products are imported from Thailand, Germany or China." Overflowing with all sorts of imported goods, the Vietnam market is grappling with a serious lack of locally manufactured products in many retail establishments and product lines.

The attitudes and perceptions of consumers toward their choice of goods is sometimes fickle, said Loan. For example, electronic goods from Italy may be perceived as of poor quality but Italian clothing is perceived as fashionable and high quality.

Meanwhile, electronic goods made in Thailand are perceived with positive attitudes while their clothing and footwear is negatively perceived, she said.

Echoing similar sentiments, Nguyen Thi Thuy, deputy general director of Saigon Co.op said: "The problem with patronizing local products is that they are usually of inferior quality and in many instances downright shabby."

If you check out a foreign product, you will quickly realize that what they offer for a little higher price is generally of substantially better quality.

I don't find this encouraging for local companies, she said, unless they further improve their products durability and quality and institute brand building strategies to fully meet the needs of the nation's consumers.



LEGAL UPDATES

Guiding measures against corporate names that infringe industrial property rights

VLO - Joint Circular
No. 05/2016/TTLT-BKHCHN-

BKHDT dated April 05th, 2016 of the Ministry of Science and Technology - the Ministry of Planning and Investment on detailing and guiding measures against corporate names that infringe industrial property rights

This circular details and guides grounds for determining corporate names that infringe industrial property rights and measures against such infringements; procedures for changing corporate names, removing infringing elements in corporate names, revoking enterprise registration certificates of companies whose names infringe the industrial property rights

Accordingly, grounds for determining corporate names that infringe the industrial property rights shall comply with the law on intellectual property, and be concluded or decided by authorities competent to handle infringements or officials competent to impose administrative penalties in the field of industrial property.

Within 30 days as from the issuance of the written conclusion on the corporate name that comprises



elements infringing rights of brands, geographical indications and trade names that are protected, the infringement-handling authority shall facilitate the concerned parties in negotiating and reaching an agreement. If the concerned parties reach an agreement within the prescribed time-limit, the infringement-handling authority shall issue a notice recording such agreement and stop its settlement in this case.

However, if the concerned parties cannot reach an agreement and the violator does not stop using the name infringing the industrial property rights, the holder of industrial property rights is entitled to propose the business registration office for requesting the violator to change its name or remove elements infringing the corporate name. Then, the violator shall carry

out procedures for changing its name within 02 months as from receiving the notice of the business registration office (Article 9)

If after the prescribed time limit, the violating company has not changed its name, the infringement-handling authority shall grant a notice requesting the violating company to submit the explanatory report as regulated in Point c Clause 1 Article 209 of the Law on enterprises. After 06 months as from the end of the time-limit for submitting the explanatory report, if the violating company fails to submit such report as requested, the business registration office shall revoke the enterprise registration certificate. This Joint Circular takes effect from May 20th, 2016.

HIGHLIGHTS

US President to pay official visit to Vietnam from May 22-25



President of the United States of America Barack Hussein Obama will pay an official visit to Vietnam from May 22-25 at the invitation of Vietnamese leadership, according to the Vietnamese Ministry of Foreign Affairs.

On May 10 morning (US time), the White House's Press Secretary formally released a statement highlighting the President's travel to Vietnam and Japan.

The Vietnam News Agency's correspondents in Washington D.C. cited the statement as saying the US President is scheduled to visit Vietnam and Japan from May 21-28 as part of his 10th trip to Asia.

During his first ever visit to Vietnam, President Obama will hold official meetings with Vietnamese leadership to discuss ways for the US-Vietnam Comprehensive Partnership to advance the bilateral cooperation across a wide range of fields, including economics, people-to-people,

security, human rights as well as regional and global issues.

In Hanoi, the President will deliver a speech on US-Vietnam relations. During his meetings and events in Hanoi and Ho Chi Minh City, the President will discuss the importance of approving the Trans-Pacific Partnership (TPP) Agreement this year.

He will also meet with members of civil society, representatives from the Young Southeast Asian Leadership Initiative, entrepreneurs and the business community.

US, Japan, Australia continue fish imports in wake of mass fish deaths

PLVN - Despite mass fish deaths in central Vietnam, fish caught in the area are still being exported to major markets.

Nguyen Van Chin, director of the Bac Dau Seafood Company, said the fish are caught in the open sea, and not contaminated.

He also said that new orders for fish continue to be made.

"The fish we collect from fishermen will be examined to ensure that they have high quality," he said.

"And you must know that import countries such as Japan, South Korea and China always examine the imports very carefully and they

will refuse products if they find problems in quality," he said, adding that importers have not made complaints about Vietnam's exports.

Tran Van Linh, chair and general director of Thuan Phuoc Seafood & Trade Company, also confirmed that the exports to Europe, Australia and the US continue as usual amid information about the mass fish deaths in the central region.

Also according to Linh, while the average export price has decreased by 20-25 percent compared with 2014-2015, the company's export price still has increased by 10 percent. Every year, the company exports \$100 million worth of products.

Le Thi Huong, a fishing boat owner in Son Tra district of Da Nang City, also said her boat goes out to the open sea as usual, while seafood processing companies continue to collect fish from her.

However, he admitted that it was difficult to sell fish at domestic traditional markets because people fear they may accidentally buy bad fish.

In an effort to reassure the public about the quality of fish, Da Nang City's Mayor and other city's leaders, during a working visit to the fish port some days ago, bought

HIGHLIGHTS

100 kilos of fish and prepared meals at the port.

Local newspapers reported that Minister of Information and Communication Truong Minh Tuan on May 1, when visiting the Vung Ang Port, had lunch of cattle fish at Thanh Nhan Restaurant.

According to Secretary General of the Vietnam Association of Seafood Exporters and Producers (VASEP) Truong Dinh Hoe, Vietnam exported \$2b worth of seafood in the first four months of the year, an increase of 6.2% compared with the last year's same period. The US, Japan, China and South Korea are the biggest export markets for Vietnam.

Hoe said that exports were examined twice, before shipments by Vietnamese agencies, and after they arrived in foreign ports by import countries.

Big M&A deals to be made in 2016



Bizlive - Retail is leading the merger and acquisition (M&A) market in the number of M&A deals and value in 2016.

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The M&A deals in the retail sector in 2015 had total value of \$1.5 billion, which shows Vietnam is the key market in the eyes of foreign retail groups.

The deals, in which Thai BJC Group bought Metro Cash & Carry Vietnam at \$880 million and Power Buy, a subsidiary of Thai Central Group, bought 49 percent of stake of NKT, the owner of the Nguyen Kim home appliance distribution chain, are believed to be the most impressive.

Meanwhile, Vingroup is believed to be the biggest buyer. The conglomerate, established as a real estate developer, decided to jump into the retail sector and has acquired a 100 percent stake of Ocean Retail.

The US-based A.T. Kearney, a consultancy firm, believes that Vietnam ranks 28th among the most attractive retail markets in the world.

Analysts believe the retail market will be even hotter in 2016 with a series of Thai retail chains gearing up with their plans to buy Vietnamese retailers.

After wrapping up the Metro Cash & Carry deal, BJC has announced it would compete to take over Big C which is now owned by French Casino.

BJC has invested in Family Mart which has changed its name into B's Mart.

Consultancy firms are believed to be less hot than other business fields. However, a deal in the field which was made in early 2016 has become well known thanks to its expected influences on the service sector.

On January 7, 2016, TNK Capital Vietnam officially joined Ernst & Young Vietnam. Sources said the value of the deal was \$2-4 million.

Though it was not a big deal, analysts believe the deal would have important significance in the service sector, because Ernst & Young Vietnam is one of the leading consultancy firms in Vietnam with nearly 1,000 workers and experts.

According to Tran Vinh Du, an M&A expert, as more M&A deals are made, the demand for related services has increased rapidly, from consultancy and business valuation to legal services.

He also noted that more and more businesses are under restructuring, saying that this is useful for businesses which expand rapidly and have operation scale much larger than the initial scale.

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